<u>FRANKLIN HOUSING AUTHORITY</u>

FINANCIAL STATEMENTS
&
SUPPLEMENTAL INFORMATION

FOR YEAR ENDED DECEMBER 31, 2021

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Franklin Housing Authority
Roster of Officials
For Year Ended December 31, 2021

Name of Member	Title
Derwin Jackson	President/CEO
Scott Black	Chairperson
Darlene Morton	Vice-Chairperson
Ethel Scruggs	Commissioner
Donell Lane	Commissioner
Bob Barrett	Commissioner

Independent Auditor's Report

To the Board of Commissioners
Franklin Housing Authority

Report on the Audit of the Financial Statements

Opinions
We have audited the financial statements of the Franklin Housing Authority (the "Authority") and the aggregate blended component units, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Authority and the aggregate blended component units, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Spring Johnson, L.P. and Chickasaw Senior Community, L.P., which represents 79 percent, 79 percent, and 50 percent, respectively, of the assets, net position, and revenues of the aggregate blended component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Spring Johnson, L.P. and Chickasaw Senior Community, L.P., is based solely on the reports of the other auditors.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements
The Authority's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplemental data, including the roster of officials, the schedule of changes in long-term debt by individual issue, and the financial data schedule are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are 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, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The roster of officials, schedule of changes in long-term debt by individual issue, financial data schedule, and schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the roster of officials, schedule of changes in long-term debt by individual issue, financial data schedule, and schedule of expenditures of federal awards are 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 July 12, 2022, 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 solely 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 effectiveness of the Authority's 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.

Henderson & Pilleteri, LLC

Birmingham, AL
July 12, 2022

Franklin Housing Authority's (the "Authority") Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify issues or concerns. U.S. generally accepted accounting principles (GAAP) requires the inclusion of this MD&A section as required supplementary information.

Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

a) Net position at December 31, 2021, increased to $24,167,876. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was $20,998,576 for 2020.
b) The business-type activities operating revenues at December 31, 2021, decreased to $6,697,484. Total operating revenues were $7,229,846 for 2020.
c) The total operating expenses of all programs for December 31, 2021, decreased to $6,344,189. Total operating expenses were $6,489,441 for 2020.
d) The Authority had no HUD capital contributions this year. Chickasaw Senior Community, LP, one of the Authority's Blended Component Units, did receive an influx of $2,777,355 in tax credit investor equity contributions, which is reported within the Authority's Statement of Revenues, Expenses and Changes in Fund Net Position as a Special Items, Net Gain.

OVERVIEW OF THE FINANCIAL STATEMENTS

For accounting purposes, the Authority is classified as an enterprise fund. Enterprise funds use the full accrual basis of accounting. The enterprise method of accounting is similar to accounting by the private sector.

This MD&A is intended to serve as an introduction to the Authority's basic financial statements.

The following statements are included:

- <u>Statement of Net Position</u> – This statement reports all financial and capital resources for the Authority. The statement is presented in the format where assets plus deferred outflows of resources minus liabilities and deferred inflows of resources equal "Net Position", formerly known as Net Assets or Equity. Assets and Liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Non-Current".

    1. 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.
    2. Restricted Net Position – This component of Net Position consists of restricted assets when constraints are placed on the assets by the creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.
    3. Unrestricted Net Position – This component of Net Position consists of assets that do not meet the definition of "Net Investment in Capital Assets" or "Restricted Net Position".

- <u>Statement of Revenues, Expenses, and Changes in Fund Net Position</u> – This statement includes operating revenues, such as rental income, net and federal grants, operating expenses, such as administrative, utilities, maintenance, and depreciation. This statement also includes non-operating revenues and expenses, such as capital grant revenue, investment income, and interest expense.

- <u>Statement of Cash Flows</u> – This statement discloses net cash provided by, or used for, operating activities, non-capital financing activities and from capital and related financing and investing activities.

PROGRAMS

<u>Conventional Public Housing</u> – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides operating subsidy and capital grant funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income (as defined in the HUD regulations).

Capital Fund Grants – The Authority's capital funds are received from the federal government through a formula driven computation. These funds are used to upgrade our facilities at various developments to give our residents the decent and safe living environment they need. Each year's grant funds must be entirely obligated within two years of inception of the grant, and entirely expended within four years.

Housing Choice Voucher and Mainstream Voucher Programs – Under the Housing Choice Voucher and Mainstream Voucher Programs, the Authority contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment (HAP) made to the landlord. The programs are administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions funding to enable the Authority to structure a lease that sets the participant's rent at 30% or up 40% of household income.

Community Services Grants – Community Services Grants include the Resident Opportunities and Self-Sufficiency (ROSS) Grants and Family Self-Sufficiency (FSS) Program Coordinator Grants, which are structured to encourage resident economic self-sufficiency through educational, training, and employment opportunities, with an emphasis on early years and school readiness in order to afford an opportunity for the best start possible.

Rental Assistance Demonstration (RAD) Program – The Authority was awarded, through a competitive process, the ability to convert a portion of its current and prior public housing units to Section 8 project-based vouchers. This new initiative from HUD is known as the Rental Assistance Demonstration program or RAD.

RAD offers a long-term, cost effective solution to preserve and enhance the country's public and affordable housing stock—including leveraging public and private funding to make much-needed improvements—by allowing Public Housing Authorities (PHA) to convert their current assistance to long-term project-based Section 8 contracts.

To date, the Authority has converted 174 units of public housing to limited partnership ownership with project-based Section 8 rental subsidy. The Authority is currently in the process of converting additional public housing units via RAD which are in various stages of the conversion process.

Continuum of Care Program – The Continuum of Care grant program is designed to promote communitywide commitment to the goal of ending homelessness; provide funding for efforts to quickly rehouse homeless individuals and families while minimizing the trauma and dislocation caused to homeless individuals, families, and communities by homelessness; promote access to and effect utilization of mainstream programs by homeless individuals and families; and optimize self-sufficiency among individuals and families experiencing homelessness.

Emergency Shelter Grants Program – The Emergency Shelter Grants Program (ESG) helps provide transitional housing, emergency shelter, and rental assistance to help people who are homeless or at risk of becoming homeless. ESG assists individuals and families quickly regain stability in permanent housing after experiencing a housing crisis or homelessness.

Component Units:

Franklin Housing Collaborative – Blended component unit of the Authority. It has been blended with the Authority and shares its management and Board members. The component unit is included in the consolidated financial statements of the primary government and transactions have been eliminated between the Authority and Franklin Housing Collaborative. There are no separately issued financial statements available.

Spring Johnson, L.P. – Spring Johnson, L.P. (Spring Johnson) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Spring Johnson was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 64-unit apartment project to serve qualified low-income families. Spring Johnson is composed of 42 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 22 units are straight tax credit units. Spring Johnson is a component unit of the Authority that has been blended with the Authority and indirectly through Franklin Housing Collaborative, shares its management and Board members. The component unit is included in the consolidated financial statements of the primary government and transactions have been eliminated between the Authority and Spring Johnson. Separately issued financial statements for Spring Johnson are available and may be obtained by contacting Vicky Mealer, Accounting Manager, Franklin Housing Authority, 200 Spring Street, Franklin, TN 37064.

Chickasaw Senior Community, L.P. – Chickasaw Senior Community, L.P. (Chickasaw Senior) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Chickasaw Senior was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 48-unit apartment project to serve qualified low-income seniors ages 60 and over. Chickasaw Senior is composed of 22 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 26 units are straight tax credit units. Chickasaw Senior is a component unit of the Authority that has been blended with the Authority and indirectly through Franklin Housing Collaborative, shares its management and Board members. The component unit is included in the consolidated financial statements of the primary government and transactions have been eliminated between the Authority and Chickasaw Senior. Separately issued financial statements for Chickasaw Senior are available and may be obtained by contacting Vicky Mealer, Accounting Manager, Franklin Housing Authority, 200 Spring Street, Franklin, TN 37064.

Cherokee Place, L.P. – Cherokee Place, L.P. (Cherokee Place) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Cherokee Place was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 76-unit apartment project to serve qualified low-income families. Cherokee Place is composed of 12 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 64 units are straight tax credit units. Cherokee Place is a component unit of the Authority that has been blended with the Authority and indirectly through Franklin Housing Collaborative, shares its management and Board members. The component unit is not included in the consolidated financial statements of the primary government as there has been no activity yet under Cherokee Place and there will be no activity until the closing on this project. There are no separate financial statements currently available as a result.

Shawnee Place, L.P. – Shawnee Place, L.P. (Shawnee Place) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Shawnee Place was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 50-unit apartment project to serve qualified low-income families. Shawnee Place is composed of 23 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 27 units are straight tax credit units. Shawnee Place is a component unit of the Authority that has been blended with the Authority and indirectly through Franklin Housing Collaborative, shares its management and Board members. The component unit is not included in the consolidated financial statements of the primary government as there has been no activity yet under Shawnee Place and there will be no activity until the closing on this project. There are no separate financial statements currently available as a result.

FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of December 31, 2021 and 2020.

TABLE 1 – STATEMENT OF NET POSITION

	2021	2020	Variance	% Change
Current Assets	$ 3,549,766	$ 5,108,922	$ (1,559,156)	-30.52%
Capital Assets, Net	29,485,622	27,457,467	2,028,155	7.39%
Other Noncurrent Assets	3,778,079	3,164,746	613,333	19.38%
Total Assets	36,813,467	35,731,135	1,082,332	3.03%
Current Liabilities	4,370,557	4,171,921	198,636	4.76%
Noncurrent Liabilities	8,275,034	10,560,638	(2,285,604)	-21.64%
Total Liabilities	12,645,591	14,732,559	(2,086,968)	-14.17%
Net Position				
Net Investment in Capital Assets	17,865,874	15,134,466	2,731,408	18.05%
Restricted	817,974	998,118	(180,144)	-18.05%
Unrestricted	5,484,028	4,865,992	618,036	12.70%
Total Net Position	$ 24,167,876	$ 20,998,576	$ 3,169,300	15.09%

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets decreased by $1,559,156 due to a decrease in cash and investments from capital, non-capital, and investing activities, as well as due to a decrease in housing inventory that is held for resale to eligible low-income homebuyers that is expected to be sold within the next 12 months. This decrease in housing inventory held for resale is a result of the Authority no longer believing that the remaining housing inventory will be sold within the next twelve months.

Capital assets, net increased by $2,028,155 due to continued capital investments in the of the development of the Cherokee Place and Shawnee Place LIHTC RAD conversion projects.

Other noncurrent assets increased by $613,333 due to the previously mentioned reclassification of housing inventory that is being held for resale to eligible low-income homebuyers out of current assets and into noncurrent assets. This increase is also a result of an increase in noncurrent notes receivables as a result of additional accrued interest receivable on the Reddick Street notes that are not expected to be collected within the next 12 months.

Current liabilities increased by $198,636 due to an increase in notes payable that are due and payable within the next 12 months. This increase is partially offset by a decrease in accounts payables due to vendors and a decrease in the current portion of operating borrowings.

Noncurrent liabilities decreased by $2,285,604 primarily due to the above noted increase in notes payable that are due and payable within the next 12 months. This decrease is partially offset by an increase in in noncurrent notes payable as a result of Franklin Housing Authority issuing a $1,275,000 promissory note for the acquisition of the Natchez Street Apartments, with $1,190,000 of this note payable not being due and payable within the next 12 months.

TABLE 2 – STATEMENTS OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION

The following table reflects the revenues and expenses as of December 31, 2021 and 2020.

	2021	2020	Variance	% Change
Operating Revenues				
Rental Income, Net	$ 1,124,993	$ 1,341,805	$ (216,812)	-16.16%
Federal & Other Government Grants	4,301,559	3,716,426	585,133	15.74%
Other	1,270,932	2,171,615	(900,683)	-41.48%
Total Operating Revenues	6,697,484	7,229,846	(532,362)	-7.36%
Operating Expenses				
Administration	2,118,274	1,870,870	247,404	13.22%
Tenant Services	187,123	168,868	18,255	10.81%
Utilities	486,297	568,205	(81,908)	-14.42%
Maintenance	933,087	984,775	(51,688)	-5.25%
General	581,518	873,292	(291,774)	-33.41%
Housing Assistance Payments	908,311	1,011,576	(103,265)	-10.21%
Depreciation	1,129,579	1,011,855	117,724	11.63%
Total Operating Expenses	6,344,189	6,489,441	(145,252)	-2.24%
Operating Income (loss)	353,295	740,405	(387,110)	-52.28%
Nonoperating revenues (expenses)				
Interest Revenue	147,100	142,460	4,640	3.26%
Interest and Amortization Expense	(32,434)	(49,445)	17,011	-34.40%
Special Items, Net Gain	2,701,339	4,460,300	(1,758,961)	-39.44%
Total Nonoperating Activity	2,816,005	4,553,315	(1,737,310)	-38.15%
Change in Net Position	3,169,300	5,293,720	(2,124,420)	-40.13%
Prior Period Adjustments	-	394,859	(394,859)	100.00%
Beginning Net Position	20,998,576	15,309,997	5,688,579	37.16%
Ending Net Position	$ 24,167,876	$ 20,998,576	$ 3,169,300	15.09%

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION

The Authority had an increase in net position of $3,169,300 this year versus an increase in net position of 5,688,579 (including a $394,859 prior period adjustment) in the prior year. This increase in net position this year was due to total revenues and special items, net gain exceeding total expenses.

The Authority had operating income of $353,295 including non-cash depreciation expense of $1,129,579 versus an operating income of $740,405 including depreciation expense of $1,011,855 in the prior year.

Total operating revenues decreased by $532,362 to $6,697,484 due to decreases in rental income net of bad debt expense and developer fee revenue (included in other revenue above), partially offset by an increase in HUD PHA operating grant revenue related to increases in subsidy recognized in the Low Income Public Housing, Capital Fund, Housing Choice Voucher, and Resident Opportunities and Self Sufficiency Programs, as well as due to the Authority recognizing and receiving HUD operating grant revenue via the Emergency Shelter Grant Program for the first time this year. This increase in grant revenues was partially offset by a decrease in the Mainstream Voucher Program and the Continuum of Care Program subsidy earned.

Total operating expenses decreased by $145,252 to $6,344,189 due to decreased utilities, maintenance, general, and housing assistance payments (HAP) expenses. Utilities expense decreased because of a decrease in water and electricity consumption.

Maintenance expenses decreased due to a decrease in maintenance contract costs. General expenses decreased primarily as a result of a decrease in Continuum of Care Program Rental Assistance Payments. HAP expense decreased as a result of a shift to payments of HAP to the blended component units, which get eliminated at the consolidated financial statement level as a result of the component units being presented as blended. These decreases were partially offset by increases in administration expense resulting from increases in administrative salaries and benefits, office expenses, and other administrative operating expenses, as well as an increase in depreciation expense as a result of an increase in depreciable assets on the books this year.

The special items, net gain balance of $2,701,339 is composed of $2,777,355 in capital contributions received by Chickasaw Senior Community, L.P. from the investor limited partner as per the terms of the Amended and Restated Agreement of Limited Partnership (the "Partnership Agreement") dated October 30, 2018, less available cash flows distributions of $76,016 paid by Chickasaw Senior Community, L.P. in accordance with their cash flow waterfall included within the Partnership Agreement. Since inception, capital contributions provided to Chickasaw Senior Community, L.P. have totaled $10,186,955. The total of all required capital contributions amounts to $9,262,000, subject to potential adjustments based on the amount of low-income housing tax credits ultimately allocated to the property in addition to other potential occurrences as more fully explained in the Partnership Agreement.

CAPITAL ASSETS

As of December 31, 2021, capital assets for the Authority and its blended component units' business-type activities were $29,485,622, net of accumulated depreciation. Capital assets include land, buildings, improvements, equipment, and construction in progress.

Major capital asset purchases during the current fiscal year included the following:

- Development costs associated with the Cherokee Place LIHTC RAD conversion
- Development costs associated with the Shawnee Place LIHTC RAD conversion
- Natchez Street Apartments land and buildings acquisition
- Chrysler Pacifica vehicle
- Security cameras system upgrade
- Parking lot at 198 Granbury Street

There were no major capital asset disposals during the current fiscal year.

DEBT OUTSTANDING

As of year-end, the Authority and its blended component units had $11,993,240 in debt outstanding compared to $12,966,181 last year, a decrease of $972,941. This debt is in the form of National and State Housing Trust Fund loans received from the Tennessee Housing Development Agency that the Authority turned around and loaned to Spring Johnson, L.P., and Chickasaw Senior Community, L.P. for the redevelopment and conversion of a portion of the Authority's public housing inventory to low-income housing tax credit ("LIHTC") Rental Assistance Demonstration ("RAD") projects. It also includes two loans obtained by the Authority to provide Franklin Housing Collaborative, a blended component unit of the Authority, the necessary funds to acquire condos to be resold as affordable housing for qualified low-income homebuyers. It also includes a loan obtained by Franklin Housing Collaborative for the acquisition of the Natchez Street Apartments, an affordable housing project now owed by Franklin Housing Collaborative. Lastly, it includes a construction and term loan on the Park Street RAD project, a construction and term loan on the Spring Johnson LIHTC RAD project obtained by Spring Johnson, L.P., another one of the Authority's blended component units, and a construction and term loan on the Chickasaw Senior LIHTC RAD project, another one of the Authority's blended component units.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.
- In December of 2019, COVID-19 emerged and has subsequently spread throughout the world. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Project's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown. The Authority has subsequently received authorization for additional operating subsidy from HUD to prepare for, prevent, and respond to COVID-19. The period of performance for when these additional subsidies can be expended ends December 31, 2021.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to Derwin Jackson, President/CEO, Franklin Housing Authority, (615) 794-1247.

FRANKLIN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	$	1,743,004
Restricted cash and cash equivalents		911,933
Investments		449,998
Due from HUD		213,728
Miscellaneous receivable		179,754
Tenants receivable, net of allowance of $2,043		18,387
Prepaid expenses and other assets		15,308
Inventories, net of allowance of $2,315		17,654
Total current assets		3,549,766
Noncurrent assets:		
Capital assets:		
Land and construction in progress		3,205,061
Buildings and equipment, net of depreciation		26,280,561
Total capital assets		29,485,622
Other noncurrent assets - deferred charges, net of accumulated amortization		136,397
Other noncurrent assets - assets held for resale		458,850
Notes, loans and mortgages receivable		3,182,832
Total noncurrent assets		33,263,701
Total assets	$	36,813,467

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2021

LIABILITIES	
Current liabilities:	
Accounts payable	$ 322,949
Accrued liabilities	29,189
Intergovernmental payables	6,169
Tenant security deposits	28,693
Unearned revenue	76,206
Other current liabilities	42,870
Compensated absences, current portion	31,350
Notes payable, current portion	3,811,106
Operating borrowings, current portion	22,025
Total current liabilities	4,370,557
Noncurrent liabilities:	
FSS escrowed liabilities	30,370
Compensated absences, net of current portion	73,154
Notes payable, net of current portion	7,808,642
Operating borrowings, net of current portion	351,467
Noncurrent liabilities - other	11,401
Total noncurrent liabilities	8,275,034
Total liabilities	12,645,591
NET POSITION	
Net investment in capital assets	17,865,874
Restricted	817,974
Unrestricted	5,484,028
Total net position	$ 24,167,876

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
FOR YEAR ENDED DECEMBER 31, 2021

OPERATING REVENUES	
Rental income, net of bad debts of $19,079	$ 1,124,993
Federal grants	4,301,559
Other	1,270,932
Total operating revenues	6,697,484
OPERATING EXPENSES	
Administration	2,118,274
Tenant services	187,123
Utilities	486,297
Maintenance	933,087
General	581,518
Housing assistance payments	908,311
Depreciation	1,129,579
Total operating expenses	6,344,189
Operating income (loss)	353,295
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	147,100
Interest and amortization expense	(32,434)
Income (loss) before special items	467,961
Special items, net gain	2,701,339
Change in net position	3,169,300
Total net position - beginning of the year	20,998,576
Total net position - end of the year	$ 24,167,876

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	$ 1,192,899
Federal grants	4,181,158
Other receipts	1,398,345
Payments to suppliers and Section 8 landlords	(4,098,692)
Payments to or on behalf of employees	(2,191,010)
Net cash provided (used) by operating activities	482,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(3,157,725)
Capital equity contributions	2,777,355
Principal payments on capital debt	(2,294,751)
Interest payments on capital debt	(13,859)
Proceeds from issuance of capital debt	1,691,498
Net cash provided (used) by capital financing activities	(997,482)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on operating borrowings	(269,688)
Payment of interest	(1,874)
Net cash provided (used) by non-capital financing activities	(271,562)
CASH FLOWS FROM INVESTING ACTIVITIES	
Collection of interest on investments	1,255
Proceeds from sale of investments held for resale	48,183
Available cash flow distributions	(76,016)
Net cash provided (used) by investing activities	(26,578)
Net increase (decrease) in cash and cash equivalents	(812,922)
Balances - beginning of the year	3,467,859
Balances - end of the year	$ 2,654,937

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

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2021

RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	353,295
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		1,129,579
Noncash forgiveness of debt		(100,000)
Proceeds from investments held for resale		(48,183)
Change in assets and liabilities:		
Receivables, net		(100,557)
Inventories, net		3,178
Prepaids and other assets		79,863
Assets held for resale		763,750
Other assets		(484,198)
Accounts payable		(1,177,739)
Intergovernmental payables		(2,235)
Unearned revenue		30,101
Other liabilities		52,307
Accrued liabilities		(16,137)
Compensated absences		(4,892)
Tenant security deposits		4,568
Net cash provided (used) by operating activities	$	482,700
SUPPLEMENTAL INFORMATION		
Non-cash capital and related financing activities:		
Forgiveness of Tennessee HTF Grant Note	$	100,000

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Franklin Housing Authority (the "Authority") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* Certain significant changes in the statements are as follows: The financial statements will include a Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

The Authority is a special-purpose government engaged only in business-type activities and therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of –
  - Statement of Net Position
  - Statement of Revenues, Expenses, and Changes in Fund Net Position
  - Statement of Cash Flows
- Notes to financial statements
- Required supplemental information other than MD&A

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "enterprise fund" in the basic financial statements. Significant Authority policies are described below.

A. The Reporting Entity
The Authority was established as a tax-exempt quasi-governmental entity under the United States Housing Act of 1937 for the purpose of providing affordable housing to low and moderate income families in Williamson County, Tennessee. The governing body of the Authority is composed of a 5 member appointed Board of Commissioners (the "Board"). The Mayor appoints the Board, who in turn hires the President/CEO. The Authority is governed by its charter and by-laws, state and local laws, and federal regulations. The Board is responsible for the establishment and adoption of policy. The execution of such policy is the responsibility of the Authority's management.

For financial reporting purposes, the financial reporting entity consists of (1) the primary government (the "Authority"), (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the primary government's financial statements to be misleading or incomplete. The Authority is financially accountable if it appoints a voting majority of an organization's governing body and (a) it is able to impose its will on the organization or, (b) there is potential for that organization to provide specific financial benefits to, or impose specific financial burdens on the Authority. The Authority may be financially accountable if an organization is fiscally dependent on the Authority. Based on these criteria; the following entities have been identified as component units of the Authority.

Franklin Housing Collaborative
Franklin Housing Collaborative (FHC) is a 501(c)(3) tax exempt not for profit organization, whose mission is to promote decent, safe and sanitary housing for persons of low-income or the elderly or infirmed in the State of Tennessee. It can also form partnerships and currently acts as a partner in each of the following partnerships.

- Senior Residence at Reddick Street, L.P. – FHC acts as a Class B Limited Partner. FHC has a .005% ownership interest in Senior Residence at Reddick Street, L.P.
- Reddick Street Associates I, L.P. – FHC, through FHC Reddick, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Reddick Street Associates I, L.P. FHC has a .009% ownership interest in Reddick Street Associates I, L.P.
- Spring Johnson, L.P. – FHC, through FHC Spring Johnson, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Spring Johnson, L.P. FHC has a .01% ownership interest in Spring Johnson, L.P. but has sole control over operations and decision making as the managing general partner.
- Chickasaw Senior Community, L.P. – FHC, through FHC Chickasaw, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Chickasaw Senior Community, L.P. FHC has a .01% ownership interest in Chickasaw Senior Community, L.P. but has sole control over operations and decision making as the managing general partner.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)

- Cherokee Place, L.P. – FHC, through FHC Cherokee Place, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Cherokee Place, L.P. FHC has a .01% ownership interest in Cherokee Place, L.P. but has sole control over operations and decision making as the managing general partner.
- Shawnee Place, L.P. – FHC, through FHC Shawnee Place, Inc., a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner in Shawnee Place, L.P. FHC has a .01% ownership interest in Shawnee Place, L.P. but has sole control over operations and decision making as the managing general partner.

Spring Johnson, L.P.
Spring Johnson, L.P. (Spring Johnson) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Spring Johnson was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 64-unit apartment project to serve qualified low-income families. Spring Johnson is composed of 42 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 22 units are straight tax credit units.

Chickasaw Senior Community, L.P.
Chickasaw Senior Community, L.P. (Chickasaw Senior) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Chickasaw Senior was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 48-unit apartment project to serve qualified low-income seniors ages 60 and over. Chickasaw Senior is composed of 22 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 26 units are straight tax credit units.

Cherokee Place, L.P.
Cherokee Place, L.P. (Cherokee Place) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Cherokee Place was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 76-unit apartment project to serve qualified low-income families. Cherokee Place is composed of 12 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 64 units are straight tax credit units.

Shawnee Place, L.P.
Shawnee Place, L.P. (Shawnee Place) is a limited partnership that was formed under the Tennessee Revised Uniform Limited Partnership Act exclusively to provide decent, safe, sanitary, and affordable housing for low-income persons and families in Franklin, Williamson County, Tennessee. Shawnee Place was formed to acquire, construct, develop, improve, maintain, own, operate, lease, dispose of and otherwise deal with a 50-unit apartment project to serve qualified low-income families. Shawnee Place is composed of 23 units that are subsidized based on tenant's income via the Section 8 Project-Based Vouchers Program as part of the Rental Assistance Demonstration (RAD) Program conversion of a portion of the Authority's Low Income Public Housing Units. The remaining 27 units are straight tax credit units.

The Authority both directly and indirectly controls the operations of FHC, and the Authority's Board also acts as the governing body for the organization. Also, through control over FHC, the Authority indirectly controls the operations of Spring Johnson, Chickasaw Senior, Cherokee Place, and Shawnee Place. Therefore, FHC, Spring Johnson, Chickasaw Senior, Cherokee Place, and Shawnee Place are presented as blended component units included in the balances of the primary government, thus all significant inter-program balances and transactions between FHC, Spring Johnson, Chickasaw Senior, Cherokee Place, Shawnee Place, and the Authority have been eliminated. No separate financial statements are issued for FHC, Cherokee Place, or Shawnee Place this year. Spring Johnson and Chickasaw Senior have there own separately issued financial statements that are audited by other auditors. Condensed financial statements have been included in *Note 14- Blended Component Units* in accordance with GASB Statement No. 61 for FHC, Spring Johnson, and Chickasaw Senior. As Cherokee Place and Shawnee place did not have any financial activities to report yet, these two entities are not included in the condensed financial statements this year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)

For the previously mentioned Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P., neither the Authority nor FHC are financially accountable for these limited partnerships and, in accordance with the terms of the limited partnership agreements, they do not have the ability to influence control or impose their will over these limited partnerships as they do not own a majority ownership interest in the limited partnerships and they do not have sole authority to manage and control the business of the limited partnerships, nor do they have a final say in the decision making process. Therefore, these two limited partnerships are not considered to be a part of the Authority's financial reporting entity and are not considered component units of the Authority. Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P. are instead treated as affiliated organizations of the Authority. See *Note 13 – Affiliated Organizations* for additional details regarding transactions between the Authority and these two affiliated organizations.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation
The Authority's financial statements are accounted for on the flow of economic resources management focus using the accrual basis of accounting. The accounting objectives are a determination of net income, financial position, and changes in cash flow.

All assets and liabilities associated with a proprietary fund's activities are included on the Statement of Net Position. Proprietary fund net position is segregated into Net Investment in Capital Assets, Restricted Net Position, and Unrestricted Net Position. Revenues are recognized when they are earned, and expenses are recognized when incurred. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are rental charges to tenants and operating subsidy grants from HUD. Operating expenses for proprietary funds include the cost of administrative expenses, maintenance expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The Authority applies restricted resources to fund restricted costs and unrestricted resources to fund unrestricted costs. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements.

The Authority has previously adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with this statement, the Authority accounted for all grants that qualify as non-exchange transactions, recognizing receivables and revenues when all applicable eligibility requirements are met. In addition, capital contributions are recorded on the Statement of Revenues, Expenses and Changes in Fund Net Position after income before contributions and before changes in net position.

Generally accepted accounting principles for state and local governments requires that resources be classified for accounting and reporting purposes into the following three net position categories:

- *Net investment in capital assets* – Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets.
- The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- The *unrestricted* component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component on net position.

C. Cash, Cash Equivalents, and Investments
Cash and cash equivalents include cash on hand, demand deposits, and money market accounts. For purposes of the statement of cash flows, the Authority considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. The carrying amounts reported on the balance sheet approximate fair values because of the short maturities of those investments.

D. Accounts Receivables
All receivables, save for a portion of notes, loans & mortgages receivables, are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. The allowance method is used to determine allowances for uncollectible accounts. Allowances are based upon historical trends and periodic aging of accounts receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Notes, Loans & Mortgages Receivables

Notes receivables relate to affordable housing construction activities where the Authority has loaned funds to affiliated organizations and blended component units to be used in the development of tax credit RAD affordable housing projects. The notes receivables are collectable as defined in the various loan agreements. Any portions of the notes receivables that are deemed due and collectable within the next twelve months are reported as current assets. The remaining notes receivables that are deemed collectable beyond the next twelve months are reported as noncurrent assets. Allowances are reported when accounts are proven to be uncollectible. The allowance method is used to determine allowances for uncollectible accounts. No allowance account has been set up as the Authority has determined that the notes are fully collectable as of December 31, 2021. Notes receivables due from the Authority's blended component units are eliminated within the overall financial statements but are fully disclosed within the financial statement footnote disclosures. *See Note 6 – Notes, Loans, & Mortgages Receivable* for additional details regarding all of the Authority's notes receivables.

F. Restricted Assets and Liabilities

Debt covenants, HUD regulations, and inter-local agreements restrict the use of certain assets. Restricted assets are offset by related liabilities in accordance with their liquidity.

G. Inventories

Inventories are accounted for using the first-in/first-out (FIFO) method and recorded at the lower of cost or market, net of allowance. Materials and supplies are recorded as inventories when purchased and as expenditures when used. Allowances are reported when materials and supplies are deemed obsolete.

H. Prepaid Items

Prepaid items consist of payments made to vendors for services that will benefit future periods.

I. Capital Assets

Capital assets include property, furniture, equipment, and machinery. Capital assets with initial, individual costs that equal or exceed $1,000 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Construction in progress consists of capital improvements funded by modernization grant programs. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	20-27.5
Furniture, equipment, and machinery	3-10

J. Capitalized Interest

Only interest associated specifically with debt used to construct or modernize physical structures is capitalized. Interest expense on notes payable, net of interest income on related debt proceeds are expensed during the project development period through the date of full availability. There was no capitalized interest during the year ended December 31, 2021.

K. Compensated Absences

The Authority's policy allows each employee to accumulate up to 240 vacation hours and be paid for them upon separation. Employees can accrue unlimited sick leave hours, but cannot be paid for any accumulated hours upon separation. The majority of employees utilize their annual accrual of vacation and sick leave during the year accrued. The Authority records compensated absences in the period they are earned and use a systematic allocation process to allocate between short-term and long-term liability classification.

L. Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report separate sections for deferred outflows/inflows of resources. These separate financial statement elements represent a consumption or acquisition of net position that apply to future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) or an inflow of resources (revenue) until then. The Authority has no items that meet these criteria.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Unearned Revenue
The Authority recognizes revenues as earned. An amount received in advance of the period in which it is earned is recorded as a liability under unearned revenue.

N. Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Income Taxes
The Authority is not subject to federal or state income taxes.

P. Recent Accounting Pronouncements

The Authority has adopted GASB Statement No.91, *Conduit Debt Obligation*. This statement clarifies what is a conduit debt obligation, clarifies how government issuers should account for and report commitments and arrangements associated with conduit debt obligations, and enhances note disclosures. The adoption of GASB Statement No. 91 had no material effect on the Authority's December 31, 2021 financial statements.

The Authority has adopted GASB Statement No.98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The adoption of GASB Statement No. 98 had no material effect on the Authority's December 31, 2021 financial statements.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

Cash and investments may be invested in the following HUD and Tennessee State approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and,
- Time deposits and repurchase agreements.

At December 31, 2021, the Authority's cash was in bank deposits or money market accounts, and investments were in certificates of deposit, all of which were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. The Authority's blended component units, including Franklin Housing Collaborative, Spring Johnson, L.P. and Chickasaw Senior Community, L.P., maintain cash in bank deposit accounts which, at times, may exceed federally insured limits. These entities have not experienced any losses in such accounts and they each believe that they are not exposed to any significant credit risk on cash and cash equivalents. The Authority's cash and investments balances at December 31, 2021 totaled $763,000 and $449,998, respectively. The Authority's blended component units' cash and investments balances at December 31, 2021 totaled $1,891,937 and $0, respectively.

Interest Rate Risk – The Authority's formal investment policy does not specifically address the exposure to this risk.

Credit Risk – The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

Custodial Credit Risk – The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Concentration of Credit Risk – The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk as it applies to Tennessee State Law – The Authority's policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be insured by federal depository insurance or the Tennessee Bank Collateral Pool, or collateralized by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of December 31, 2021, all bank deposits were fully collateralized or insured.

NOTE 3 – CAPITAL ASSETS

A. Changes in Capital Assets
Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	$ 1,222,289	$ 140,000	$ -	$ -	$ 1,362,289
Construction in progress	174,896	1,667,876	-	-	1,842,772
Total capital assets not being depreciated	1,397,185	1,807,876	-	-	3,205,061
Capital assets being depreciated					
Buildings and improvements	34,032,440	1,291,810	-	(3,750)	35,320,500
Equipment	1,888,842	58,039	-	3,750	1,950,631
Total capital assets being depreciated	35,921,282	1,349,849	-	-	37,271,131
Less accumulated depreciation for:					
Buildings and improvements	(9,326,723)	(969,651)	-	769	(10,295,605)
Equipment	(534,268)	(159,928)	-	(769)	(694,965)
Total accumulated depreciation	(9,860,991)	(1,129,579)	-	-	(10,990,570)
Capital assets, net	$27,457,476	$2,028,146	$ -	$ -	$29,485,622

B. Capital Grant Contributions
The Authority receives capital grant contributions from HUD. The Authority recognized no capital grant contributions for the fiscal year ended December 31, 2021.

NOTE 4 – ASSETS HELD FOR RESALE

On January 31, 2019, the Authority purchased six condo units at The Village at West Main Street with a purchase price of $930,700. The six condos were purchased using operating borrowings in the form of two loans obtained from Franklin Synergy Bank in the amount of $838,530 plus $92,170 in cash paid for by Franklin Housing Collaborative, Inc. The original intent was for Franklin Housing Collaborative to acquire ownership of these condos where the units would be held for resale as affordable housing to qualifying low-income families. Therefore, these condos were subsequently sold by the Authority to Franklin Housing Collaborative, Inc. via two Housing Authority loans with terms that mirror those in the Franklin Synergy Bank loans obtained by the Authority. These Housing Authority loans thus act as a flow-through where Franklin Housing Collaborative, Inc. repays the Franklin Synergy Bank loans directly on behalf of the Authority, and the Authority does not make any debt payments. See *Note 6 – Notes, Loans & Mortgages Receivable* for additional details regarding the two Housing Authority loans provided to Franklin Housing Collaborative, Inc. See *Note 7 – Notes Payable and Operating Borrowings* for additional details regarding the two Franklin Synergy Bank loans provided to the Authority. As the two Housing Authority loans are between the Authority and Franklin Housing Collaborative, Inc., a blended component unit of the Authority, these two Housing Authority loans are eliminated in the consolidated financial statements. Two of the six condos held for resale were sold during the current year. The cost of these assets that were sold amounted to $304,900, with proceeds from the sale of this unit amounting to $353,083. The net gain from the sale of this unit thus amounted to $48,183, which is included in other revenue on the face of the Statement of Revenues, Expenses, and Changes in Fund Net Position. Of the $458,850 in remaining assets held for resale at December 31, 2021, which represents the value of the three remaining condo units that have yet to be sold, none of these remaining units are expected to be sold within the next 12 months. Therefore, the remaining $458,850 in assets held for resale are classified as noncurrent assets on the face of the Statement of Net Position.

NOTE 5 – DEFERRED CHARGES AND AMORTIZATION

Tax credit fees are amortized on a straight-line basis over the 15-year tax credit compliance period for both Spring Johnson, L.P. and Chickasaw Senior Community, L.P. Amortization expense for the fiscal year ended December 31, 2021 for Spring Johnson, L.P. and Chickasaw Senior Community, L.P. was $7,548 and $5,504, respectively. At December 31, 2021, the remaining unamortized tax credit fees for Spring Johnson, L.P. and Chickasaw Senior Community, L.P. amounted to $64,849 and $71,548, respectively.

NOTE 6 – NOTES, LOANS & MORTGAGES RECEIVABLE

As of December 31, 2021, notes receivable, which include accrued interest receivable, were composed of the following:

The Authority loaned $1,000,000 to Senior Residence at Reddick Street, LP as evidenced by a Promissory Note issued to the Authority dated August 30, 2012. The loan is comprised of Housing Trust Fund (HTF) Competitive Grant Program funds originally borrowed by the Authority from the Tennessee Housing Development Agency (THDA) and then in turn loaned by the Authority to Senior Residence at Reddick Street, LP for the development of the Senior Residence Project, all of which is agreed to in detail in the Subordination Agreement, the HTF Working Agreement, and the Promissory Note. The Note has an interest rate of 5.00% per annum, compounded annually, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Senior Residence at Reddick Street, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the notes receivables within the next fiscal year. Noncurrent accrued interest receivable at December 31, 2021 amounted to $526,328 with $72,682 of this interest being recognized during the current fiscal year.	$ 1,526,328
The Authority loaned $500,000 to Senior Residence at Reddick Street, LP as evidenced by a Promissory Note issued to the Authority dated August 30, 2012. The loan is comprised of HUD Operating Fund Financing Program funds originally borrowed by the Authority from Suntrust Bank and then in turn loaned by the Authority to Senior Residence at Reddick Street, LP for the development of the Senior Residence Project, all of which is agreed to in detail in the Authority Public Housing Loan Agreement and the Promissory Note. The Note has an interest rate of 5.00% per annum until the date or repayment in full of this Note, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Senior Residence at Reddick Street, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Note Receivable within the next fiscal year. The Authority collected $250,000 on this loan in a previous year. Therefore, as of December 31, 2021, the outstanding principal owed to the Authority equals $250,000, with noncurrent accrued interest receivable making up the remaining $165,649 in the Note Receivable balance. $19,792 of the $165,649 in noncurrent accrued interest receivable was recognized during the current fiscal year.	415,649
The Authority loaned $562,000 to Reddick Street Associates I, LP as evidenced by 2 Promissory Notes issued to the Authority dated August 5, 2015. Note A is a promissory note in the amount of $512,000 comprised of Capital Funds that have been defederalized pursuant to the RAD Requirements. Note B is a promissory note in the amount of $50,000 comprised of CDBG Funds made available through a CDBG Contract for use in accordance with the CDBG Contract. Both notes have an interest rate of 1.00% per annum, with a maturity of 40 years from the date of the promissory notes. Payment of principal and accrued interest are payable to the Authority from Reddick Street Associates I, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Notes Receivable within the next fiscal year. Therefore, as of December 31, 2021, the outstanding principal owed to the Authority equals $562,000, with noncurrent accrued interest receivable making up the remaining $32,603 in the Notes Receivable balance. $5,887 of the $32,603 in noncurrent accrued interest receivable was recognized during the current fiscal year.	594,603

NOTE 6 – NOTES, LOANS & MORTGAGES RECEIVABLE (Continued)

The Authority loaned $550,620 to Franklin Housing Collaborative, Inc. (FHC) as evidenced by a Promissory Note issued to the Authority on January 31, 2019. The loan is comprised of defederalized funds from a loan that the Authority obtained from Franklin Synergy Bank and was provided in order for FHC to purchase four condo units at The Village at West Main Street. The loan is unsecured, bears interest at a rate of 0%, and is payable in 59 consecutive monthly principal payments of $1,835.40 beginning on March 2, 2019, with one final balloon payment of $442,331.40 due on February 2, 2024, the maturity date. As of December 31, 2021, the outstanding principal balance on this loan amounted to $373,492 as FHC repaid $136,749 of the loan principal balance during the current fiscal year upon sale of one of the condo units. $22,025 of this outstanding balance is due and payable within the next 12 months and is thus classified as a current asset. The remaining $351,467 is thus classified as a noncurrent asset. As this note receivable is between the primary government and FHC, a blended component unit of the Authority, this note receivable is eliminated in the consolidated financial statements.	373,492
The Authority loaned $287,910 to Franklin Housing Collaborative, Inc. (FHC) as evidenced by a Promissory Note issued to the Authority on January 31, 2019. The loan is comprised of defederalized funds from a loan that the Authority obtained from Franklin Synergy Bank and was provided in order for FHC to purchase two condo units at The Village at West Main Street. The loan is unsecured, bears interest at a rate of 5.5% per annum, and is payable in 59 consecutive monthly principal and interest payments of $1,782.06 beginning on March 2, 2019, with one final balloon payment of $259,182.36 due on February 2, 2024, the maturity date. During the year ended December 31, 2021, FHC repaid the remaining $132,939 of this loan upon the sale of one of the condo units. Therefore, as of December 31, 2021, this loan has a balance of $0 as it has been fully repaid and closed.	-
The Authority loaned $500,000 to Reddick Street Associates I, LP as evidenced by a Promissory Note issued to the Authority dated August 5, 2015. The loan is comprised of Housing Trust Fund (HTF) Competitive Grant Program funds originally borrowed by the Authority from the Tennessee Housing Development Agency (THDA) and then in turn loaned by the Authority to Reddick Street Associates I, LP for the development of the Reddick Street Project, all of which is agreed to in detail in the Subordination Agreement, the HTF Working Agreement, and the Promissory Note. The Note has an interest rate of 5.00% per annum, compounded annually, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Reddick Street Associates I, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Note Receivable within the next fiscal year. Therefore, as of December 31, 2021, the outstanding principal owed to the Authority equals $500,000, with noncurrent accrued interest receivable making up the remaining $146,252 in the Note Receivable balance. $30,774 of the $146,252 in noncurrent accrued interest receivable was recognized during the current fiscal year.	646,252

NOTE 6 – NOTES, LOANS & MORTGAGES RECEIVABLE (Continued)

In December of 2019, the Authority issued a promissory note for up to $732,997 to Tennessee Housing Development Agency (THDA) as evidence for a loan of National Housing Trust Fund funds. The Authority then turned around and passed these funds through to Spring Johnson, LP, who in turn issued a promissory note to the Authority for up to the same amount. The loan obtained from the Authority by Spring Johnson, LP was for the purpose of financing major rehabilitation of the Spring Street and Johnson Circle project as part of the conversion of public housing units to mixed financed affordable housing units via the Rental Assistance Demonstration ("RAD") Program, with the National Housing Trust Fund funds being available for use for the rehabilitation of 8 units of rental housing designated for extremely low income households with 100% of the funds expended for construction activities to specific units by April 30, 2021. The Loan bears interest at 0.00%. During the rehabilitation of the multifamily housing project known as Spring Street Johnson Circle, Williamson County, Tennessee, no payment of principal or interest shall be due (the "Construction Period"). Beginning the earlier of (a) thirty years following the end of the Construction Period and (b) the sale of the Property, Spring Johnson, L.P. shall pay the Authority any remaining interest and all outstanding principal, but in all events any remaining interest and all outstanding principal shall be due and payable December 31, 2050. This loan and the obligations within the note are secured by Mortgaged Property as defined and described in a Leasehold Deed of Trust, Assignment of Rents and Leases and Security Agreement executed by Spring Johnson, L.P. As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note receivable amounted to $732,997, and none of the principal has been collected yet. All of the outstanding note receivable balance is classified as a noncurrent asset as none of the note receivable is expected to be collected within the next 12 months. As this note receivable is between the Authority and Spring Johnson, LP, a blended component unit of the Authority, the notes receivable balance is eliminated for the consolidated financial statements.	732,997
On December 27, 2019, the Authority entered into a loan agreement with Spring Johnson, L.P. for financing in the maximum amount of $1,347,000 with proceeds coming from Replacement Housing Factor Grant Funds and from State of Tennessee Housing Trust Funds that were passed through the Authority. The loan is evidenced by a promissory note (the "Note") issued by Spring Johnson, L.P. and accrues interest at a rate of 1% per annum, compounding annually. During the rehabilitation of the multifamily housing project known as Spring Street / Johnson Circle (the "Development"), no payment of principal or interest shall be due (the "Construction Period"). Following the Construction Period, Spring Johnson, L.P. shall make annual payments to the Authority but only to the extent of Cash Flow and/or Capital Proceeds as each are defined in the First Amended and Restated Agreement of Limited Partnership for Spring Johnson, L.P. dated as of December 27, 2019 and in the priority of distribution as outlined in Sections 10.2(a) and 10.2(b) therein, respectively. From and after the Construction Period, in the event there is insufficient Cash Flow or Capital Proceeds for Spring Johnson, L.P. to make any portion or the entire annual payment for any given year ("Deficiency Amount"), the Deficiency Amount shall be deferred to the next annual payment date until there is available funds from Cash Flow or Capital Proceeds to pay such Deficiency Amount. Any remaining interest and all outstanding principal if not sooner paid shall be due and payable on December 27, 2059. In the event Spring Johnson, L.P. fails to make any of the payments required in the Note, such payment so in default shall continue as an obligation of Spring Johnson, L.P. until the amount in default shall have been fully paid and Spring Johnson, L.P. agrees to pay the same with interest thereon (to the extent legally enforceable) at a rate equal to the lower of five percent per annum or the maximum amount permitted by applicable law. The Note is secured by a Leasehold Deed of Trust, Assignment of Lease and Rents, and Security Agreement (the "Deed of Trust"). As of December 31, 2021, the outstanding principal balance was $832,497, with the Authority advancing $305,336 during the year. As of December 31, 2021, $16,701 in interest has been accrued, with all of the interest being earned this fiscal year, and $465,478 in principal being collected this year. All of the remaining outstanding note receivable balance is classified as a noncurrent asset as none of the remaining note receivable is expected to be collected within the next 12 months. As this note receivable is between the Authority and Spring Johnson, LP, a blended component unit of the Authority, the notes receivable balance is eliminated for the consolidated financial statements.	832,497

NOTE 6 – NOTES, LOANS & MORTGAGES RECEIVABLE (Continued)

In May of 2020, the Authority issued a promissory note for up to $843,000 to Tennessee Housing Development Agency (THDA) as evidence for a loan of National Housing Trust Fund funds. The Authority then turned around and passed these funds through to Chickasaw Senior Community, LP, who in turn issued a promissory note to the Authority for up to the same amount. The Loan was obtained as a source of construction financing for extensive rehabilitation to the Chickasaw Senior Community project as part of the conversion of public housing residential units to mixed financed affordable housing units via the Rental Assistance Demonstration ("RAD") Program, with the National Housing Trust Fund funds being available for use for the rehabilitation of 12 units of rental housing designated for extremely low income and elderly households. The Loan shall bear interest at 0.00%. Beginning the earlier of (a) thirty years from May 15, 2020 and (b) the sale of the Property, Chickasaw Senior Community, L.P. shall pay the Authority any remaining interest and all outstanding principal, but in all events any remaining interest and all outstanding principal shall be due and payable May 15, 2050. This loan and the obligations within the note are secured by Mortgaged Property as defined and described in a Leasehold Deed of Trust, Assignment of Rents and Leases and Security Agreement executed by Chickasaw Senior Community, L.P. As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note receivable amounted to $843,000, and none of the principal has yet to be collected. All of the outstanding note receivable balance is classified as noncurrent liability as none of the note receivable is expected to be collected within the next 12 months. As this note receivable is between the Authority and Chickasaw Senior Community, LP, a blended component unit of the Authority, the notes receivable balance is eliminated for the consolidated financial statements.	843,000
Total notes receivable (principal and interest) before internal eliminations	5,964,818
Elimination of internal notes receivable (principal and interest)	(2,781,986)
Total noncurrent notes receivable (principal and interest)	$ 3,182,832

NOTE 7 – NOTES PAYABLE AND OPERATING BORROWINGS

Notes Payable

Notes payable consists of a loan of up to $1,400,000 that was obtained by the Authority from Pinnacle Bank and which is evidenced by a promissory note issued by the Authority on May 16, 2017. The Note was obtained as a source of construction financing for extensive rehabilitation to the Park Street project as part of the conversion of 22 residential units to Rental Assistance Demonstration ("RAD"). The interest rate on this Note is subject to change based on changes in the index that is the Prime Rate of large U.S. Money Center Commercial Banks as published in the Wall Street Journal, which rate shall be adjusted on each day that the Index changes. The Index is not necessarily the lowest rate charged by Pinnacle Bank on its loans and is set by Pinnacle Bank in its sole discretion. The Index at the date of the loan was 4.0% per annum. Interest accruing under the Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, using an interest rate equal to 4.0% less than the Index, rounded to the nearest one-eighth of 1.0%, provided that the interest rate shall in no event be less than 0.0% per annum or greater than 5.0% per annum. The resulting initial rate at the time of the loan was thus equal to 0.0% per annum, which is where the rate ended up as of the fiscal year ended December 31, 2021. The loan is secured by a Construction Deed of Trust, Assignment of Rents and Security Agreement upon the Park Street project, and the buildings and improvements thereon. The Note has a maturity date of May 15, 2032. The promissory note states that in the event of a default on this loan, the lender may declare all indebtedness of the Authority to the lender under this note immediately due and payable without further notice of any kind notwithstanding anything to the contrary in this note or any other agreement.

Principal and interest on the Note shall be payable as follows:

a) On June 1, 2017, and on the like day of each succeeding month, a monthly payment of interest only shall be payable until May 1, 2018.
b) On June 1, 2018, and on the like day of each succeeding month, a monthly payment of principal in the amount of $4,375 plus interest shall be due and payable until final maturity.
c) The Authority shall make a principal payment or payments sufficient to reduce the principal balance to $1,050,000 by June 1, 2018.
d) The entire unpaid principal and all accrued interest and other charges shall be due and payable in a balloon payment on May 15, 2032.

As of December 31, 2021, the Authority owes $875,000 in principal of the available $1,400,000 in loan funds for ongoing rehabilitation and construction costs incurred. $52,500 in outstanding principal is expected to be repaid within the next 12 months with the remaining $822,500 being repaid over the remaining maturity period as outlined in the above bullet points and in the amortization schedule below. For the year ended December 31, 2021, the Authority incurred no interest expense and made no interest payments.

The anticipated aggregate maturity of this notes payable for the years subsequent to December 31, 2021 are as follows:

	Principal	Interest	Total
2022	$ 52,500	$ 10,784	$ 63,284
2023	52,500	10,119	62,619
2024	52,500	9,480	61,980
2025	52,500	8,788	61,288
2026	52,500	8,123	60,623
2027-2031	262,500	30,652	293,152
2032	350,000	1,986	351,986
Total	$ 875,000	$ 79,932	$ 954,932

NOTE 7 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Notes Payable (Continued)
Notes payable also consists of a National Housing Trust Fund loan of up to $732,997 that was obtained by Franklin Housing Authority from Tennessee Housing Development Agency (THDA) and which is evidenced by a promissory note issued by the Authority on December 27, 2019. The Loan was then passed through to Spring Johnson, L.P. as a source of construction financing for extensive rehabilitation to the Spring Street and Johnson Circle project as part of the conversion of public housing residential units to mixed financed affordable housing units via the Rental Assistance Demonstration ("RAD") Program, with the National Housing Trust Fund funds being available for use for the rehabilitation of 8 units of rental housing designated for extremely low income households with 100% of the funds expended for construction activities to specific units by April 30, 2021. The Loan shall bear interest at 0.00%. So long as there is no default with respect to the conditions set forth within the executed loan agreements, the grant contract, the Tennessee Housing Development Agency National Housing Trust Fund Program Declaration of Restrictive Covenants encumbering the Property, and the National HTF Program Requirements, the principal sum due and payable under the promissory note shall be forgiven at the end of the Affordability Period, which is thirty years from the date of project completion as defined in the National HTF Program Requirements. There is no partial forgiveness of this promissory note during the Affordability Period. In the event of a default under this Note, the Restrictive Covenants, the Grant Contract, the Deed of Trust, the National HTF Program Requirements, the full outstanding principal balance of the Note, together with any amounts due under the Deed of Trust, the Grant Contract, the Restrictive Covenants, or the National HTF Program Requirements shall be immediately due and payable without demand or notice. Amounts not paid to THDA when due shall bear interest at the maximum lawful rate. As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note payable amounted to $732,997, with $366,498 being advanced to the Authority during the year. No principal has yet to be repaid or forgiven. All of the outstanding note payable balance is classified as noncurrent liability as none of the note payable is expected to be repaid or forgiven within the next 12 months.

Notes payable consists of a Tennessee State Housing Trust Fund loan of up to $500,000 that was obtained by Franklin Housing Authority from Tennessee Housing Development Agency (THDA) and which is evidenced by a promissory note issued by the Authority on August 14, 2020. The Loan was then passed through to Spring Johnson, L.P. as a source of construction financing for major rehabilitation to the Spring Street and Johnson Circle project as part of the conversion of 64 permanent residential rental housing units located in the Spring Street/Johnson Circle development in Franklin, Williamson County, TN. The Loan shall bear interest at 0.00%. So long as there is no default with respect to the conditions set forth within the Deed of Trust encumbering the property located in the Spring Street/Johnson Circle development, the THDA HTF Competitive Grants Program Declaration of Restrictive Covenants encumbering the property, the Tennessee HTF Program Requirements, and the Working Agreement, the principal sum due and payable under the promissory note shall be forgiven as follows:

1. The first reduction of twenty percent (20%) of the original principal sum due under this note shall occur on the date that is one (1) year from the date the property is first available for occupancy, so long as the conditions set forth within the note are met. The date the property is first available for occupancy shall be determined by the date the first certificate of occupancy is issued for the property by the City of Franklin, Tennessee or, if a certificate of occupancy is not issued, the date of recordation of the notice of the completion of the property.
2. Subsequent annual reductions, each in the amount of twenty percent (20%) of the original principal sum due under this note, shall occur in each subsequent year on the same month and day as the first reduction, so long as the conditions set forth within the note are met.

In the event of a default under this Note, the Deed of Trust, Restrictive Covenants, the Tennessee HTF Program Requirements, or the Working Agreement, the full outstanding principal balance of the Note, together with any amounts due under the Deed of Trust, the Restrictive Covenants, the Tennessee HTF Program Requirements, or the Working Agreement shall be immediately due and payable without demand or notice. Amounts not paid to THDA when due shall bear interest at the maximum lawful rate. As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note payable amounted to $400,000, with $50,000 being advanced to the Authority and $100,000 of this note payable being forgiven during the year. As the date the first certificate of occupancy was effective April 2020, 20% of the $500,000 outstanding note payable balance, or $100,000, was forgiven during the year, with another $100,000 being expected to be forgiven within the next 12 months. Thus, $100,000 of the $400,000 in remaining outstanding principal on this note payable is classified as a current liability, with the remaining outstanding note payable balance of $300,000 being classified as a noncurrent liability since it is not expected to be repaid or forgiven within the next 12 months.

NOTE 7 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Notes Payable (Continued)

Notes payable also consists of a National Housing Trust Fund loan of up to $843,000 that was obtained by Franklin Housing Authority from Tennessee Housing Development Agency (THDA) and which is evidenced by a promissory note issued by the Authority on May 15, 2020. The Loan was then passed through to Chickasaw Senior Community, L.P. as a source of construction financing for extensive rehabilitation to the Chickasaw Senior Community project as part of the conversion of public housing residential units to mixed financed affordable housing units via the Rental Assistance Demonstration (“RAD”) Program, with the National Housing Trust Fund funds being available for use for the rehabilitation of 12 units of rental housing designated for extremely low income senior households with 100% of the funds expended for construction activities to specific units by March 31, 2021. The Loan shall bear interest at 0.00%. So long as there is no default with respect to the conditions set forth within the executed loan agreements, the grant contract, the Tennessee Housing Development Agency National Housing Trust Fund Program Declaration of Restrictive Covenants encumbering the Property, and the National HTF Program Requirements, the principal sum due and payable under the promissory note shall be forgiven at the end of the Affordability Period, which is thirty years from the date of project completion as defined in the National HTF Program Requirements. There is no partial forgiveness of this promissory note during the Affordability Period. As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note payable amounted to $843,000, and no principal has yet to be repaid or forgiven. All the outstanding note payable balance is classified as noncurrent liability as none of the note payable is expected to be repaid or forgiven within the next 12 months.

Notes payable also consists of a loan of up to $6,740,000 that was obtained by Spring Johnson, L.P. from Franklin Synergy Bank and which is evidenced by a promissory note issued by Spring Johnson, L.P. on December 27, 2019. The Note was obtained as a source of construction financing for extensive rehabilitation to the Spring Street and Johnson Circle project as part of the conversion of 42 residential units to Rental Assistance Demonstration (“RAD”). The Note bears interest at the variable rate of the Prime Rate as published in the Wall Street Journal as it may change each month minus 4%, based on a 360-day year and actual days elapsed (based on Lender's election after evaluating the availability of the corresponding State of Tennessee Community Investment Tax Credits (CITC). Provided, however, in no event shall the rate charged on the Note ever fall below a rate of 0% per annum. Provided, further, if at any time after closing, and without waiving any other rights of Lender, the CITC are not available to Lender at the variable rate of the Prime Rate plus one-quarter of one percent, as it may change each month. If more than one Prime Rate is published in the Wall Street Journal, then Lender shall apply the higher of such rates. In no event shall the interest rate charged exceed the maximum lawful rate. The resulting initial rate at the time of the loan was thus equal to 0% per annum, which was also the interest rate as of the fiscal year ended December 31, 2021. The loan is secured by a Construction Deed of Trust, Assignment of Rents and Security Agreement upon the Spring Johnson project, and the buildings and improvements thereon. The Note shall be due and payable in installments in accordance with the terms of the Loan Agreement. On February 28, 2022 (subject to (i) earlier maturity or (ii) the conversion of the loan (as defined in the Loan Agreement) to a term facility, each as provided for in the Loan Agreement), all principal, interest, and expenses then outstanding shall be finally due and payable. The promissory note states that in the event of a default on this loan, the lender may declare all indebtedness of Spring Johnson, L.P. to the lender under this note immediately due and payable without further notice of any kind notwithstanding anything to the contrary in this note or any other agreement. Of the $6,740,000 in outstanding principal on December 31, 2021, $3,491,662 was repaid in 2022, with the remaining $3,248,338 in outstanding principal being converted to a permanent loan, with monthly principal payments beginning in June 2022 of $9,027.78 plus accrued interest each month and monthly interest calculated using the same rates used for the construction loan, with the permanent loan having a maturity date of September 30, 2023. Therefore, of the remaining $6,740,000 in outstanding debt principal at fiscal year-end December 31, 2021, $3,554,856 (One-time payment of $3,491,662 plus 7 monthly principal payments of $9,027.78 between June 1, 2022 and December 31, 2022) is classified as a current liability, with the remaining $3,185,144 being classified as a noncurrent liability on the face of the Statement of Net Position.

The anticipated aggregate maturity of this notes payable for the years subsequent to December 31, 2021 are as follows:

	Principal	Interest	Total
2022	$ 3,554,856	$ -	$ 3,554,856
2023	3,185,144	-	3,185,144
Total	$ 6,740,000	$ -	$ 6,740,000

NOTE 7 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Notes Payable (Continued)
Notes payable also consists of a National Housing Trust Fund loan of up to $732,997 that was obtained by Spring Johnson, L.P. from Franklin Housing Authority who had originally obtained the grant loan from Tennessee Housing Development Agency (THDA) and which is evidenced by a promissory note issued by Spring Johnson, L.P. on December 27, 2019. The Loan was obtained as a source of construction financing for extensive rehabilitation to the Spring Street and Johnson Circle project as part of the conversion of public housing residential units to mixed financed affordable housing units via the Rental Assistance Demonstration ("RAD") Program, with the National Housing Trust Fund funds being available for use for the rehabilitation of 8 units of rental housing designated for extremely low income households with 100% of the funds expended for construction activities to specific units by April 30, 2021. The note is a nonrecourse obligation and at all times will be subordinate to the rights of Franklin Synergy Bank, its successors and assigns, under a $6,740,000 promissory noted dated as of December 27, 2019. The Loan shall bear interest at 0.00%. During the rehabilitation of the multifamily housing project known as Spring Street Johnson Circle, Williamson County, Tennessee, no payment of principal or interest shall be due (the "Construction Period"). Beginning the earlier of (a) thirty years following the end of the Construction Period and (b) the sale of the Property, Spring Johnson, L.P. shall pay any remaining interest and all outstanding principal, but in all events any remaining interest and all outstanding principal shall be due and payable December 31, 2050. This Loan and the obligations within the Note are secured by Mortgaged Property as defined and described in a Leasehold Deed of Trust, Assignment of Rents and Leases and Security Agreement executed by Spring Johnson, L.P. As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note payable amounted to $732,997, with $366,498 being advanced to Spring Johnson, L.P. during the year. No principal has been repaid yet. All the outstanding note payable balance is classified as noncurrent liability as none of the note payable is expected to be repaid within the next 12 months. As this note payable is between the Franklin Housing Authority and Spring Johnson, L.P., a blended component unit of the Authority, this notes payable balance is eliminated for the consolidated financial statements.

Notes payable also consists of a Franklin Housing Authority loan of up to $1,347,000 that was obtained by Spring Johnson, L.P. from the Authority with proceeds coming from Replacement Housing Factor Grant Funds and from State of Tennessee Housing Trust Funds that were passed through the Authority to Spring Johnson, L.P. The Loan was obtained as a source of construction financing for major rehabilitation to the Spring Street and Johnson Circle project as part of the conversion of 64 permanent residential rental housing units located in the Spring Street/Johnson Circle development in Franklin, Williamson County, TN. The note is a nonrecourse obligation and shall bear interest at a rate of 1.00% per annum, compounded annually until the date of repayment in full of this Note. During the rehabilitation of the multifamily housing project known as Spring Street / Johnson Circle (the "Development"), no payment of principal or interest shall be due (the "Construction Period"). Following the Construction Period, Spring Johnson, L.P. shall make annual payments to the Authority but only to the extent of Cash Flow and/or Capital Proceeds as each are defined in the First Amended and Restated Agreement of Limited Partnership for Spring Johnson, L.P. dated as of December 27, 2019, and in the priority of distribution as outlined in Sections 10.2(a) and 10.2(b) therein, respectively. From and after the Construction Period, in the event there is insufficient Cash Flow or Capital Proceeds for Spring Johnson, L.P. to make any portion or the entire annual payment for any given year ("Deficiency Amount"), the Deficiency Amount shall be deferred to the next annual payment date until there is available funds from Cash Flow or Capital Proceeds to pay such Deficiency Amount. Any remaining interest and all outstanding principal if not sooner paid shall be due and payable on December 27, 2059. In the event Spring Johnson, L.P. fails to make any of the payments required in the Note, such payment so in default shall continue as an obligation of Spring Johnson, L.P. until the amount in default shall have been fully paid and Spring Johnson, L.P. agrees to pay the same with interest thereon (to the extent legally enforceable) at a rate equal to the lower of five percent per annum or the maximum amount permitted by applicable law. The Note is secured by a Leasehold Deed of Trust, Assignment of Lease and Rents, and Security Agreement (the "Deed of Trust"). As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note payable amounted to $815,796, with $305,336 being advanced to Spring Johnson, L.P. and $465,478 being repaid to Franklin Housing Authority during the year. All the remaining outstanding note payable balance is classified as noncurrent liability as none of the remaining note payable is expected to be repaid within the next 12 months. As this note payable is between the Franklin Housing Authority and Spring Johnson, L.P., a blended component unit of the Authority, this notes payable balance is eliminated for the consolidated financial statements.

NOTE 7 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Notes Payable (Continued)
Notes payable also consists of a loan of up to $8,200,000 that was obtained by Chickasaw Senior Community, L.P. from Franklin Synergy Bank and which is evidenced by a promissory note issued by Chickasaw Senior Community, L.P. on October 30, 2018. The Note was obtained as a source of construction financing for constructing the Chickasaw Senior Community project as part of the conversion of 48 residential units to Rental Assistance Demonstration ("RAD"). The Note shall bear interest at the variable rate of the Prime Rate as published in the Wall Street Journal as it may change each month minus 4%, based on a 360-day year and actual days elapsed (based on Lender's election after evaluating the availability of the corresponding State of Tennessee Community Investment Tax Credits (CITC). Provided, however, in no event shall the rate charged on the Note ever fall below a rate of 0% per annum. Provided, further, if at any time after closing, and without waiving any other rights of Lender, the CITC are not available to Lender at the variable rate of the Prime Rate plus one-quarter of one percent, as it may change each month. If more than one Prime Rate is published in the Wall Street Journal, then Lender shall apply the higher of such rates. In no event shall the interest rate charged exceed the maximum lawful rate. The resulting initial rate at the time of the loan was thus equal to 1.25% per annum. The interest rate at the time of the initial disbursement of loan funds was 0%, which is where the rate ended up as of the fiscal year ended December 31, 2019. The loan is secured by a Construction Deed of Trust, Assignment of Rents and Security Agreement upon the Chickasaw Senior Community project, and the buildings and improvements thereon. The Note shall be due and payable in installments in accordance with the terms of the Loan Agreement. On March 31, 2021 (subject to (i) earlier maturity or (ii) the conversion of the loan (as defined in the Loan Agreement) to a term facility, each as provided for in the Loan Agreement), all principal, interest, and expenses then outstanding shall be finally due and payable. As of the fiscal year ended December 31, 2019, the outstanding principal balance on this note payable amounted to $8,200,000, and no interest had been accrued or paid yet. $5,200,000 of the outstanding $8,200,000 note payable balance was paid off during the fiscal year ended December 31, 2020, using an equity contribution from the tax credit investor, with an additional $3,998 in the debt balance being amortized. Of the remaining $2,996,002 in outstanding principal on December 31, 2020, $2,221,001 was repaid in 2021, with the remaining $775,001 in outstanding principal being converted to a permanent loan. with monthly principal payments beginning in May 2021 of $3,333.33 plus accrued interest each month and monthly interest is calculated using the same rates used for the construction loan, with the permanent loan having a maturity date of March 31, 2036. The interest rate as of December 31, 2021 was 0% and there was no interest expense or accrued interest payable as a result. Of the remaining $775,001 in outstanding debt principal at fiscal year-end December 31, 2021, $40,000 is classified as a current liability, with the remaining $735,001 being classified as a noncurrent liability on the face of the Statement of Net Position.

The anticipated aggregate maturity of this notes payable for the years subsequent to December 31, 2021 are as follows:

	Principal	Interest	Total
2022	$ 40,000	$ -	$ 40,000
2023	40,000	-	40,000
2024	40,000	-	40,000
2025	40,000	-	40,000
2026	40,000	-	40,000
2027-2031	200,000	-	200,000
2032-2036	375,001	-	375,001
Total	$ 775,001	$ -	$ 775,001

NOTE 7 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Notes Payable (Continued)
Notes payable also consists of a National Housing Trust Fund loan of up to $843,000 that was obtained by Chickasaw Senior Community, L.P. from Franklin Housing Authority who had originally obtained the grant loan from Tennessee Housing Development Agency (THDA) and which is evidenced by a promissory note issued by Chickasaw Senior Community, L.P. on May 15, 2020. The Loan was obtained as a source of construction financing for extensive rehabilitation to the Chickasaw Senior Community project as part of the conversion of public housing residential units to mixed financed affordable housing units via the Rental Assistance Demonstration ("RAD") Program, with the National Housing Trust Fund funds being available for use for the rehabilitation of 12 units of rental housing designated for extremely low income and elderly households. The note is a nonrecourse obligation and at all times will be subordinate to the rights of Franklin Synergy Bank, its successors and assigns, under a $8,200,000 promissory noted dated as of October 30, 2018. The Loan shall bear interest at 0.00%. Beginning the earlier of (a) thirty years from May 15, 2020, and (b) the sale of the Property, Chickasaw Senior Community, L.P. shall pay any remaining interest and all outstanding principal, but in all events any remaining interest and all outstanding principal shall be due and payable May 15, 2050. This Loan and the obligations within the Note are secured by Mortgaged Property as defined and described in a Leasehold Deed of Trust, Assignment of Rents and Leases and Security Agreement executed by Chickasaw Senior Community, L.P. As of the fiscal year ended December 31, 2021, the outstanding principal balance on this note payable amounted to $843,000. All the outstanding note payable balance is classified as noncurrent liability as none of the liability is expected to be repaid within the next 12 months. As this note payable is between the Franklin Housing Authority and Chickasaw Senior Community, L.P., a blended component unit of the Authority, this notes payable balance is eliminated for the consolidated financial statements.

Notes payable consists of a loan of up to $1,275,000 that was obtained by the Franklin Housing Collaborative from Pinnacle Bank and which is evidenced by a promissory note issued by the Authority on August 25, 2021. The Note was obtained, for the acquisition of the Natchez St Apartments that the Franklin Housing Collaborative has subsequently renovated and converted to project-based housing voucher affordable housing units. The Note is evidenced by a Promissory Note that was issued by Franklin Housing Collaborative to Pinnacle Bank. Interest shall accrue on the unpaid principal balance at the higher of : (1) the Base Rate, as it may change from time to time less four percent (4%); or (2) Zero percent (0.00%). The Base Rate is defined to mean the Prime Rate of interest rate published from time to time by the Wall Street Journal as such rate and shall be computed on the daily outstanding principal balance of the indebtedness evidenced in the promissory note. In the event more than one rate is published as the Prime Rate, the Prime Rate shall be the highest Prime Rate of interest published. In at any time or from time to time the Prime Rate increases or decreases, then the rate of interest shall be correspondingly increased or decreased, effective on the first day such increase or decrease of the Prime Rate is published. Interest accruing under the Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. The resulting initial rate at the time of the loan and throughout the entire fiscal year ended December 31, 2021 was thus equal to 0.0% per annum. The Note is secured by a Construction Deed of Trust, Assignment of Rents and Leases, Security Agreement and Financing Statement upon the project, and the buildings and improvements thereon. Franklin Housing Collaborative shall make payments of principal in the amount of $5,312.50 and interest in arrears on the then-outstanding principal commencing on the 25th day of September, 2021 and each successive month beginning on and continuing on the same day of each successive month thereafter. All principal and outstanding interest shall be due and payable in full on August 25, 2026, the date of maturity on this loan. As of December 31, 2021, the Authority owes $1,253,750 in principal, with principal payments of $21,250 being paid during the year. $63,750 in outstanding principal is expected to be repaid within the next 12 months with the remaining $1,190,000 being repaid over the remaining maturity period. For the year ended December 31, 2021, the Authority incurred no interest expense and made no interest payments.

The anticipated aggregate maturity of this notes payable for the years subsequent to December 31, 2021 are as follows:

	Principal	Interest	Total
2022	$ 63,750	$ -	$ 63,750
2023	63,750	-	63,750
2024	63,750	-	63,750
2025	63,750	-	63,750
2026	998,750	-	998,750
Total	$ 1,253,750	$ -	$ 1,253,750

NOTE 7 – NOTES PAYABLE AND OPERATING BORROWINGS (Continued)

Operating Borrowings

The Authority obtained two loans from Franklin Synergy Bank for the acquisition of 6 condo units at The Village at West Main Street in January of 2019. The loans are both evidenced by a promissory note and are secured by a deed of trust in the amount of the loans evidencing a lien on the properties. The first note issued to acquire 4 of the 6 condo units was for $550,620, bears interest at a rate of 0%, and is payable in 59 consecutive monthly principal payments of $1,835.40 beginning on March 2, 2019, with one final balloon payment of $442,331.40 due on the maturity date. The second note that was issued to acquire the remaining 2 condo units was for $287,910, bears interest at a fixed rate of 5.50% per annum, and is payable in 59 consecutive monthly principal and interest payments of $1,782.06 beginning on March 2, 2019, with one final balloon payment of $259,182.36 due on the maturity date. Both loans have a maturity date of February 2, 2024. The promissory notes state that in the event of a default on these loans, the lender may declare all indebtedness of the Authority to the lender under these notes immediately due and payable without further notice of any kind notwithstanding anything to the contrary in these notes or any other agreements. These two loans were subsequently provided as loans by the Authority to Franklin Housing Collaborative, Inc. (FHC), with the terms of these subsequent loans mirroring the terms of the loans from Franklin Synergy Bank to the Authority. The Authority is thus acting as a flow-through and does not expect to be involved with making any of the debt payments to Franklin Synergy Bank, as FHC has agreed to make all the debt payments directly. For the fiscal year ended December 31, 2021, FHC paid debt principal on the first and second note payable amounting to $136,749 and $132,939, respectively, with interest expense amounting to $0 on the second note payable as it was fully repaid during the year. At December 31, 2021, the outstanding obligation on the first and second note payable amounted to $373,492 and $0, respectively, with the amount of principal due within the next 12 months for the first note payable amounting to $22,025. As the one remaining loan from the Authority to FHC is between the primary government and one of its blended component units, this note payable is eliminated in the consolidated financial statements, with only the original first note payable from Franklin Synergy Bank to the Authority that is remaining being reported as a current and noncurrent liability on the face of the Statement of Net Position.

The anticipated aggregate maturity of these two notes payable for the years subsequent to December 31, 2021 are as follows:

	Principal	Interest	Total
2022	$ 22,025	$ -	$ 22,025
2023	22,025	-	22,025
2024	329,442	-	329,442
	$ 373,492	$ -	$ 373,492

NOTE 8 – NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2021 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
FSS escrowed liabilities	$ 20,934	$ 10,665	$ 1,229	$ 30,370	$ -
Compensated absences	109,396	-	4,892	104,504	31,350
Noncurrent liabilities - other	11,401	-	-	11,401	-
Operating borrowings	643,180	-	269,688	373,492	22,025
Notes payable	12,323,001	1,691,498	2,394,751	11,619,748	3,811,106
Total noncurrent liabilities	$ 13,107,912	$ 1,702,163	$ 2,670,560	$ 12,139,515	$ 3,864,481

NOTE 9 – PENSION PLAN (DEFINED CONTRIBUTION)

The Authority provides pension benefits for its eligible full-time employees through the Housing Renewal & Local Agency Retirement Plan (HRLARP), a defined contribution plan administered by *Housing Agency Retirement Trust (HART).* The plan was adopted by the Board of Commissioners and only the Board has the authority to approve any amendments to the plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. All employees are eligible for the plan on the first of the month following the employee's one-year employment anniversary date. Employees contribute 1.5% and the Authority contributes 13% of the employees' base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after five years of participation or immediately in the event of an employee's death or disability prior to retirement. Contributions to the Plan for the year ended December 31, 2021 were $146,989 and $45,003 by the Authority and the employees, respectively.

NOTE 10 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the funds affected. The various insurance policies are subject to deductible amounts and maximum coverages. If the deductibles and maximums are exceeded, this could cause the Authority to suffer losses if a loss is incurred from any such incidents. The ultimate outcome of uninsured losses cannot presently be determined, and no provision for any liability that may result, if any, has been made in the financial statements. During the current year and the prior three years, settled claims have not exceeded coverage levels, and insurance coverage, by major categories of risk, is consistent with prior year.

NOTE 11 – CONCENTRATION OF RISK

The Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on availability of funding.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Grants
Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed because of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 13 – AFFILIATED ORGANIZATIONS

The affiliations mentioned below do not meet the criteria under GASB 61, for the inclusion in the reporting entity of the Authority.

Senior Residence at Reddick Street, L.P.
Senior Residence at Reddick Street, L.P. (Senior Residence at Reddick) is a 9% tax credit Rental Assistance Demonstration (RAD) limited partnership project organized for the purpose of engaging in the business of affordable housing, and in such other related business as agreed upon by the partners. The partnership operates a 49-unit facility, of which 40 units receive Project Based Voucher assistance from HUD. The relationship between the Authority and Senior Residence at Reddick is supportive in nature as Senior Residence at Reddick often carries out its stated purpose of providing decent, safe and affordable housing by supporting the operational goals and objectives of the Authority. The Authority's blended component unit, Franklin Housing Collaborative (FHC), acts as a Class B Limited Partner and has a .005% ownership interest in Senior Residence at Reddick. However, neither the Authority nor FHC are financially accountable for Senior Residence at Reddick, and they do not have the ability to influence control or impose its will over Senior Residence at Reddick as they do not own a majority ownership interest in Senior Residence at Reddick.

As of the year-ended December 31, 2021, Senior Residence at Reddick owes the Authority $1,941,977 in the form of two notes payable (see *Note 6 – Notes, Loans, & Mortgages Receivable*), which includes outstanding principal of $1,250,000 and accrued interest in the amount of $691,977. Interest earned on these two notes payable for the fiscal year ended December 31, 2021 amounted to $92,474. These notes payable that are due to the Authority are included in notes, loans, and mortgages receivable on the face of the Statement of Net Position.

NOTE 13 – AFFILIATED ORGANIZATIONS (Continued)

The Authority leases land to Senior Residence at Reddick through a ground lease agreement (*see Note 15 – Ground Lease Agreements*).

Senior Residence at Reddick contracts with the Authority to provide certain staffing services to the development. The Authority-charged the staffing service fees for the fiscal year ended December 31, 2021 amount to $117,094. This staffing service fee income is included in other revenue on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

Lastly, Senior Residence at Reddick receives Housing Assistance Payments (HAP) from the Authority's Housing Choice Voucher program. During the year ended December 31, 2021, Senior Residence at Reddick recognized $164,382 in HAP from the Authority, which is included in housing assistance payments on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

Reddick Street Associates I, L.P.
Reddick Street Associates I, L.P. (Reddick Street) is a 9% tax credit Rental Assistance Demonstration (RAD) limited partnership project organized for the purpose of engaging in the business of affordable housing, and in such other related business as agreed upon by the partners. The partnership operates a 22-unit project, all of which receive Project Based Voucher assistance from HUD. The relationship between the Authority and Reddick Street is supportive in nature as Reddick Street often carries out its stated purpose of providing decent, safe, and affordable housing by supporting the operational goals and objectives of the Authority. The Authority's blended component unit, Franklin Housing Collaborative (FHC), through FHC Reddick, Inc, a for profit corporation in which FHC is the sole shareholder, indirectly acts as a General Partner and has a .009% ownership interest in Reddick Street. However, neither the Authority nor FHC are financially accountable for Reddick Street, and they do not have the ability to influence control or impose its will over Reddick Street as they do not own a majority ownership interest in Reddick Street.

As of the year-ended December 31, 2021, Reddick Street owes the Authority $1,240,855 in the form of two notes payable (see *Note 6 – Notes, Loans, & Mortgages Receivable*), which includes outstanding principal of $1,062,000 and accrued interest in the amount of $178,855. Interest earned on these two notes payable for the fiscal year ended December 31, 2021 amounted to $36,661. These notes payable that are due to the Authority are included in notes, loans, and mortgages receivable on the face of the Statement of Net Position.

The Authority leases land to Reddick Street through a ground lease agreement (*see Note 15 – Ground Lease Agreements*).

During the year, Franklin Housing Collaborative, Inc. received $4,759 in previously recognized developer fees from Reddick Street. The remaining $102,122 in developer fees receivable is included in the miscellaneous receivable on the face of the Statement of Net Position.

The Authority charges Reddick Street for operating and maintenance services rendered to the Reddick Street development. In addition, amounts are paid to the Authority as reimbursement for actual wages paid to on-site personnel and actual health insurance premiums paid for payroll taxes and workers' compensation insurance. Total charges by the Authority for operating and maintenance services during 2021 amounted to $106,487, and other miscellaneous charges to Reddick Street amounted to $45,343, which are all included in other revenue on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

FHC, through FHC Reddick, Inc., collectively with Reddick Phase I – Michaels, LLC, is entitled to receive a non-cumulative incentive management fee in certain circumstances. If applicable in any given year, the incentive management fee should be paid from 85% of the remaining net cash flow available (10% allocated to FHC Reddick, Inc. and 90% to Reddick Phase I – Michaels, LLC) as defined in the Supervisory & Incentive Agreement. There was no such fee for 2021.

Lastly, Reddick Street receives Housing Assistance Payments (HAP) from the Authority's Housing Choice Voucher program. During the year ended December 31, 2021, Reddick Street recognized $173,136 in HAP from the Authority, which is included in housing assistance payments on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 14 – BLENDED COMPONENT UNITS

Condensed combining information for the Authority's blended component units, Franklin Housing Collaborative, Inc., Spring Johnson, L.P., and Chickasaw Senior Community, L.P., for the year ended December 31, 2021 is presented as follows:

CONDENSED STATEMENT OF NET POSITION
December 31, 2021

	Franklin Housing Collaborative, Inc.	Spring Johnson, L.P.	Chickasaw Senior Community, L.P.	Consolidated Blended Component Units
ASSETS				
Current assets	$ 2,018,751	$ 771,587	$ 263,742	$ 3,054,080
Noncurrent assets	3,823,522	10,267,723	10,924,619	25,015,864
Total assets	5,842,273	11,039,310	11,188,361	28,069,944
LIABILITIES				
Current liabilities	412,984	4,540,343	255,557	5,208,884
Noncurrent liabilities	2,400,624	4,733,937	1,578,001	8,712,562
Total liabilities	2,813,608	9,274,280	1,833,558	13,921,446
NET POSITION				
Net investment in capital assets	1,235,922	1,914,081	9,235,070	12,385,073
Restricted	46,915	518,516	193,449	758,880
Unrestricted	1,745,828	(667,567)	(73,716)	1,004,545
Total net position	$ 3,028,665	$ 1,765,030	$ 9,354,803	$ 14,148,498

NOTE 14 – BLENDED COMPONENT UNITS (Continued)

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2021

	Franklin Housing Collaborative, Inc.	Spring Johnson, L.P.	Chickasaw Senior Community, L.P.	Consolidated Blended Component Units
OPERATING REVENUES (EXPENSES)				
Operating revenues	$ 1,064,390	$ 668,687	$ 389,232	$ 2,122,309
Operating expenses	(1,155,766)	(704,735)	(693,848)	(2,554,349)
Operating income (loss)	(91,376)	(36,048)	(304,616)	(432,040)
NONOPERATING REVENUES (EXPENSES)				
Nonoperating revenues	-	733	9	742
Nonoperating expenses	-	(24,249)	(8,185)	(32,434)
Income (loss) before special items, net gain (loss)	(91,376)	(59,564)	(312,792)	(463,732)
Transfers from (to) primary government	66,892	67,035	-	133,927
Special items, net gain (loss)	-	-	2,701,339	2,701,339
Change in net position	(24,484)	7,471	2,388,547	2,371,534
Total net position - beginning of the year	3,053,149	1,757,559	6,966,256	11,776,964
Total net position - end of the year	$ 3,028,665	$ 1,765,030	$ 9,354,803	$ 14,148,498

CONDENSED STATEMENT OF CASH FLOW
Year Ended December 31, 2021

	Franklin Housing Collaborative, Inc.	Spring Johnson, L.P.	Chickasaw Senior Community, L.P.	Consolidated Blended Component Units
NET CASH PROVIDED (USED) BY:				
Operating activities	$ 1,062,686	$ (775,564)	$ (946,612)	$ (659,490)
Capital and related financing activities	(408,641)	198,808	472,153	262,320
Non-capital and related financing activities	(269,688)	-	-	(269,688)
Investing activities	48,183	733	9	48,925
Net increase (decrease) in cash and cash equivalents	432,540	(576,023)	(474,450)	(617,933)
Cash balances - beginning of the year	446,091	1,347,610	716,169	2,509,870
Cash balances - end of the year	$ 878,631	$ 771,587	$ 241,719	$ 1,891,937

NOTE 15 – GROUND LEASE AGREEMENTS

The Authority and Senior Residence at Reddick Street, L.P entered a 99-year ground lease for land which the apartment complex is located. The cost of the ground lease is $1 per year, paid in advance. The lease commenced on August 30, 2012 and expires August 30, 2111.

The Authority and Reddick Street Associates I, L.P. entered a 99-year ground lease for land which the apartment complex is located. The cost of the ground lease is $1 per year, paid in advance. The lease commenced on August 5, 2015 and expires August 30, 2114

The Authority and Franklin Housing Collaborative, Inc., a blended component unit of the Authority, entered a 40-year ground lease for land which the Spring Johnson multifamily development is located. The cost of the ground lease is $1 per year, paid in advance. The terms of the ground lease also state that all amounts so paid by the Landlord (the Authority) and all reasonable costs and expenses incurred by Landlord in connection with the performance of any such obligations will be payable by Tenant (Spring Johnson, L.P.) to Landlord within 60 calendar days after Landlord has notified Tenant in writing of the amounts incurred by Landlord on its behalf and shall constitute additional rent. The lease commenced on October 30, 2018 and expires October 30, 2117. On December 27, 2019, Franklin Housing Collaborative, Inc. and Spring Johnson, L.P., another blended component unit of the Authority, executed a Capital Contribution Agreement whereby Spring Johnson, L.P. acquired Franklin Housing Collaborative, Inc.'s interest in an amended ground lease, which was subdivided into two separate lots, with Lot 1 being released from the amended ground lease and Lot 2 being appraised at a value of $2,200,000, of which $640,000 of the value is ascribed to the land, and the remaining $1,560,000 of the value being ascribed to the improvements. This amended and restated ground lease executed between the Authority, Franklin Housing Collaborative, Inc., and Spring Johnson, L.P. as of December 27, 2019, put the cost of the ground lease for the remaining Lot 2 at $1 per year for the term of the amended and restated ground lease, paid in advance, plus $640,000, which was paid by Spring Johnson, L.P., the new Tenant, to the Authority, the Landlord at the time of the executed agreement. The lease commenced on December 27, 2019 and expires December 30, 2058.

The Authority and Chickasaw Senior Community, L.P., a blended component unit of the Authority, entered a 99-year ground lease for land which the Chickasaw Senior Community Low Income Housing Tax Credit housing development is located. The cost of the ground lease is $1 per year, paid in advance. The terms of the ground lease also state that all amounts so paid by the Landlord (the Authority) and all reasonable costs and expenses incurred by Landlord in connection with the performance of any such obligations will be payable by Tenant (Chickasaw Senior Community, L.P.) to Landlord within 60 calendar days after Landlord has notified Tenant in writing of the amounts incurred by Landlord on its behalf and shall constitute additional rent. The lease commenced on October 30, 2018 and expires October 30, 2117.

NOTE 16 – INTER-PROGRAM BALANCES

Inter-program balances at December 31, 2021 consisted of the following:

	Interprogram Due From	Interprogram Due To
Low Rent Public Housing Program	$ 213,824	$ 20,183
Blended Component Units	25,689	-
Business Activities	-	25,689
Emergency Shelter Grants Program	20,183	-
Resident Opportunities & Self-Sufficiency Program	-	21,084
Continuum of Care Program	-	192,740
Total	$ 259,696	$ 259,696

These inter-program balances exist because in the normal course of operations, certain programs may pay for common costs or advance funds to meet the operational needs of other programs which create inter-program receivables or payables. These balances are expected to be repaid within one year from the balance sheet date. In addition, these inter-program balances have been eliminated in the preparation of the basic financial statements.

NOTE 17 – RESTRICTED NET POSITION

Restricted net position for the Authority consists of excess Housing Assistance Payment (HAP) funds available under the Section 8 Housing Choice Vouchers and Mainstream Vouchers programs. Restricted net position related to excess HAP as of the fiscal year ended December 31, 2021 was $44,533 and $14,561 for the Housing Choice Vouchers Program and Mainstream Vouchers Program, respectively.

Restricted net position for Franklin Housing Collaborative, Inc. consists of restricted scholarship funds. Restricted net position related to the donated funds restricted for future scholarships amounted to $46,915 as of the fiscal year ended December 31, 2021.

Restricted net position for Spring Johnson, L.P. consists of funded replacement reserves and construction reserves available to Spring Johnson, L.P. for future repairs to the Spring Johnson multifamily affordable housing development, and for construction costs of the property during development, respectively. Restricted net position related to the restricted replacement reserves and the restricted construction reserves amounted to $350,948 and $167,568, respectively, as of the fiscal year ended December 31, 2021, for a total restricted net position of $518,516.

Restricted net position for Chickasaw Senior Community, L.P. consists of funded replacement reserves available to Chickasaw Senior Community, L.P. for future repairs to the Chickasaw Senior Community multifamily affordable housing development, and funded operating reserves to be used to account for operating deficits. Restricted net position related to the restricted replacement reserves and restricted operating reserves amounted to $24,015 and $169,434, respectively, as of the fiscal year ended December 31, 2021, for a total restricted net position of $193,449.

NOTE 18 – SPECIAL ITEMS, NET GAIN

The special items, net gain balance is composed of $2,777,355 in capital equity contributions received by Chickasaw Senior Community, L.P. from the investor limited partner as per the terms of the Amended and Restated Agreement of Limited Partnership (the “Partnership Agreement”) dated October 30, 2018. Since inception, capital contributions provided to Chickasaw Senior Community, L.P. have totaled $10,186,955. The final required capital contribution amount is to total $9,262,000, subject to potential adjustments based on the amount of low-income housing tax credits ultimately allocated to the property in addition to other potential occurrences as more fully explained in the Partnership Agreement. These capital equity contributions are treated as a special item gain. The special items net gain balance is also composed of a $76,016 in available cash flow distributions that Chickasaw Senior Community, L.P. paid out during the year. These distributions are treated as a special item loss. Chickasaw Senior Community, L.P. thus reported a special items, net gain at December 31, 2021 in the amount of $2,701,339 on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 19 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through July 12, 2022 (the date the financial statements were available to be issued) and concluded that the following subsequent events have occurred that require recognition in the financial statements or disclosure in the notes to the financial statements.

In December of 2019, COVID-19 emerged and has subsequently spread throughout the world. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the United States have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority’s operations. Future potential impacts may include disruptions or restrictions on our employees’ ability to work or the tenant’s ability to pay the required monthly rent. Operating functions that may be changed include intake, recertifications and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

NOTE 20 – FINANCIAL DATA SCHEDULE

The Authority prepares its financial data schedule in accordance with HUD requirements in a prescribed format. The schedule's format excludes depreciation expense and housing assistance payments from operating activities, includes investment revenue and interest expense (capital debt related) in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the basic financial statements.

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
FOR YEAR ENDED DECEMBER 31, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 1/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 12/31/2021
Business-Type Activities									
NOTES PAYABLE									
Payable through Blended Component Units Funds									
Park Street RAD Rehabilitation - Pinnacle Bank Note	$ 1,400,000	Variable %	5/16/2017	5/15/2032	$ 927,500	$ 0	$ 52,500	$ 0	$ 875,000
Four Affordable Hsg Condos Acquisition - Franklin Housing Authority Note (Eliminated in Consolidated Financial Statements)	550,620	0 %	1/31/2019	2/2/2024	510,241	0	136,749	0	373,492
Two Affordable Hsg Condos Acquisition - Franklin Housing Authority Note (Eliminated in Consolidated Financial Statements)	287,910	5.5 %	1/31/2019	2/2/2024	132,939	0	132,939	0	0
Spring Johnson RAD Rehabilitation - Franklin Synergy Bank Note	6,740,000	Variable %	12/27/2019	2/28/2022	6,740,000	0	0	0	6,740,000
Spring Johnson RAD Rehabilitation - Franklin Housing Authority Note (Eliminated in Consolidated Financial Statements)	1,347,000	1 %	12/27/2019	12/27/2059	975,938	305,336	465,478	0	815,796
Spring Johnson RAD Rehabilitation - Franklin Housing Authority National Housing Trust Fund Grant Note (Eliminated in Consolidated Financial Statements)	732,997	0 %	12/27/2019	12/31/2050	366,499	366,498	0	0	732,997
Chickasaw Senior Community RAD Rehabilitation - Franklin Housing Authority National Housing Trust Fund Grant Note (Eliminated in Consolidated Financial Statements)	843,000	0 %	5/15/2020	5/15/2050	843,000	0	0	0	843,000
Chickasaw Senior Community RAD Rehabilitation - Franklin Synergy Bank Note	8,200,000	Variable %	10/30/2018	3/31/2036	2,996,002	0	2,221,001	0	775,001
Franklin Hsg Collaborative Natchez Street Apts Acquisition - Pinnacle Bank Note	1,275,000	Variable %	8/25/2021	8/25/2026	0	1,275,000	21,250	0	1,253,750
Total Blended Component Units Notes Payable					$ 13,492,119	$ 1,946,834	$ 3,029,917	$ 0	$ 12,409,036

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF CHANGES IN LONG-TERM DEBT BY INDIVIDUAL ISSUE
FOR YEAR ENDED DECEMBER 31, 2021

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 1/1/2021	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 12/31/2021
Business-Type Activities									
NOTES PAYABLE									
Payable through Franklin Housing Authority Funds									
Four Affordable Hsg Condos Acquisition - Franklin Synergy Bank Note	$ 550,620	0 %	1/31/2019	2/2/2024	$ 510,241	$ 0	$ 136,749	$ 0	$ 373,492
Two Affordable Hsg Condos Acquisition - Franklin Synergy Bank Note	287,910	5.5 %	1/31/2019	2/2/2024	132,939	0	132,939	0	-
Spring Johnson RAD Rehabilitation - Tennessee Housing Development Agency National Housing Trust Fund Grant Note	732,997	0 %	12/27/2019	12/31/2050	366,499	366,498	0	0	732,997
Spring Johnson RAD Rehabilitation - Tennessee Housing Development Agency Tennessee Housing Trust Fund Grant Note	500,000	0 %	8/14/2020	12/31/2050	450,000	50,000	100,000	0	400,000
Two Affordable Hsg Condos Acquisition - Franklin Synergy Bank Note	843,000	0 %	5/15/2020	5/15/2050	843,000	0	0	0	843,000
Total Franklin Housing Authority Notes Payable					$ 2,302,679	$ 416,498	$ 369,688	$ 0	$ 2,349,489

Notes to Schedule:

(1) The above Housing Trust Fund Grant Notes payable by the Authority are treated as forgivable loans that would only be required to be repaid if the Housing Authority defaults on the Loans. As long as the Housing Authority does not default, these Grant Notes will be forgiven either annually at a rate of twenty percent of the original principal sum due under the Grant Note until it is fully forgiven, or upon the end of the Affordability Period with no partial forgiveness.

Franklin Housing Authority
Financial Data Schedule – Balance Sheet
December 31, 2021

	Project Total	14.MSC Mainstream CARES Act Funding	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	14.231 Emergency Shelter Grants Program	8 Other Federal Program 1	Subtotal	ELIM	Total
111 Cash - Unrestricted	$342,794		$1,110,606		$41,848		$7,668	$240,088					$1,743,004		$1,743,004
112 Cash - Restricted - Modernization and Development	$0												$0		$0
113 Cash - Other Restricted	$30,058		$770,281		$0		$14,561	$44,845					$859,745		$859,745
114 Cash - Tenant Security Deposits	$13,305		$11,050		$4,338								$28,693		$28,693
115 Cash - Restricted for Payment of Current Liabilities					$23,495								$23,495		$23,495
100 Total Cash	$386,157	$0	$1,891,937	$0	$69,681	$0	$22,229	$284,933	$0	$0	$0	$0	$2,654,937	$0	$2,654,937
121 Accounts Receivable - PHA Projects															
122 Accounts Receivable - HUD Other Projects	$0					$192,644			$21,084				$213,728		$213,728
124 Accounts Receivable - Other Government															
125 Accounts Receivable - Miscellaneous	$166,313		$1,127,031										$1,293,344	-$1,113,590	$179,754
126 Accounts Receivable - Tenants	$7,660		$8,867		$3,903								$20,430		$20,430
126.1 Allowance for Doubtful Accounts -Tenants	-$766		-$887		-$390								-$2,043		-$2,043
126.2 Allowance for Doubtful Accounts - Other	$0		$0			$0			$0				$0		$0
127 Notes, Loans, & Mortgages Receivable - Current	$22,025												$22,025	-$22,025	$0
128 Fraud Recovery															
128.1 Allowance for Doubtful Accounts - Fraud															
129 Accrued Interest Receivable	$0												$0		$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	$195,232	$0	$1,135,011	$0	$3,513	$192,644	$0	$0	$21,084	$0	$0	$0	$1,547,484	-$1,135,615	$411,869
131 Investments - Unrestricted	$449,998												$449,998		$449,998
132 Investments - Restricted															
135 Investments - Restricted for Payment of Current Liability															
142 Prepaid Expenses and Other Assets	$13,865		$1,443										$15,308		$15,308
143 Inventories	$19,969												$19,969		$19,969
143.1 Allowance for Obsolete Inventories	-$2,315												-$2,315		-$2,315
144 Inter Program Due From	$213,824		$25,689				$0				$20,183		$259,696	-$259,696	$0
145 Assets Held for Sale			$0										$0		$0
150 Total Current Assets	$1,276,730	$0	$3,054,080	$0	$73,194	$192,644	$22,229	$284,933	$21,084	$0	$20,183	$0	$4,945,077	-$1,395,311	$3,549,766
161 Land	$543,475		$818,814										$1,362,289		$1,362,289
162 Buildings	$11,421,615		$20,000,352										$31,421,967		$31,421,967
163 Furniture, Equipment & Machinery - Dwellings	$0		$0										$0		$0
164 Furniture, Equipment & Machinery - Administration	$614,371		$1,336,260										$1,950,631		$1,950,631
165 Leasehold Improvements	$0		$3,898,533										$3,898,533		$3,898,533
166 Accumulated Depreciation	-$9,156,121		-$1,834,449										-$10,990,570		-$10,990,570
167 Construction in Progress	$1,615,976		$201,107		$25,689								$1,842,772		$1,842,772
168 Infrastructure															
160 Total Capital Assets, Net of Accumulated Depreciation	$5,039,316	$0	$24,420,617	$0	$25,689	$0	$0	$0	$0	$0	$0	$0	$29,485,622	$0	$29,485,622
171 Notes, Loans and Mortgages Receivable - Non-Current	$5,942,793												$5,942,793	-$2,759,961	$3,182,832
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due															
173 Grants Receivable - Non Current															
174 Other Assets			$595,247										$595,247		$595,247
176 Investments in Joint Ventures															
180 Total Non-Current Assets	$10,982,109	$0	$25,015,864	$0	$25,689	$0	$0	$0	$0	$0	$0	$0	$36,023,662	-$2,759,961	$33,263,701

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2021

	Project Total	14.MSC Mainstream CARES Act Funding	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	14.231 Emergency Shelter Grants Program	8 Other Federal Program 1	Subtotal	ELIM	Total
200 Deferred Outflow of Resources															
290 Total Assets and Deferred Outflow of Resources	$12,258,839	$0	$28,069,944	$0	$98,883	$192,644	$22,229	$284,933	$21,084	$0	$20,183	$0	$40,968,739	-$4,155,272	$36,813,467
311 Bank Overdraft	$0					$0							$0		$0
312 Accounts Payable <= 90 Days	$32,986		$1,205,606		$31,162	$360		$112					$1,270,226	-$947,277	$322,949
313 Accounts Payable >90 Days Past Due															
321 Accrued Wage/Payroll Taxes Payable	$13,725		$8,002			$5,278		$2,184					$29,189		$29,189
322 Accrued Compensated Absences - Current Portion	$14,235		$10,823			$3,283		$3,009					$31,350		$31,350
324 Accrued Contingency Liability															
325 Accrued Interest Payable			$16,701										$16,701	-$16,701	$0
331 Accounts Payable - HUD PHA Programs															
332 Account Payable - PHA Projects															
333 Accounts Payable - Other Government	$6,169												$6,169		$6,169
341 Tenant Security Deposits	$13,305		$11,050		$4,338								$28,693		$28,693
342 Unearned Revenue	$40,667		$14,383		$973						$20,183		$76,206		$76,206
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$100,000		$3,711,106										$3,811,106	$0	$3,811,106
344 Current Portion of Long-term Debt - Operating Borrow ings	$22,025		$22,025										$44,050	-$22,025	$22,025
345 Other Current Liabilities			$209,188								$0		$209,188	-$166,318	$42,870
346 Accrued Liabilities - Other															
347 Inter Program - Due To	$20,183				$25,689	$192,740			$21,084				$259,696	-$259,696	$0
348 Loan Liability - Current			$0										$0		$0
310 Total Current Liabilities	$263,295	$0	$5,208,884	$0	$62,162	$201,661	$0	$5,305	$21,084	$0	$20,183	$0	$5,782,574	-$1,412,017	$4,370,557
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	$1,875,992		$8,324,438										$10,200,430	-$2,391,788	$7,808,642
352 Long-term Debt, Net of Current - Operating Borrow ings	$351,467		$351,467										$702,934	-$351,467	$351,467
353 Non-current Liabilities - Other	$30,058		$11,401					$312					$41,771		$41,771
354 Accrued Compensated Absences - Non Current	$33,217		$25,256			$7,659		$7,022					$73,154		$73,154
355 Loan Liability - Non Current															
356 FASB 5 Liabilities															
357 Accrued Pension and OPEB Liabilities															
350 Total Non-Current Liabilities	$2,290,734	$0	$8,712,562	$0	$0	$7,659	$0	$7,334	$0	$0	$0	$0	$11,018,289	-$2,743,255	$8,275,034
300 Total Liabilities	$2,554,029	$0	$13,921,446	$0	$62,162	$209,320	$0	$12,639	$21,084	$0	$20,183	$0	$16,800,863	-$4,155,272	$12,645,591
400 Deferred Inflow of Resources															
508.4 Net Investment in Capital Assets	$3,063,324		$12,385,073		$25,689	$0		$0					$15,474,086	$2,391,788	$17,865,874
511.4 Restricted Net Position	$0		$758,880		$0	$0	$14,561	$44,533					$817,974		$817,974
512.4 Unrestricted Net Position	$6,641,486	$0	$1,004,545	$0	$11,032	-$16,676	$7,668	$227,761	$0	$0	$0	$0	$7,875,816	-$2,391,788	$5,484,028
513 Total Equity - Net Assets / Position	$9,704,810	$0	$14,148,498	$0	$36,721	-$16,676	$22,229	$272,294	$0	$0	$0	$0	$24,167,876	$0	$24,167,876
600 Total Liabilities, Deferred Inflow s of Resources and Equity - Net	$12,258,839	$0	$28,069,944	$0	$98,883	$192,644	$22,229	$284,933	$21,084	$0	$20,183	$0	$40,968,739	-$4,155,272	$36,813,467

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2021

	Project Total	14.MSC Mainstream CARES Act Funding	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	14.231 Emergency Shelter Grants Program	8 Other Federal Program 1	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$304,271		$1,293,078		$55,185	$406							$1,652,940	-$532,960	$1,119,980
70400 Tenant Revenue - Other	$22,892				$1,200								$24,092		$24,092
70500 Total Tenant Revenue	$327,163	$0	$1,293,078	$0	$56,385	$406	$0	$0	$0	$0	$0	$0	$1,677,032	-$532,960	$1,144,072
70600 HUD PHA Operating Grants	$1,602,996	$2,293		$59,391		$608,689	$108,439	$1,536,044	$89,478	$30,777	$263,452		$4,301,559		$4,301,559
70610 Capital Grants	$0												$0		$0
70710 Management Fee															
70720 Asset Management Fee															
70730 Book Keeping Fee															
70740 Front Line Service Fee															
70750 Other Fees															
70700 Total Fee Revenue													$0	$0	$0
70800 Other Government Grants															
71100 Investment Income - Unrestricted	$522												$522		$522
71200 Mortgage Interest Income	$145,836												$145,836		$145,836
71300 Proceeds from Disposition of Assets Held for Sale			$353,083										$353,083		$353,083
71310 Cost of Sale of Assets			-$304,900										-$304,900		-$304,900
71400 Fraud Recovery								$348					$348		$348
71500 Other Revenue	$453,755		$781,526		$320								$1,235,601	-$13,200	$1,222,401
71600 Gain or Loss on Sale of Capital Assets			$0										$0		$0
72000 Investment Income - Restricted			$742										$742		$742
70000 Total Revenue	$2,530,272	$2,293	$2,123,529	$59,391	$56,705	$609,095	$108,439	$1,536,392	$89,478	$30,777	$263,452	$0	$7,409,823	-$546,160	$6,863,663
91100 Administrative Salaries	$250,043	$2,293	$598,693			$257,474		$61,567		$11,869			$1,181,939		$1,181,939
91200 Auditing Fees	$26,380												$26,380		$26,380
91300 Management Fee			$7,605										$7,605		$7,605
91310 Book-keeping Fee															
91400 Advertising and Marketing															
91500 Employee Benefit contributions - Administrative	$87,445		$209,756			$90,035		$22,684					$409,920		$409,920
91600 Office Expenses	$104,317		$135,079		$1,137	$15,580		$988			$108,447		$365,548	-$13,200	$352,348
91700 Legal Expense	$8,504		$13,182		$985	$9,187							$31,858		$31,858
91800 Travel	$7,316		$5,518			$224							$13,058		$13,058
91810 Allocated Overhead															
91900 Other			$76,258							$18,908			$95,166		$95,166
91000 Total Operating - Administrative	$484,005	$2,293	$1,046,091	$0	$2,122	$372,500	$0	$85,239	$0	$30,777	$108,447	$0	$2,131,474	-$13,200	$2,118,274
92000 Asset Management Fee															
92100 Tenant Services - Salaries				$59,391					$89,478				$148,869		$148,869
92200 Relocation Costs															
92300 Employee Benefit Contributions - Tenant Services															
92400 Tenant Services - Other	$34,407		$3,847										$38,254		$38,254
92500 Total Tenant Services	$34,407	$0	$3,847	$59,391	$0	$0	$0	$0	$89,478	$0	$0	$0	$187,123	$0	$187,123
93100 Water	$102,709		$61,635		$1,660	$1,726					$853		$168,583		$168,583
93200 Electricity	$110,718		$135,211		$99	$14,408					$6,126		$266,562		$266,562
93300 Gas	$43,333										$706		$44,039		$44,039

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2021

	Project Total	14.MSC Mainstream CARES Act Funding	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	14.231 Emergency Shelter Grants Program	8 Other Federal Program 1	Subtotal	ELIM	Total
93400 Fuel															
93500 Labor															
93600 Sewer			$3,811			$3,302							$7,113		$7,113
93700 Employee Benefit Contributions - Utilities															
93800 Other Utilities Expense															
93000 Total Utilities	$256,760	$0	$200,657	$0	$1,759	$19,436	$0	$0	$0	$0	$7,685	$0	$486,297	$0	$486,297
94100 Ordinary Maintenance and Operations - Labor	$202,619		$111,132										$313,751		$313,751
94200 Ordinary Maintenance and Operations - Materials and Other	$66,267		$31,729		$45								$98,041		$98,041
94300 Ordinary Maintenance and Operations Contracts	$195,288		$207,007		$13,241	$2,752		$239			$324		$418,851		$418,851
94500 Employee Benefit Contributions - Ordinary Maintenance	$59,341		$43,103										$102,444		$102,444
94000 Total Maintenance	$523,515	$0	$392,971	$0	$13,286	$2,752	$0	$239	$0	$0	$324	$0	$933,087	$0	$933,087
95100 Protective Services - Labor															
95200 Protective Services - Other Contract Costs															
95300 Protective Services - Other															
95500 Employee Benefit Contributions - Protective Services															
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance	$52,219		$111,329										$163,548		$163,548
96120 Liability Insurance	$5,529		$1,053										$6,582		$6,582
96130 Workmen's Compensation	$14,997												$14,997		$14,997
96140 All Other Insurance	$8,419		$584										$9,003		$9,003
96100 Total insurance Premiums	$81,164	$0	$112,966	$0	$0	$0	$0	$0	$0	$0	$0	$0	$194,130	$0	$194,130
96200 Other General Expenses	$0		$14,989		$2,427	$214,407					$146,996		$378,819		$378,819
96210 Compensated Absences															
96300 Payments in Lieu of Taxes	$6,169		$2,400										$8,569		$8,569
96400 Bad debt - Tenant Rents	$18,211		$478		$390								$19,079		$19,079
96500 Bad debt - Mortgages															
96600 Bad debt - Other															
96800 Severance Expense															
96000 Total Other General Expenses	$24,380	$0	$17,867	$0	$2,817	$214,407	$0	$0	$0	$0	$146,996	$0	$406,467	$0	$406,467
96710 Interest of Mortgage (or Bonds) Payable															
96720 Interest on Notes Payable (Short and Long Term)			$16,701										$16,701		$16,701
96730 Amortization of Bond Issue Costs			$15,733										$15,733		$15,733
96700 Total Interest Expense and Amortization Cost	$0	$0	$32,434	$0	$0	$0	$0	$0	$0	$0	$0	$0	$32,434	$0	$32,434
96900 Total Operating Expenses	$1,404,231	$2,293	$1,806,833	$59,391	$19,984	$609,095	$0	$85,478	$89,478	$30,777	$263,452	$0	$4,371,012	-$13,200	$4,357,812
97000 Excess of Operating Revenue over Operating Expenses	$1,126,041	$0	$316,696	$0	$36,721	$0	$108,439	$1,450,914	$0	$0	$0	$0	$3,038,811	-$532,960	$2,505,851
97100 Extraordinary Maintenance															
97200 Casualty Losses - Non-capitalized															
97300 Housing Assistance Payments							$108,599	$1,332,672					$1,441,271	-$532,960	$908,311
97350 HAP Portability-In															

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2021

	Project Total	14.MSC Mainstream CARES Act Funding	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	1 Business Activities	14.267 Continuum of Care Program	14.879 Mainstream Vouchers	14.871 Housing Choice Vouchers	14.870 Resident Opportunity and Supportive Services	14.HCC HCV CARES Act Funding	14.231 Emergency Shelter Grants Program	8 Other Federal Program 1	Subtotal	ELIM	Total
97400 Depreciation Expense	$349,151		$780,428										$1,129,579		$1,129,579
97500 Fraud Losses															
97600 Capital Outlays - Governmental Funds															
97700 Debt Principal Payment - Governmental Funds															
97800 Dw elling Units Rent Expense															
90000 Total Expenses	$1,753,382	$2,293	$2,587,261	$59,391	$19,984	$609,095	$108,599	$1,418,150	$89,478	$30,777	$263,452	$0	$6,941,862	-$546,160	$6,395,702
10010 Operating Transfer In	$507,204		$67,035										$574,239	-$574,239	$0
10020 Operating transfer Out	-$507,204		-$67,035										-$574,239	$574,239	$0
10030 Operating Transfers from/to Primary Government															
10040 Operating Transfers from/to Component Unit	-$133,927		$133,927										$0		$0
10050 Proceeds from Notes, Loans and Bonds															
10060 Proceeds from Property Sales															
10070 Extraordinary Items, Net Gain/Loss															
10080 Special Items (Net Gain/Loss)			$2,701,339										$2,701,339		$2,701,339
10091 Inter Project Excess Cash Transfer In															
10092 Inter Project Excess Cash Transfer Out															
10093 Transfers betw een Program and Project - In			$0										$0	$0	$0
10094 Transfers betw een Project and Program - Out	$0												$0	$0	$0
10100 Total Other financing Sources (Uses)	-$133,927	$0	$2,835,266	$0	$0	$0	$0	$0	$0	$0	$0	$0	$2,701,339	$0	$2,701,339
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$642,963	$0	$2,371,534	$0	$36,721	$0	-$160	$118,242	$0	$0	$0	$0	$3,169,300	$0	$3,169,300
11020 Required Annual Debt Principal Payments	$269,693	$0	$3,029,917	$0	$0	$0	$0	$0	$0	$0	$0	$0	$3,299,610		$3,299,610
11030 Beginning Equity	$9,061,847	$0	$11,776,964	$0	$0	-$16,676	$22,389	$154,052	$0	$0	$0	$0	$20,998,576		$20,998,576
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors															
11050 Changes in Compensated Absence Balance															
11060 Changes in Contingent Liability Balance															
11070 Changes in Unrecognized Pension Transition Liability															
11080 Changes in Special Term/Severance Benefits Liability															
11090 Changes in Allow ance for Doubtful Accounts - Dw elling Rents															
11100 Changes in Allow ance for Doubtful Accounts - Other															
11170 Administrative Fee Equity								$227,761					$227,761		$227,761
11180 Housing Assistance Payments Equity								$44,533					$44,533		$44,533
11190 Unit Months Available	984		288		64	24	180	3336			0		4876		4876
11210 Number of Unit Months Leased	915		288		64	24	122	2488			0		3901		3901
11270 Excess Cash	$834,839												$834,839		$834,839
11610 Land Purchases	$0												$0		$0
11620 Building Purchases	$1,471,050												$1,471,050		$1,471,050
11630 Furniture & Equipment - Dw elling Purchases	$0												$0		$0
11640 Furniture & Equipment - Administrative Purchases	$51,101												$51,101		$51,101
11650 Leasehold Improvements Purchases	$0												$0		$0
11660 Infrastructure Purchases	$0												$0		$0
13510 CFFP Debt Service Payments	$0												$0		$0
13901 Replacement Housing Factor Funds	$0												$0		$0

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2021

Federal Grantor	CFDA Number	Pass-Through Entity Identifying Number	Contract Number	Expenditures
Federal Awards				
US Department of Housing and Urban Development (HUD) Direct Programs:				
Emergency Solutions Grants Program CARES Act - Part II	14.231			$ 263,452
Total Emergency Shelter Grants Program				**263,452**
Continuum of Care Program	14.267		TN0113L4J032012	20,790
Continuum of Care Program	14.267		TN0326L4J032001	570,038
Continuum of Care Program	14.267		TN0326T4J031900	17,861
Total Continuum of Care Program				**608,689**
Low Rent Public Housing	14.850		TN035-00000120D	1,039
Low Rent Public Housing	14.850		TN035-00000121D	1,094,753
Total Low Rent Public Housing Program				**1,095,792**
Resident Opportunity and Self Sufficiency	14.870		ROSS201336	89,478
Total Resident Opportunity and Self Sufficiency				**89,478**
Section 8 Housing Choice Voucher Program	14.871			1,536,044
Section 8 Housing Choice Voucher Program (HCV CARES Act Funding)	14.871			30,777
Mainstream Vouchers Program	14.879			108,439
Mainstream Vouchers Program (Mainstream CARES Act Funding)	14.879			2,293
Total Housing Voucher Cluster				**1,677,553**
Capital Fund Program	14.872		TN40P035501-21	507,204
Total Capital Fund Program				**507,204**
Family Self-Sufficiency Program	14.896		FSS21TN3595	59,391
Total Family Self-Sufficiency Program				**59,391**
Total US Department of Housing and Urban Development (HUD) Direct Programs				**4,301,559**
US Department of Housing and Urban Development (HUD) Pass-Through Programs From:				
Tennessee Housing Development Agency - National Housing Trust Fund Program	14.275	F16-SG470100	NHTF-16-02	366,499
Tennessee Housing Development Agency - National Housing Trust Fund Program	14.275		NHTF-18-02	843,000
Total US Department of Housing and Urban Development (HUD) Pass-Through Programs				**1,209,499**
TOTAL FEDERAL AWARDS EXPENDED				**$ 5,511,058**
State Financial Assistance				
State of Tennessee, Tennessee Housing Development Agency Tennessee Housing Trust Fund Program			HTF-20F-01	$ 450,000
Total Tennessee Housing Trust Fund Program				**450,000**
TOTAL STATE FINANCIAL ASSISTANCE				**450,000**
TOTAL FEDERAL AND STATE AWARDS				**$ 5,961,058**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Authority under programs of the federal government for the year ended December 31, 2021. The information in this Schedule is *presented in accordance with the 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). 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 – Summary of Significant Accounting Policies

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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – National Housing Trust Fund Program Loans

The National Housing Trust Fund Program loans were received indirectly by the Authority from the Tennessee Housing Development Agency. The NHTF-16-02 Loan had an increase in the loan balance during the fiscal year ended December 31, 2021 of $366,468, which caused a difference in the amount reported within the Schedule of Expenditures of Federal Awards balance, which amounted to $366,499 (the beginning balance for the fiscal year ended December 31, 2021). The ending loan balance for this loan as of the fiscal year ended December 31, 2021 thus amounted to $732,997, which is the balance reported within the Statement of Net Position. The NHTF-18-02 Loan had no changes in the current fiscal year.

Note 4 – Tennessee Housing Trust Fund Program Loan

The Tennessee Housing Trust Fund Program loan was received directly from the Tennessee Housing Development Agency. The HTF-20F-01 Loan had an increase in the loan balance during the fiscal year ended December 31, 2021 of $50,000, which caused a difference in the amount reporting within the Schedule of Expenditures of Federal Awards balance, which amounted to $450,000 (the beginning balance for the fiscal year ended December 31, 2021). The ending loan balance for this loan as of the fiscal year ended December 31, 2021 thus amounted to $500,000, which is the balance reported within the Statement of Net Position.

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*

Independent Auditor's Report

To the Board of Commissioners
Franklin Housing Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Franklin Housing Authority (the "Authority") and the aggregate blended component units, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated July 12, 2022. Our report includes reference to other auditors who audited the financial statements of Spring Johnson, L.P. and Chickasaw Senior Community, L.P., as described in our report on the Authority's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Spring Johnson, L.P. and Chickasaw Senior Community, L.P. were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 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 over financial reporting 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Henderson & Pilleteri, LLC

Birmingham, AL
July 12, 2022

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Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

Independent Auditor's Report

To the Board of Commissioners
Franklin Housing Authority

Opinion on Each Major Federal Program
We have audited the Franklin Housing Authority's (the "Authority") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program
We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance
Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance
Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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 a 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. 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.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Henderson & Pilleteri, LLC

Birmingham, AL
July 12, 2022

Financial Statement Findings

None

Major Program Audit Findings

None

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
Are any material weaknesses identified?	___ Yes	x No
Are any significant deficiencies identified?	___ Yes	x None Reported
Is any noncompliance material to financial statements noted?	___ Yes	x No

Federal Awards

Internal control over major federal programs:		
Are any material weaknesses identified?	___ Yes	x No
Are any significant deficiencies identified?	___ Yes	x None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	x No

Identification of major federal programs:
Housing Voucher Cluster:
Housing Choice Voucher Program (CFDA No. 14.871)
HCV CARES Act Funding (CFDA No. 14.871)
Mainstream Voucher Program (CFDA No. 14.879)
Mainstream CARES Act Funding (CFDA No. 14.879)

Dollar threshold used to distinguish between type A and type B programs:	$750,000	
Auditee qualified as low-risk auditee?	x Yes	___ No

Section II - Financial Statement Findings
None

Section III - Federal Award Findings
None

To the Board of Commissioners
Franklin Housing Authority

Independent Accountant's Report

We have performed the procedures enumerated below, which was agreed to by the Franklin Housing Authority ("the Authority") and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with related hard copy documents included within the Single Audit reporting package for the year ended December 31, 2021. The Authority's management is responsible for accuracy and completeness of the electronic submission for the year ended December 31, 2021.

The Authority has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of whether the electronic submission of certain information agrees with related hard copy documents included within the Single Audit reporting package. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

We compared the electronic submission of the items listed in the chart below under "UFRS Rule Information" column with the corresponding printed documents listed in the chart under the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

We were engaged by the Authority to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA and, if applicable, the standards applicable to attestation engagements contained in Government Auditing Standards issued by the Comptroller General of the United States, and/or any other standards or requirements to be followed. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the electronic submission of the items listed in the "UFRS Rule Information" column in the chart below for the year ended December 31, 2021. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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Procedure	UFRS Rule Information	Hard Copy Documents	Agrees	Does Not Agree
1	Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDAs, If applicable	X	
2	Footnotes	Footnotes to audited basic financial statements	X	
3	Type of opinion on FDS	Auditor's supplemental report on FDS	X	
4	Audit findings narrative	Schedule of Findings and Questioned Costs	X	
5	General Information	OMB Data Collection Form	X	
6	Financial Statement report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
7	Federal program report information	Schedule of Findings and Questioned Costs, Part 1 and OMB Data Collection Form	X	
8	Type of Compliance Requirement	OMB Data Collection Form	X	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	X	

Henderson & Pilleteri, LLC

Birmingham, AL
July 12, 2022