

Attachment 4-H
Example Combined Audit & AUP
(Projects with 24 Units or more)

1.1.1. ANY TOWN LIMITED PARTNERSHIP

FINANCIAL AND COMPLIANCE REPORTS
DATE YEAR and YEAR

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Independent Auditors' Report

To the Partners of
Any Town Limited Partnership
DBA Any Town Apartments
City, State

USDA Rural Development
Servicing Office
City, State

We have audited the accompanying balance sheets of Any Town Limited Partnership (a limited partnership), DBA Any Town Apartments, Case No. 00-000-000000000, as of DATE YEAR and YEAR, and the related statements of operations, changes in partners' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, the evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Any Town Limited Partnership, at DATE YEAR and YEAR, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated DATE, 200X, on our consideration of Any Town Limited Partnership's internal control over financial reporting and 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 results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on page 17 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Partnership. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

CPA FIRM NAME

Certified Public Accountants

DATE, 200X

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
BALANCE SHEETS
DATE YEAR and YEAR

ASSETS

Current Assets	200X	200X
Cash	\$ 0	\$ 0
Accounts Receivable - Subsidy	-	-
Accounts Receivable - Tenants	-	-
Prepaid Expenses	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Restricted Cash and Funded Reserves		
Tenant Security Deposits	-	-
Reserve for Taxes & Insurance	-	-
Reserve for Replacement	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Rental Property		
Land	-	-
Buildings & Improvements	0	-
Furnishings & Equipment	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Less: Accumulated Depreciation	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Other Assets		
Capitalized Costs - Net	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total Assets	\$ 0	\$ 0
	<u><u>0</u></u>	<u><u>0</u></u>

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
BALANCE SHEETS - Continued
DATE YEAR and YEAR

LIABILITIES AND PARTNERS' EQUITY (DEFICIT)

Current Liabilities	200X	200X
Accounts Payable - Trade	\$ -	\$ -
Accrued Mortgage Interest	-	-
Accrued Real Estate Taxes	-	-
Current Portion of Mortgage Payable	-	-
	-	-
	-	-
 Deposit and Prepayment Liabilities		
Tenant Security Deposits	-	-
Prepaid Rents	-	-
	-	-
	-	-
 Long Term Liabilities		
Due to Partners	-	-
Mortgage Payable - Net of Current Portion	-	-
	-	-
	-	-
Total Liabilities	-	-
 Partners' Equity (Deficit)		
End of Period	-	-
	-	-
 Total Liabilities and Partners' Equity (Deficit)		
Equity (Deficit)	\$ -	\$ -
	-	-

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-000000000
STATEMENTS OF OPERATIONS
DATE YEAR and YEAR

	200X	200X
Rental Income		
Apartments	\$ -	\$ -
Less: Overage		
Tenant Utility Allowance		
Tenant Assistance Payments	-	-
Potential Rental Income	-	-
Less: Vacancies	-	-
Total Rental Income	-	-
Other Income		
Application Fees		
Laundry & Vending		
Interest Income		
Tenant Charges		
Other Income	-	-
Total Other Income	-	-
Total Income	-	-
Expenses		
Operating & Maintenance Expenses	-	
Utilities Expenses	-	
Administrative Expenses	-	
Taxes & Insurance	-	
Bad Debts	-	
Interest on Mortgage Payable	-	-
Total Expenses	-	-
Income / (Loss) from Operations	-	-
Non-Operating (Income) & Expense		
Interest Subsidy Income	-	
Interest Subsidy Expense	-	-
Depreciation	-	
Amortization	-	
Partnership Fees	-	-
Total Non-Operating Income & Expense	-	-
Net Income / (Loss)	\$ -	\$ -

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

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
STATEMENTS OF CHANGES IN PARTNERS' EQUITY (DEFICIT)
Years ended DATE YEAR and YEAR

	General Partner	Limited Partner	Total
Partners' Equity (Deficit), January 1, 200X			\$ -
Cash Distributions			-
Net Income / (Loss)			<u>-</u>
Partners' Equity (Deficit), December 31, 200X	-	-	-
Cash Distributions			-
Net Income / (Loss)			<u>-</u>
Partners' Equity (Deficit), December 31, 200X	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
STATEMENTS OF CASH FLOWS
Years ended DATE YEAR and YEAR

Operating Activities	200X	200X
Net Income / (Loss)	\$ -	
Adjustments to Reconcile Net Income / (Loss) to Net Cash From Operating Activities		
Depreciation & Amortization	-	
Decrease (Increase) in Assets:		
Accounts Receivable	-	
Prepaid Expenses	-	
Security Deposits - Funded	-	
Increase (Decrease) in Liabilities:		
Accounts Payable		
Accrued Interest	-	
Accrued Real Estate Taxes	-	
Security Deposits - Liability	-	
Prepaid Rents	-	
Net Cash From Operating Activities	<u>-</u>	<u>-</u>
Investing Activities		
Reserve for Taxes & Insurance	-	
Reserve for Replacement	-	
Purchase / Disposal of Rental Property	-	
Net Cash From Investing Activities	<u>-</u>	<u>-</u>
Financing Activities		
Advances from Partners		
Distributions	-	
Mortgage Principal Payments	-	
Net Cash From Financing Activities	<u>-</u>	<u>-</u>
Net Increase / (Decrease) in Cash	-	-
Cash at Beginning of Period	<u>-</u>	
Cash at End of Period	<u>\$ -</u>	<u>\$ -</u>
Supplemental Disclosures		
Interest Paid	\$ -	\$ -
Interest Subsidy	\$ -	\$ -

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
NOTES TO THE FINANCIAL STATEMENTS
Years ended DATE YEAR and YEAR

A. Organization

Any Town Limited Partnership (“the Partnership”) was formed in **Month Year**, under the laws of the State of **STATE**, for the purpose of constructing and operating a **00**-unit apartment community (“Any Town Apartments”) located in **CITY, STATE**. The community is financed by a USDA Rural Development **Section 515 Loan**, and therefore is regulated by Rural Development as to rent charges and operating methods. The apartment community began operations in **Month Year**.

The management of the Partnership and the ongoing management of Any Town Apartments are vested in the Partners. The Partnership has hired **MANAGEMENT COMPANY** an affiliate of one of the partners, to provide day to day management for the property. Compensation for such services is as determined under the partnership and management agreements.

B. Significant Accounting Policies

A summary of the Partnership’s significant accounting policies consistently applied in the preparation of the accompanying financial statements are as follows:

Basis of Accounting

The Partnership utilized the accrual basis of accounting, whereby income is recognized as earned and expenses are recognized as obligations are incurred.

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term investments with an original maturity of three months or less, cash on deposit, money market funds and certificates of deposit.

Tenant Receivable and Bad Debt Policy

Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move-out are charged with damages or cleaning fees, if applicable. Tenant receivable consists of amounts due for rental income, security deposit or the charges for damages and cleaning fees. The Partnership does not accrue interest on the tenant receivable balances.

The Partnership has not established an allowance for doubtful accounts and does not use the reserve method for recognizing bad debts. Bad debts are treated as direct write-offs in the period management determines that collection is not probable. Included in expenses are bad debts of \$XXX and \$XXX for the years ending DATE YEAR and YEAR, respectively.

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-000000000
NOTES TO THE FINANCIAL STATEMENTS - Continued
Years ended DATE YEAR and YEAR

B. Significant Accounting Policies – (Continued)

Rental Property

Rental property is recorded at cost. Improvements are capitalized, while expenditures for maintenance and repairs are expensed as incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the statements of operations. The rental property is depreciated over estimated service lives as follows:

Buildings & Improvements	40 years	straight-line
Land Improvements	20 years	straight-line
Furnishings & Equipment	7 years	straight-line

The Partnership reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including the low income housing tax credits and any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. There were no impairment losses recognized in YEAR or YEAR.

Partners' Equity

Profit and loss is to be allocated to GENERAL PARTNER (1%) (General Partner) and LIMITED PARTNER (99%) (Limited Partner) other than special allocations (as defined by the Partnership Agreement) and certain other items which would be specifically allocated to the partners in accordance with the Partnership Agreement.

Income Taxes

No provision or benefit for income taxes has been included in these financial statements since taxable income passes through to, and is reportable by, the partners individually.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
NOTES TO THE FINANCIAL STATEMENTS - Continued
Years ended DATE YEAR and YEAR

B. Significant Accounting Policies – (Continued)

Return to Owner

In accordance with the Loan Agreement(s), the maximum annual cash return to owner allowable by Rural Development for the Partnership is \$XXX or X% of the required equity investment of \$XXX and is allocated to the partners as formulated in the Partnership Agreement.

C. Mortgage Payable

Original Mortgage

The mortgage note is payable to Rural Development in monthly installments of \$XXX, at an interest rate of X% and a term of XX years, maturing in the year 20XX. As part of the Loan Agreement, the Partnership entered into an Interest Credit and Rental Assistance Agreement that reduces the monthly mortgage payment to \$XXX, which effectively lowers the interest rate to approximately 1% over the term of the loan. The mortgage liability of the Partnership is limited to the underlying value of the real estate collateral pledged.

Rehabilitation Mortgage

The mortgage note is payable to Rural Development in monthly installments of \$XXX, at an interest rate of X% and a term of XX years, maturing in the year 20XX. As part of the Loan Agreement, the Partnership entered into an Interest Credit and Rental Assistance Agreement that reduces the monthly mortgage payment to \$XXX, which effectively lowers the interest rate to approximately 1% over the term of the loan. The mortgage liability of the Partnership is limited to the underlying value of the real estate collateral pledged.

Maturities of the mortgage notes in each of the next five years are approximated as follows:

200X	\$	-
200X	\$	-
200X	\$	-
200X	\$	-
200X	\$	-

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-000000000
NOTES TO THE FINANCIAL STATEMENTS - Continued
Years ended DATE YEAR and YEAR

C. Mortgage Payable – (Continued)

Under the Loan Agreement(s) with Rural Development, the Partnership is required to make monthly deposits into the reserve for replacement account, and is subject to operating and return to owner restrictions.

There has been no significant change in interest rates available to the Partnership. Therefore, the fair value of the mortgage notes approximate the book value.

D. Related Party Transactions

Management Fee

The Partnership has entered into a management agreement with MANAGEMENT AGENCY, INC., an affiliate of the General Partner, to manage the rental operations of the apartment community. Property management fees expensed were \$XXX and \$XXX in 200X and 200X, respectively. The amount due to the management agent related to management fees as of DATE YEAR and YEAR totaled \$XXX and \$XXX, respectively.

Management Services

The management agent provides administrative services to the Partnership. The management agent was reimbursed \$XXX and \$XXX for the cost of site employee payroll and benefits during 200X and 200X, respectively.

Investor Asset Management Fee (if Applicable)

The Partnership shall pay to the Investment Limited Partner an annual asset management fee in the amount of \$XXX for its services in assisting in monitoring Partnership activities. The asset management fee is payable solely from the annual return to owner. To the extent that the Partnership cannot pay a return to owner, the fee shall accrue and be payable on a cumulative basis from future cash distributions. Accrued and unpaid fees totaled \$XXX as of DATE YEAR and YEAR and are included in Due to Partners in the accompanying Balance Sheets.

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
NOTES TO THE FINANCIAL STATEMENTS - Continued
Years ended DATE YEAR and YEAR

D. Related Party Transactions – (Continued)

Partnership Management Fee (if Applicable)

The Partnership shall pay to the General Partner an annual partnership management fee in the amount of \$XXX. The partnership management fee shall be payable solely from the annual return to owner and is non-cumulative. Partnership management fees expensed were \$XXX and \$XXX in 200X and 200X, respectively.

Development Fee (if Applicable)

The development agreement provides that a development fee of \$XXX be paid to the Developer, an affiliate of the General Partner, for providing certain development services and guarantees for the completion of the development of the apartment community. The total development fee was capitalized as a depreciable cost of rental property. As of DATE YEAR and YEAR, the amount of development fee deferred for future payment totaled \$XXX and \$XXX, respectively. Payment of the fee will occur as set forth in the Partnership Agreement.

E. Commitments and Contingencies

Interest Credit and Rental Assistance Agreement

Under an agreement with Rural Development, mortgage subsidy is provided which reduces the effective interest rate on the mortgage to approximately 1% over the life of the Loan Agreement. Rural Development may terminate the agreement if it determines that no subsidy is necessary or if the Partnership is determined to be in violation of the Loan Agreement(s) or Rural Development rules or regulations.

Rental Assistance Agreement

The Partnership has entered into a Rental Assistance Agreement with Rural Development commencing DATE, YEAR, providing rental assistance for XX units. The agreement provides for a maximum rental assistance commitment of \$XXX. The agreement expires automatically upon total disbursement of this amount, but is then renewable under contract with Rural Development pending congressional approval of budget authority.

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
NOTES TO THE FINANCIAL STATEMENTS - Continued
Years ended DATE YEAR and YEAR

E. Commitments and Contingencies – (Continued)

Housing Tax Credits (Unaudited) (if Applicable)

As incentive for investment equity, the Partnership applied for and received an allocation certificate for housing tax credits established by the Tax Reform Act of 1986. To qualify for the tax credits, the Partnership must meet certain requirements, including attaining a qualified basis sufficient to support the credit allocation. In addition, tenant eligibility and rental charges are restricted in accordance with Internal Revenue Code Section 42. Management has certified that each tax credit unit has met these qualifications to allow the credits allocated to each unit to be claimed.

Compliance with these regulations must be maintained in each of the fifteen consecutive years of the compliance period. Failure to maintain compliance with occupant eligibility, unit gross rent, or to correct noncompliance within a reasonable time period could result in recapture of previously claimed tax credits plus interest.

The expected availability of the remaining tax credits is as follows:

200X	\$	-
200X		-
200X		-
200X		-
200X		-
200X		-
200X		-
		-
	\$	-

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
NOTES TO THE FINANCIAL STATEMENTS - Continued
Years ended DATE YEAR and YEAR

E. Commitments and Contingencies – (Continued)

Restrictive Covenant (if Applicable)

The Partnership is bound by a restrictive covenant. The covenant states that XX% of the project property must be maintained as low-income housing for an initial compliance period of 15 years, and for the extended use period of an additional 15 years, unless terminated after the end of the initial 15-year period.

In addition, the covenant requires rent restrictions so that the units can be rented at a level that is affordable to persons with income at or below specific percentages of the area median gross income (“AMGI”). These restrictions are as follows:

Income Restrictions

XX units with household income at or below XX% of the AMGI
XX units with household income at or below XX% of the AMGI

Rent Restrictions

XX units with rents at XX% of the AMGI

F. Current Vulnerability Due to Certain Concentrations

The Partnership’s sole asset is Any Town Apartments. The Partnership’s operations are concentrated in the affordable housing real estate market. In addition, the Partnership operates in a heavily regulated environment. The operations of the Partnership are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, Rural Development and the State Housing Agency. Such administrative directives, rules and regulations are subject to change by an act of Congress or an administrative change mandated by Rural Development or the State Housing Agency. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
NOTES TO THE FINANCIAL STATEMENTS - Continued
Years ended DATE YEAR and YEAR

G. Concentration of Credit Risk (if Applicable)

The Partnership maintains its cash in financial institutions insured by Federal Deposit Insurance Corporation (FDIC). Deposit accounts, at times, may exceed federally insured limits. The Partnership has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

H. Reconciliation of Taxable Net Loss (Optional)

The Partnership's financial statements and tax returns are prepared on the accrual basis. A reconciliation of the financial statement net income/(loss) to the tax return ordinary income/(loss) of the Partnership, as reported on the Partnership's information return, for the years ended DATE YEAR and YEAR is as follows:

	200X	200X
Financial Statement Net Income / (Loss)	\$ -	\$ -
Reconciling Items:		
Book / Tax Difference for Depreciation	-	-
Book / Tax Difference for Amortization	-	-
Prepaid Rents Difference	-	-
	-	-
Partnership Tax Return Ordinary Income / (Loss)	\$ -	\$ -

SUPPLEMENTAL INFORMATION

1. Management Fee Calculation

The management fee is based on a fee per unit occupied by tenants during the month.

Total Qualified Units (XX * 12 months)	-
Less: Rent Free Unit	
Vacancies	
Total Occupied Units	-
Fee Per Unit (Effective MONTH, YEAR)	\$ -
	-
Management Fee Expense	\$ -
	-

2. Insurance Disclosure

The Partnership maintains Insurance coverage as follows:

	<u>Deductible</u>		<u>Coverage</u>
Property Coverage on Buildings	\$XXX		\$XXX
Comprehensive Business Liability	\$XXX		\$XXX
Fidelity / Employee Dishonesty	\$XXX		\$XXX

3. Return to Owner

In accordance with the Loan Agreement, the annual return to owner is as follows:

Maximum Return to Owner (See Note B)	-
	-
Budgeted Return to Owner	-
	-
Return to Owner Paid:	
Investor Asset Management Fee	
Partnership Management Fee	
General Partner Distribution	-
Limited Partner Distribution	-
	-
	\$ -

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

**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***

To the Partners of
Any Town Limited Partnership
DBA Any Town Apartments
City, State

USDA Rural Development
Servicing Office
City, State

We have audited the financial statements of Any Town Limited Partnership as of and for the year ended DATE, YEAR, and have issued our report thereon dated DATE, 200X. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Any Town Limited Partnership's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Partnership's internal control over financial reporting. According, we do not express an opinion on the effectiveness of the Partnership's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Partnership's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Partnership's financial statements that is more than inconsequential will not be prevented or detected by the Partnership's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Partnership's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Any Town Limited Partnership's financial statements are free of 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 statements 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*.

This report is intended for the information of the partners, management and the U.S. Department of Agriculture Rural Development and is not intended to be and should not be used by anyone other than these specified parties.

CPA FIRM NAME

Certified Public Accountants

DATE, 200X

The accompanying notes are an integral part
of these financial statements

Reportable Conditions of Non Compliance

DATE, YEAR – None Noted

Note to CPA / Borrower: *Follow YellowBook guidelines when reporting findings. This should include the statement of conditions, criteria, effect, cause and recommendations.*

Auditee's Comments on Prior Audit Resolution Matters Related to United States Department of Agriculture Rural Development Programs.

There were no significant unresolved findings from previous annual audits, physical inspections or management review reports during our audit of the 200X financial statements. There were no compliance findings noted during our audit of the 200X financial statements relating to physical inspections or management reviews for which the Partnership has not taken corrective action.

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Partners of
Anytown Apartments Limited Partnership
DBA Anytown Apartments
City, State

and

United States Department of Agriculture
Rural Development
Servicing Office
City, State

We have performed the procedures enumerated below, which were agreed to by the United States Department of Agriculture Rural Development and Anytown Apartments Limited Partnership ("Owner") the owner of Anytown Apartments ("Project") located in City, State, solely to assist those parties in evaluating that the accompanying Form RD 3560-10, Multiple Family Housing Borrower Balance Sheet, Form RD 3560-7, Multiple Family Housing Project Budget ("Financial Reports") and Supporting Documentation are prepared in accordance with the criteria specified in Rural Development Regulations contained in 7 CFR 3560 section 303(b) and section 306, in accordance with the determinations noted in Attachment 4-D of RD Handbook HB-2-3560, for the year ended DATE, YEAR. The owner is responsible for the presentation of the financial reports. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of Rural Development and the owner. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We examined selected receipts, invoices, and cancelled checks (or check imaging on original bank statement) that support administrative; and operating and maintenance expenses presented on Form RD 3560-7, Part II, line items 1-10 and 19-32 to determine they were incurred as part of the ongoing operations of the project. We selected a representative sample of invoices and supporting documentation, based on the sample size determined by Rural Development in Attached 4-D of RD Handbook HB-2-3560, for expenses included in Lines 1-10 and 19-32 of Form RD 3560-7 and determined that the services were eligible expenses, in accordance with Attachment 4-A of HB-2-3560, and the shipping address agreed to the project address. In addition, we confirmed a sample of the expenditures with the vendors to determine the invoice paid agreed to the vendor's records.

The accompanying notes are an integral part
of these financial statements

Findings:

Total Number of Invoices in Population:
Total Dollar Amount of Invoices in Population:
Total Number of Invoices Reviewed:
Total Dollar Amount of Invoices Reviewed:
Total Number of Invoices in Vendor Confirmation Sample:
Total Dollar Amount of Invoices in Vendor Confirmation Sample:
Total Number of Vendor Confirmations Not Received:
Total Dollar Amount of Vendor Confirmations Not Received:
Total Number of Deviations:
Total Dollar Amount of Deviations:

Note: *The CPA should provide enough detail for any deviations, that the user of the report would understand why the deviation is present.*

2. We confirmed the balance in the replacement reserve account presented on Form RD 3560-7, Part III, and confirmed that no amounts were encumbered by the financial institution that holds the accounts. We determined that all balances are within the FDIC insurance limits. We determined number of reserve account withdrawals from the original bank statements and compared the withdrawals to the amounts approved by Rural Development on Form RD 3560-12. We compared the invoices and cancelled checks (or check imaging on original bank statement) to the approved withdrawals from Rural Development.

Findings:

Total Number of Reserve Account Withdrawals:
Total Number of Withdrawals Authorized by Rural Development:
Total Dollar Amount of Reserve Account Withdrawals:
Total Dollar Amount of Withdrawals Authorized by Rural Development:
Total Number of Deviations:
Total Dollar Amount of Deviations:

The confirmation received from the financial institution agreed to the project's bank reconciliation and no encumbrances were noted on the confirmation. All withdrawals were paid to the vendors approved by Rural Development on Form RD 3560-12.

3. We obtained the Identity of Interest (IOI) company listing and Form RD 3560-31 from Rural Development and determined that the services provided and approved fees, if applicable, agree to the actual service and fees charged to the project. We examined a sample of invoices and determined that the services and charges are in accordance with the disclosures contained in Form RD 3560-31 as agreed to by Rural Development.

Findings:

Total Number of Forms RD 3560-31 Received:

Company Name 1:

Total Dollar Amount for the Year:

Total Number of Invoices in Population:

Total Dollar Amount of Invoices in Population:

Total Number of Invoices Reviewed:

Total Dollar Amount of Invoices Reviewed:

Company Name 2:

Total Dollar Amount for the Year:

Total Number of Invoices in Population:

Total Dollar Amount of Invoices in Population:

Total Number of Invoices Reviewed:

Total Dollar Amount of Invoices Reviewed:

The agree-upon procedures performed above and the management Representation Letter revealed no undisclosed IOI companies.

Note: *If an IOI Company performs more than one service for the project, the CPA should identify each service and fees associated with that service separately. Rural Development wants information that they can tie back to the 3560-7 and their internal IOI tracking procedures. For example:*

ABC Management Co.

Management Fees

Total Number of Invoices in Population:

Total Dollar Amount of Invoices in Population:

Total Number of Invoices Reviewed:

Total Dollar Amount of Invoices Reviewed:

Bookkeeping Fees

Total Number of Invoices in Population:

Total Dollar Amount of Invoices in Population:

Total Number of Invoices Reviewed:

Total Dollar Amount of Invoices Reviewed:

Payroll / Employee Benefits Reimbursement

Total Number of Invoices in Population:

Total Dollar Amount of Invoices in Population:

Total Number of Invoices Reviewed:

Total Dollar Amount of Invoices Reviewed:

The accompanying notes are an integral part
of these financial statements

We were not engaged to, and did not, conduct an audit of the subject matter, the objective of which would be the expression of an opinion on the agreed-upon procedures applied to the financial reports and supporting documentation of Anytown Apartments. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the owner and management agent of Anytown Apartments, and Rural Development, and is not intended to be and should not be used by anyone other than these specified parties.

CPA FIRM NAME

Certified Public Accountants

DATE, 2008

SUPPORTING DOCUMENTATION

INCLUDE FORMS
RD 3560-7 AND 3560-10

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-0000000000
SUPPORTING DOCUMENTATION TO FORMS RD 3560-10 AND 3560-7
Years ended DATE YEAR and YEAR

1. Accounts Receivable (3560-10, Line 7)

Accounts Receivable - Rental Subsidy	\$	-	
Accounts Receivable - Tenants		-	
Accounts Receivable - Other		-	\$ -
		_____	_____

2. Notes Payable (3560-10, Line 23)

Accrued Mortgage Interest	\$	-	
Accrued Real Estate Taxes		-	
Prepaid Rents		-	\$ -
		_____	_____

3. Other (3560-10, Line 27)

Due to Partners			\$ -

4. Miscellaneous (3560-7, Line 27)

Bad Debts	\$	-	
Other		-	\$ -
		_____	_____

ANY TOWN LIMITED PARTNERSHIP
DBA Any Town Apartments
Case No. 00-000-000000000
NOTES TO THE FINANCIAL STATEMENTS
Years ended DATE YEAR and YEAR

5. Accrual to Cash Adjustment (3560-7, Line 32)

Assets

Accounts Receivable	\$	-
Prepaid Expenses		-
Security Deposits		-

Liabilities

Accounts Payable - Trade		-
Accrued Real Estate Taxes		-
Security Deposits & Prepaid Rents		-

Other Adjustments

2008 Mortgage Payment made in 2007		-	\$	<u><u>-</u></u>
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The accompanying notes are an integral part
of these financial statements.