FRANKLIN HOUSING AUTHORITY

FINANCIAL STATEMENTS
&
SUPPLEMENTAL INFORMATION

FOR YEAR ENDED DECEMBER 31, 2017

FRANKLIN HOUSING AUTHORITY
TABLE OF CONTENTS
FOR YEAR ENDED DECEMBER 31, 2017

FRANKLIN HOUSING AUTHORITY
ROSTER OF OFFICIALS
FOR YEAR ENDED DECEMBER 31, 2017

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

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Independent Auditor's Report

To the Board of Commissioners
Franklin Housing Authority

Report on the Financial Statements
We have audited the financial statements of the Franklin Housing Authority (the "Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P., which represent one-hundred percent of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P., is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4-8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Authority's basic financial statements. The accompanying supplemental data including the roster of officials, the financial data schedule, and the statement and certification of actual modernization costs, 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The roster of officials, the financial data schedule, the statement and certification of actual modernization costs, and the schedule of expenditures of federal awards are the responsibility of management and were 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, the financial data schedule, the statement and certification of actual modernization costs, and the 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 May 24, 2018 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 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 & DeJohn, LLC

Birmingham, AL
May 24, 2018

Management's Discussion and Analysis

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

- Net position at December 31, 2017, increased to $8,800,890. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was $8,687,188 for 2016.
- The business-type activities operating revenue at December 31, 2017, decreased to $3,074,979. Total operating revenue was $3,737,162 for 2016.
- The total operating expenses of all programs for December 31, 2017, increased to $3,422,526. Total operating expenses were $3,071,384 for 2016.
- Total capital contributions at December 31, 2017, increased to $347,368. Total capital contributions were $182,136 for 2016.

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:

- Statement of Net Position – 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".

- Statement of Revenues, Expenses, and Changes in Fund Position – 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.

- Statement of Cash Flows – 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

Conventional Public Housing – 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 Program – Under the Housing Choice Voucher Program, 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 program is 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 62 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.

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 separate financial statements available.

Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P. – Discretely presented component units of the Authority. No transactions have been eliminated between the Authority and these discretely presented component units. Separate audited financial statements are available upon request to the Authority. Also, while the Authority's financial statements include these discretely presented component units in separate columns, the following financial overview focuses on the primary government and does not address the effects of these discretely presented component units on the Authority's operations.

FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of December 31, 2017 and 2016.

TABLE 1 – STATEMENT OF NET POSITION

	2017	2016	Variance	% Change
Current Assets	$ 1,238,417	$ 1,629,055	$ (390,638)	-23.98%
Capital Assets, Net	6,311,848	5,303,942	1,007,906	19.00%
Other Noncurrent Assets	2,852,037	2,593,416	258,621	9.97%
Total Assets	10,402,302	9,526,413	875,889	9.19%
Current Liabilities	771,752	519,923	251,829	48.44%
Noncurrent Liabilities	829,660	319,302	510,358	159.84%
Total Liabilities	1,601,412	839,225	762,187	90.82%
Net Position				
Net Investment in Capital Assets	5,430,672	5,303,942	126,730	2.39%
Restricted	35,943	175,508	(139,565)	-79.52%
Unrestricted	3,334,275	3,207,738	126,537	3.94%
Total Net Position	$ 8,800,890	$ 8,687,188	$ 113,702	1.31%

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets decreased by $390,638 due, in majority, to an increased investment in capital assets.

Capital assets, net increased by $1,007,906 due to current year capital investments in the Park Street Project.

Noncurrent liabilities increased $510,358 due to an increase in the permanent loan for the Park Street Project.

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

The following table reflects the revenues and expenses as of December 31, 2017 and 2016.

	2017	2016	Variance	% Change
Operating Revenues				
Rental Income, Net	$ 793,892	$ 925,511	$ (131,619)	-14.22%
Federal & Other Government Grants	1,971,459	2,290,049	(318,590)	-13.91%
Other	309,628	521,602	(211,974)	-40.64%
Total Operating Revenues	3,074,979	3,737,162	(662,183)	-17.72%
Operating Expenses				
Administration	1,095,198	1,071,424	23,774	2.22%
Tenant Services	175,551	113,337	62,214	54.89%
Utilities	539,556	541,388	(1,832)	-0.34%
Maintenance	617,092	538,724	78,368	14.55%
General	139,134	180,476	(41,342)	-22.91%
Housing Assistance Payments	448,494	212,390	236,104	111.17%
Other Operating Expenses	7,957	-	7,957	
Depreciation	399,544	413,645	(14,101)	-3.41%
Total Operating Expenses	3,422,526	3,071,384	351,142	11.43%
Operating Income (loss)	(347,547)	665,778	(1,013,325)	-152.20%
Nonoperating revenues (expenses)				
Interest Revenue	113,881	92,325	21,556	23.35%
Capital Contributions	347,368	182,136	165,232	90.72%
Total Nonoperating Activity	461,249	274,461	186,788	68.06%
Change in Net Position	113,702	940,239	(826,537)	-87.91%
Beginning Net Position	8,687,188	7,746,949	940,239	12.14%
Ending Net Position	$ 8,800,890	$ 8,687,188	$ 113,702	1.31%

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

The Authority had an increase in net position of $113,702 this year versus an increase in net position of $940,239 in the prior year. This increase in net position this year was primarily due to a decrease in rental income and grant revenue that was offset by increased capital contributions.

The Authority had an operating loss of $347,547 including non-cash depreciation expense of $399,544 versus an operating income of $665,778 and depreciation expense of $413,645 in the prior year.

Total operating revenue decreased by $662,183 to $3,074,979 due to a decrease in rental income net of bad debt expense while developments are being renovated and a decrease in HUD PHA operating grant revenue in the Low Rent, CFP, and HCV Programs.

Total operating expenses increased by $351,142 to $3,422,526 due to increased maintenance costs and an increase in Housing Assistance Payments.

Capital contributions increased by $165,232 to $347,368 due to an increase in ongoing construction and modernization projects.

CAPITAL ASSETS

As of December 31, 2017, capital assets for its business-type activities were $6,311,848, 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:

- Predevelopment costs associated with the Spring Johnson RAD conversion
- Site design on Cherokee Redevelopment
- Park Street Development Costs

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

DEBT OUTSTANDING

As of year-end, the Authority had $1,181,175 in loan liability and notes payable outstanding compared to $550,000 last year, an increase of $631,175. The loan liability is in the form of Housing Trust Fund loans received from the Tennessee Housing Development Agency that the Authority turned around and loaned to Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P. for the redevelopment and conversion of a portion of the Authority's public housing inventory to tax credit Rental Assistance Demonstration projects. The notes payable is in the form of a construction-to-permanent loan obtained from Pinnacle Bank to assist in financing the development of the Park Street Project.

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.

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 Robert Eddy, CPA, Chief Financial Officer, Franklin Housing Authority, (615) 794-1247.

FRANKLIN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government	Senior Residence at Reddick Street Asssociates I, LP	Reddick Street Associates I, LP
ASSETS			
Current assets:			
Unrestricted cash and cash equivalents	$ 215,457	$ 2,558	$ 297,929
Restricted cash and cash equivalents	59,478	1,164,562	335,656
Investments	573,234	-	-
Restricted Investments	83,971	-	-
Due from HUD	128,735	-	-
Due from other government	-	1,006	-
Miscellaneous receivable	56,953	-	59,317
Tenants receivable, net of allowance of $4,958, $0, & $0, respectively	22,860	316	1,860
Accrued interest receivable	1,182	-	-
Fraud recovery receivable, net of allowance of $6,490, $0, & $0, respectively	-	-	-
Prepaid expenses and other assets	66,277	5,257	6,925
Inventories, net of allowance of $3,363, $0, & $0, respectively	30,270	-	-
Total current assets	1,238,417	1,173,699	701,687
Noncurrent assets:			
Capital assets:			
Land and construction in progress	2,001,028	50,000	-
Buildings and equipment, net of depreciation	4,310,820	5,332,312	12,855,100
Total capital assets	6,311,848	5,382,312	12,855,100
Notes receivable, net of current portion	2,703,395	-	-
Other noncurrent assets	148,642	39,247	84,835
Total noncurrent assets	9,163,885	5,421,559	12,939,935
Total assets	$ 10,402,302	$ 6,595,258	$ 13,641,622

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Primary Government	Senior Residence at Reddick Street Asssociates I, LP	Reddick Street Associates I, LP
LIABILITIES			
Current liabilities:			
Accounts payable	$ 111,247	$ 35,591	$ 5,382
Accrued liabilities	75,238	350,576	54,052
Intergovernmental payables	29,513	69,186	48,474
Tenant security deposits	23,535	10,455	24,466
Unearned revenue	48,631	5,211	3,867
FSS escrowed liabilities, current portion	33,588	-	-
Loan liabilities, current portion	100,000	-	-
Notes payable, current portion	350,000	-	29,859
Total current liabilities	771,752	471,019	166,100
Noncurrent liabilities:			
FSS escrowed liabilities, net of current portion	50,383	-	-
Compensated absences, net of current portion	45,446	-	-
Noncurrent liabilities - other	2,655	-	771,739
Loan liabilities, net of current portion	200,000	-	-
Notes payable, net of current portion	531,176	1,206,667	3,042,596
Total noncurrent liabilities	829,660	1,206,667	3,814,335
Total liabilities	1,601,412	1,677,686	3,980,435
NET POSITION			
Investment in capital assets	5,430,672	4,175,645	9,782,645
Restricted	35,943	1,154,107	310,652
Unrestricted	3,334,275	(412,180)	(432,110)
Total net position	$ 8,800,890	$ 4,917,572	$ 9,661,187

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, 2017

	Primary Government	Senior Residence at Reddick Street Asssociates I, LP	Reddick Street Associates I, LP
OPERATING REVENUES			
Rental income, net of bad debts of $25,684, $0, & $0, respectively	$ 793,892	$ 344,013	$ 527,502
Federal & other government grants	1,971,459	-	-
Other	309,628	46,864	139,772
Total operating revenues	3,074,979	390,877	667,274
OPERATING EXPENSES			
Administration	1,095,198	125,682	157,065
Tenant services	175,551	-	-
Utilities	539,556	62,538	47,495
Maintenance	617,092	78,365	92,374
General	147,091	66,219	68,283
Housing assistance payments	448,494	-	-
Depreciation	399,544	302,567	836,995
Total operating expenses	3,422,526	635,371	1,202,212
Operating income (loss)	(347,547)	(244,494)	(534,938)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	113,881	489	6
Interest expense	-	(79,185)	(53,310)
Income (loss) before contributions	(233,666)	(323,190)	(588,242)
Capital grant contributions	347,368	-	-
Capital contributions from limited partner	-	-	8,709,196
Change in net position	113,702	(323,190)	8,120,954
Total net position - beginning of the year	8,687,188	5,240,762	1,540,233
Total net position - end of the year	$ 8,800,890	$ 4,917,572	$ 9,661,187

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2017

	Primary Government	Senior Residence at Reddick Street Asssociates I, LP	Reddick Street Associates I, LP
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants	$ 870,864	$ 345,889	$ 547,926
Federal grants & Other Government Grants	1,926,116	-	-
Other receipts	272,088	45,858	139,772
Payments to suppliers and Section 8 landlords	(1,745,033)	(315,916)	(102,829)
Payments to or on behalf of employees	(1,319,341)	(58,890)	(46,887)
Net cash provided (used) by operating activities	4,694	16,941	537,982
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(1,407,458)	-	-
Contributions from partner	-	-	8,709,196
Repayments of advances from affiliates	-	-	(379,000)
Advances from affiliates	-	-	321,000
Capital grant contributions	273,189	-	-
Principal payments on capital debt	-	-	(9,564,483)
Proceeds from capital debt	881,176	-	3,111,684
Debt issuance costs incurred	-	-	(83,270)
Net cash provided (used) by capital financing activities	(253,093)	-	2,115,127
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	121,036	489	6
Capital additions	-	-	(2,443,276)
Leasing fees incurred	-	-	(46,825)
Compliance monitoring fees paid	-	-	(26,000)
Purchase of investments	(9,334)	-	-
Issuance of note receivable	(209,979)	-	-
Net cash provided (used) by investing activities	(98,277)	489	(2,516,095)
Net increase (decrease) in cash and cash equivalents	(346,676)	17,430	137,014
Balances - beginning of the year	621,611	1,149,690	496,571
Balances - end of the year	$ 274,935	$ 1,167,120	$ 633,585

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2017

	Primary Government	Senior Residence at Reddick Street Asssociates I, LP	Reddick Street Associates I, LP
RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	$ (347,547)	(244,494)	(534,938)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	399,544	302,567	836,995
Change in assets and liabilities:			
Receivables, net	163,442	(1,291)	(7,432)
Inventories, net	10,796	-	-
Prepaids and other assets	(53,910)	1,499	(6,925)
Other assets	(48,642)	3,804	6,060
Accounts payable	73,322	(74,281)	168,789
Intergovernmental payables	(1,327)	27,914	48,474
Unearned revenue	17,294	2,235	3,048
Other liabilities	(220,862)	-	-
Accrued liabilities	19,871	(938)	11,320
Compensated absences	(7,187)	-	-
Tenant security deposits	(100)	(74)	12,591
Net cash provided (used) by operating activities	$ 4,694	$ 16,941	$ 537,982

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 Executive Director. 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. The Reporting Entity (Continued)
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. Therefore, FHC is presented as a blended component unit included in the balances of the primary government, thus all significant inter-program balances and transactions between FHC and the Authority have been eliminated. No separate financial statements are issued for FHC. However, condensed financial statements have been included in Note 10-Blended Component Unit in accordance with GASB Statement No. 61.

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. However, the Authority is not financially accountable for Senior Residence at Reddick and does not have the ability influence control or impose its will over Senior Residence at Reddick as the Authority does not own a majority ownership interest in Senior Residence at Reddick. Therefore, Senior Residence at Reddick is discretely presented in the current year financial statements as its own "component unit" column with separate "component unit" disclosures in the notes to the financial statements. All inter-program balances and transactions between the primary government and the discretely presented component unit will be disclosed in the notes to the financial statements *(see Note 11 – Transactions with Discretely Presented Component Units)*. Separately issued financial statements of Senior Residence at Reddick Street, L.P. may be obtained by contacting Robert Eddy, Chief Financial Officer, Franklin Housing Authority, 200 Spring Street, Franklin, TN 37065.

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. However, the Authority is not financially accountable for Reddick Street and does not have the ability influence control or impose its will over Reddick Street as the Authority does not own a majority ownership interest in Reddick Street. Therefore, Reddick Street is discretely presented in the current year financial statements as its own "component unit" column with separate "component unit" disclosures in the notes to the financial statements. All inter-program balances and transactions between the primary government and the discretely presented component unit will be disclosed in the notes to the financial statements *(see Note 11 – Transactions with Discretely Presented Component Units)*. Separately issued financial statements of Reddick Street Associates I, L.P. may be obtained by contacting Robert Eddy, Chief Financial Officer, Franklin Housing Authority, 200 Spring Street, Franklin, TN 37065.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)
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 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.

E. Notes, Loans & Mortgages Receivables
Notes receivable relate to affordable housing construction activities where the Authority has loaned funds to its discretely presented component units to be used in the development of tax credit RAD affordable housing projects. The notes receivable are collectable as defined in the various loan agreements. Any portions of the notes receivable 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. All of the notes receivables are considered noncurrent assets as of December 31, 2017 as none of the notes receivable are currently due within the next twelve months. No allowance account has been set up as the Authority has determined that the notes are fully collectable as of December 31, 2017.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 & 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. $732 in interest was capitalized during the year ended December 31, 2017.

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 this criteria.

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. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plan. This statement replaces GASB Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Statement 74 also sets forth note disclosure requirements for defined contribution OPEB plans. The adoption of GASB Statement No. 74 had no material effect on the Authority's December 31, 2017 financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Authority has adopted GASB Statement No. 80, *Blending Requirements for Certain Component Units.* This statement clarifies the display requirements in GASB Statement No. 14, The Financial Reporting Entity, by requiring these component units to be blended into the primary state or local government's financial statements in a manner similar to a department or activity of the primary government. The guidance addresses diversity in practice regarding the presentation of not-for-profit corporations in which the primary government is the sole corporate member. Although GASB 80 applies to a limited number of governmental units, the GASB intends for it to enhance the comparability of financial statements among those units and improve the value of this information for users of state and local government financial statements. The adoption of GASB Statement No. 80 had no material effect on the Authority's December 31, 2017 financial statements.

The Authority has adopted GASB Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. GASB 81 requires that a government recognize revenue when the resources become applicable to the reporting period. The adoption of GASB Statement No. 80 had no material effect on the Authority's December 31, 2017financial statements.

The Authority has adopted GASB Statement No. 82, *Pension Issues*. This statement addresses the following pension issues. Presentation of payroll-related measures in required supplementary information, selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. GASB 82 is designed to improve consistency in the application of the pension standards by clarifying or amending related areas of existing guidance. Specifically, the practice issues raised by stakeholders during implementation relate to GASB 67, 68, and 73. The adoption of GASB Statement No. 82 had no material effect on the Authority's December 31, 2017financial 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, 2017, 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. Cash and investments balances at December 31, 2017, totaled $274,935 and $657,205, 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, 2017, 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, 2017, was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	$ 569,084	$ -	$ -	$ -	$ 569,084
Construction in progress	312,010	1,407,458	-	(287,524)	1,431,944
Total capital assets not being depreciated	881,094	1,407,458	-	(287,524)	2,001,028
Capital assets being depreciated					
Buildings and improvements	12,850,500	-	-	284,524	13,135,024
Equipment	571,010	-	-	3,000	574,010
Total capital assets being depreciated	13,421,510	-	-	287,524	13,709,034
Less accumulated depreciation for:					
Buildings and improvements	(8,528,110)	(367,408)	-	-	(8,895,518)
Equipment	(470,560)	(32,136)	-	-	(502,696)
Total accumulated depreciation	(8,998,670)	(399,544)	-	-	(9,398,214)
Capital assets, net	$ 5,303,934	$ 1,007,914	$ -	$ -	$ 6,311,848

B. Capital Contributions

The Authority receives capital grants from HUD. The Authority recognized $347,368 in capital contributions for the fiscal year ended December 31, 2017.

C. Commitments

The Authority had one uncompleted construction commitment totaling $577,187 at the fiscal year ended December 31, 2017.

NOTE 4 – LOAN LIABILITIES

On August 30, 2012, the Authority entered into an agreement (Grant Note) with the Tennessee Housing Development Agency (THDA) for a $1,000,000 grant from the Housing Trust Fund. The agreement terms describe in the Grant Note that the loan bears a zero percent interest rate per annum. Additionally, a 20 percent reduction of the original principal sum due will occur annually, as long as the conditions in the Grant Note are met. As of December 31, 2017 there was $0 outstanding on the note as the final $200,000 in loan liability was forgiven during the fiscal year ended December 31, 2017.

On August 5, 2015, the Authority entered into an agreement (Grant Note) with the Tennessee Housing Development Agency (THDA) for a $500,000 grant from the Housing Trust Fund. The agreement terms describe in the Grant Note that the loan bears a zero percent interest rate per annum. Additionally, a 20 percent reduction of the original principal sum due will occur annually, as long as the conditions in the Grant Note are met. As of December 31, 2017 there was $300,000 outstanding on the note which was a decrease of $50,000 from the loan liability balance at December 31, 2016. This $50,000 decrease was a result of the Authority obtaining an additional $50,000 in loan liability during the current audit period, net of a $100,000 loan liability reduction this year. The Authority expects for another $100,000 of the outstanding loan liability to be forgiven and reduced within the next fiscal year.

NOTE 5 – 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. The interest rate changed from 0.0% to 0.25% beginning July 1, 2017 and through to the remainder of the fiscal year ended December 31, 2017. 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.

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, 2017, the Authority has disbursed and owes $881,177 in principal of the available $1,400,000 in loan funds for ongoing rehabilitation and construction costs incurred. As noted in bullet point (c) above, since the Authority is expecting to have disbursed the full $1,400,000 in loan funds by June 1, 2018, the date that the principal balance has to be paid down to $1,050,000, the Authority has classified $350,000 of the Note's outstanding principal balance as current and due within the next 12 months. The remaining $531,177 is not expected to be repaid within the next 12 months and is thus classified as a noncurrent liability. As of December 31, 2017, the Authority had capitalized $732 in interest. No interest was expensed during the year this year as the Park Street project was still in the construction phase.

As this Note has not yet been completely disbursed, and due to the fact that Pinnacle Bank has yet to provide an amortization schedule as a result of all of the changing variables included within the terms of the loan agreement, no amortization is available this year.

NOTE 6 – NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2017 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
FSS escrowed liabilities	$ 57,488	$ 38,080	$ 11,597	$ 83,971	$ 33,588
Compensated absences	52,633	12,292	19,479	45,446	-
Noncurrent liabilities - other	-	2,655	-	2,655	-
Loan liabilities	550,000	50,000	300,000	300,000	100,000
Notes payable	-	881,176	-	881,176	350,000
Total noncurrent liabilities	$ 660,121	$ 984,203	$ 331,076	$ 1,313,248	$ 483,588

NOTE 7 – 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, 2017 were $92,807 and $22,079 by the Authority and the employees, respectively.

NOTE 8 – 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 9 – 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 10 – COMMITMENTS AND CONTINGENCIES

Grants
Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result 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 11 – BLENDED COMPONENT UNIT

Condensed combining information for the Authority's blended component unit, Franklin Housing Collaborative, for the year ended December 31, 2017 is presented as follows:

CONDENSED STATEMENT OF NET POSITION
December 31, 2017

ASSETS	
Current assets	$ 231,613
Noncurrent assets	1,338,053
Total assets	1,569,666
LIABILITIES	
Current liabilities	352,900
Noncurrent liabilities	533,829
Total liabilities	886,729
NET POSITION	
Net investment in capital assets	308,235
Restricted	35,943
Unrestricted	338,759
Total net position	$ 682,937

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For Year Ended December 31, 2017

OPERATING REVENUES (EXPENSES)	
Operating revenues	$ 399,315
Operating expenses	(470,012)
Operating income (loss)	(70,697)
Change in net position	(70,697)
Total net position - beginning of the year	753,634
Total net position - end of the year	$ 682,937

NOTE 11 – BLENDED COMPONENT UNIT (Continued)

CONDENSED STATEMENT OF CASH FLOW
For Year Ended December 31, 2017

NET CASH PROVIDED (USED) BY:		
Operating activities	$	594
Capital and related financing activities		(126,092)
Net increase (decrease) in cash and cash equivalents		(125,498)
Cash balances - beginning of the year		303,639
Cash balances - end of the year	$	178,141

NOTE 12 – TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS

Notes Receivable. The Authority's notes receivable consist solely of amounts loaned to and due from the discretely presented component units. As of December 31, 2017, 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, 2017 amounted to $263,828 with $59,207 of this interest being recognized during the current fiscal year.	$ 1,263,828
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, 2017, the outstanding principal owed to the Authority equals $250,000, with noncurrent accrued interest receivable making up the remaining $83,898 in the Note Receivable balance. $11,200 of the $83,898 in noncurrent accrued interest receivable was recognized during the current fiscal year.	333,898
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. The beginning balance as of January 1, 2017 for this Note amounted to $505,800, with the Authority loaning the remaining $56,200 during the current fiscal year. Therefore, as of December 31, 2017, the outstanding principal owed to the Authority equals $562,000, with noncurrent accrued interest receivable making up the remaining $9,650 in the Notes Receivable balance. $5,433 of the $9,650 in noncurrent accrued interest receivable was recognized during the current fiscal year.	571,650

NOTE 12 – TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS (Continued)

Notes Receivable (Continued).

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. The beginning balance as of January 1, 2017 for this Note amounted to $450,000, with the Authority loaning the remaining $50,000 during the current fiscal year. Therefore, as of December 31, 2017, the outstanding principal owed to the Authority equals $500,000, with noncurrent accrued interest receivable making up the remaining $34,019 in the Note Receivable balance. $27,938 of the $34,019 in noncurrent accrued interest receivable was recognized during the current fiscal year.	534,019
Total noncurrent notes receivable (principal and interest)	$ 2,703,395

Ground Lease.

The Authority and Senior Residence at Reddick Street, L.P entered into a 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 into 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

NOTE 13 – INTER-PROGRAM BALANCES

Inter-program balances at December 31, 2017 consisted of the following:

	Interprogram Due From	Interprogram Due To
Low Rent Public Housing Program	$ 15,684	$ -
Resident Opportunity and Supportive Services	-	(11,094)
FSS Program Coordinator	-	(4,590)
Total	$ 15,684	$ (15,684)

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 14 – RESTRICTED NET POSITION

Restricted net position consists of excess Housing Assistance Payment (HAP) funds available to the Authority under the Section 8 Housing Choice Vouchers program and restricted scholarship funds that are available under Franklin Housing Collaborative, the Authority's blended component unit. The Authority did not have any restricted net position related to excess HAP as of the end of the fiscal year. Restricted net position related to the donated funds restricted for future scholarships amounted to $35,943 as of the fiscal year ended December 31, 2017.

NOTE 15 – 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 May 24, 2018, (the date the financial statements were available to be issued) and concluded that the following subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

The Authority anticipates converting an additional 63 units of Public Housing to Mixed Financed Affordable Housing during the next 12 months as part of the Rental Assistance Demonstration ("RAD") program. The newly converted project will be known as Spring Johnson and will be composed of 4% Low Income Housing Tax Credit units that will receive governmental assistance in the form of Section 8 Project-Based Vouchers.

The Authority is also in the process of obtaining bids for a new senior building that will be Low Income Housing Tax Credits with an anticipated closing date of June 1, 2018.

NOTE 16 – 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, housing assistance payments, and casualty losses – non-capitalized from operating activities, and includes investment revenue and capital grant revenue in operating activities, and reflects tenant revenue and bad debt expense separately, which differs from the presentation of the basic financial statements. Additionally, under the discretely presented component unit column, there is a balance of $8,709,196 that is reported in prior period adjustments, equity transfers and correction of errors. This amount does not relate to prior period adjustments, equity transfers or correction of errors, but instead relates to capital contributions received from a limited partner. The prior period adjustments, equity transfers and correction of errors line item was used as there did not appear to be any other adequate line item for such a transaction in the financial data schedule related to non-governmental capital contributions which fall below operating and nonoperating revenues and expenses in the financial statements.

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	Subtotal	ELIM	Total
111 Cash - Unrestricted	$55,367	$0	$0	$17,892	$300,487	$142,198	$515,944		$515,944
112 Cash - Restricted - Modernization and Development	$0	$0	$0	$0	$0	$0	$0		$0
113 Cash - Other Restricted	$0	$0	$0		$1,464,759	$35,943	$1,500,702		$1,500,702
114 Cash - Tenant Security Deposits	$23,535	$0	$0	$0	$35,459	$0	$58,994		$58,994
115 Cash - Restricted for Payment of Current Liabilities	$0	$0	$0		$0	$0	$0		$0
100 Total Cash	$78,902	$0	$0	$17,892	$1,800,705	$178,141	$2,075,640	$0	$2,075,640
121 Accounts Receivable - PHA Projects	$0	$0	$0	$0	$0	$0	$0		$0
122 Accounts Receivable - HUD Other Projects	$101,689	$4,590	$11,094	$11,362			$128,735		$128,735
124 Accounts Receivable - Other Government	$0	$0	$0	$0	$1,006	$0	$1,006		$1,006
125 Accounts Receivable - Miscellaneous	$3,481		$0		$59,317	$53,472	$116,270		$116,270
126 Accounts Receivable - Tenants	$27,705	$0	$0	$0	$2,289	$0	$29,994		$29,994
126.1 Allowance for Doubtful Accounts -Tenants	($4,845)	$0	$0	$0	($113)	$0	($4,958)		($4,958)
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current	$0	$0	$0	$0	$0	$0	$0		$0
128 Fraud Recovery	$0	$0	$0	$6,490	$0	$0	$6,490		$6,490
128.1 Allowance for Doubtful Accounts - Fraud	$0	$0	$0	($6,490)	$0	$0	($6,490)		($6,490)
129 Accrued Interest Receivable	$1,182	$0	$0	$0	$0	$0	$1,182		$1,182
120 Total Receivables, Net of Allowances for Doubtful Accounts	$129,212	$4,590	$11,094	$11,362	$62,499	$53,472	$272,229	$0	$272,229
131 Investments - Unrestricted	$573,234	$0	$0	$0	$0	$0	$573,234		$573,234
132 Investments - Restricted	$50,383	$0	$0		$0	$0	$50,383		$50,383
135 Investments - Restricted for Payment of Current Liability	$33,588	$0	$0		$0	$0	$33,588		$33,588
142 Prepaid Expenses and Other Assets	$66,277	$0	$0	$0	$12,182	$0	$78,459		$78,459
143 Inventories	$33,633	$0	$0	$0	$0	$0	$33,633		$33,633
143.1 Allowance for Obsolete Inventories	($3,363)	$0	$0	$0	$0	$0	($3,363)		($3,363)
144 Inter Program Due From	$15,684		$0				$15,684	($15,684)	$0
145 Assets Held for Sale	$0	$0	$0	$0	$0	$0	$0		$0
150 Total Current Assets	$977,550	$4,590	$11,094	$29,254	$1,875,386	$231,613	$3,129,487	($15,684)	$3,113,803
161 Land	$543,475	$0	$0	$0	$50,000	$25,609	$619,084		$619,084
162 Buildings	$12,834,975	$0	$0	$0	$20,518,497	$300,049	$33,653,521		$33,653,521
163 Furniture, Equipment & Machinery - Dwellings	$0	$0	$0	$0	$0	$0	$0		$0
164 Furniture, Equipment & Machinery - Administration	$483,131	$0	$0	$0	$0	$90,879	$574,010		$574,010
165 Leasehold Improvements	$0	$0	$0	$0	$0	$0	$0		$0
166 Accumulated Depreciation	($9,045,804)	$0	$0	$0	($2,331,085)	($352,410)	($11,729,299)		($11,729,299)
167 Construction in Progress	$306,660	$0	$0	$0	$0	$1,125,284	$1,431,944		$1,431,944
168 Infrastructure	$0	$0	$0	$0	$0	$0	$0		$0
160 Total Capital Assets, Net of Accumulated Depreciation	$5,122,437	$0	$0	$0	$18,237,412	$1,189,411	$24,549,260	$0	$24,549,260
171 Notes, Loans and Mortgages Receivable - Non-Current	$2,703,395					$0	$2,703,395		$2,703,395
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due									
173 Grants Receivable - Non Current	$0	$0	$0	$0	$0	$0	$0		$0
174 Other Assets					$124,082	$148,642	$272,724		$272,724
176 Investments in Joint Ventures									
180 Total Non-Current Assets	$7,825,832	$0	$0	$0	$18,361,494	$1,338,053	$27,525,379	$0	$27,525,379

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	Subtotal	ELIM	Total
200 Deferred Outflow of Resources	$0	$0	$0	$0	$0	$0	$0		$0
290 Total Assets and Deferred Outflow of Resources	$8,803,382	$4,590	$11,094	$29,254	$20,236,880	$1,569,666	$30,654,866	($15,684)	$30,639,182
311 Bank Overdraft	$0	$0	$0	$0	$0	$0	$0		$0
312 Accounts Payable <= 90 Days	$99,699	$0	$0	$0	$40,973	$2,015	$142,687		$142,687
313 Accounts Payable >90 Days Past Due	$8,648	$0	$0	$0	$0	$885	$9,533		$9,533
321 Accrued Wage/Payroll Taxes Payable	$19,478	$0	$0	$0	$0	$0	$19,478		$19,478
322 Accrued Compensated Absences - Current Portion	$0	$0	$0	$0	$0	$0	$0		$0
324 Accrued Contingency Liability	$0	$0	$0	$0	$0	$0	$0		$0
325 Accrued Interest Payable	$0	$0	$0	$0	$389,390	$0	$389,390		$389,390
331 Accounts Payable - HUD PHA Programs									
332 Account Payable - PHA Projects	$0	$0	$0	$0	$0	$0	$0		$0
333 Accounts Payable - Other Government	$29,513	$0	$0	$0	$117,660	$0	$147,173		$147,173
341 Tenant Security Deposits	$23,535	$0	$0	$0	$34,921	$0	$58,456		$58,456
342 Unearned Revenue	$48,631				$9,078		$57,709		$57,709
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		$0	$0	$0	$29,859	$350,000	$379,859		$379,859
344 Current Portion of Long-term Debt - Operating Borrowings	$0	$0	$0	$0	$0	$0	$0		$0
345 Other Current Liabilities	$33,588	$0	$0	$0	$0	$0	$33,588		$33,588
346 Accrued Liabilities - Other	$55,760	$0	$0	$0	$15,238	$0	$70,998		$70,998
347 Inter Program - Due To	$0	$4,590	$11,094	$0	$0	$0	$15,684	($15,684)	$0
348 Loan Liability - Current	$100,000						$100,000		$100,000
310 Total Current Liabilities	$418,852	$4,590	$11,094	$0	$637,119	$352,900	$1,424,555	($15,684)	$1,408,871
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					$4,249,263	$531,176	$4,780,439		$4,780,439
352 Long-term Debt, Net of Current - Operating Borrowings	$0	$0	$0	$0	$0	$0	$0		$0
353 Non-current Liabilities - Other	$50,385	$0	$0	$0	$771,739	$2,653	$824,777		$824,777
354 Accrued Compensated Absences - Non Current	$45,446	$0	$0	$0	$0	$0	$45,446		$45,446
355 Loan Liability - Non Current	$200,000					$0	$200,000		$200,000
356 FASB 5 Liabilities	$0	$0	$0	$0	$0	$0	$0		$0
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	$295,831	$0	$0	$0	$5,021,002	$533,829	$5,850,662	$0	$5,850,662
300 Total Liabilities	$714,683	$4,590	$11,094	$0	$5,658,121	$886,729	$7,275,217	($15,684)	$7,259,533
400 Deferred Inflow of Resources	$0	$0	$0	$0	$0	$0	$0		$0
508.4 Net Investment in Capital Assets	$5,122,437	$0	$0	$0	$13,958,290	$308,235	$19,388,962		$19,388,962
511.4 Restricted Net Position	$0	$0	$0	$0	$1,464,759	$35,943	$1,500,702		$1,500,702
512.4 Unrestricted Net Position	$2,966,262	$0	$0	$29,254	($844,290)	$338,759	$2,489,985		$2,489,985
513 Total Equity - Net Assets / Position	$8,088,699	$0	$0	$29,254	$14,578,759	$682,937	$23,379,649	$0	$23,379,649
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$8,803,382	$4,590	$11,094	$29,254	$20,236,880	$1,569,666	$30,654,866	($15,684)	$30,639,182

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$768,007		$0		$871,515	$0	$1,639,522		$1,639,522
70400 Tenant Revenue - Other	$51,569		$0		$0	$0	$51,569		$51,569
70500 Total Tenant Revenue	$819,576	$0	$0	$0	$871,515	$0	$1,691,091	$0	$1,691,091
70600 HUD PHA Operating Grants	$1,029,391	$55,080	$96,550	$458,774	$0	$0	$1,639,795		$1,639,795
70610 Capital Grants	$347,368		$0		$0	$0	$347,368		$347,368
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	$300,000		$0		$0	$31,664	$331,664		$331,664
71100 Investment Income - Unrestricted	$10,113		$0		$495	$0	$10,608		$10,608
71200 Mortgage Interest Income	$103,768		$0		$0	$0	$103,768		$103,768
71300 Proceeds from Disposition of Assets Held for Sale	$0		$0		$0	$0	$0		$0
71310 Cost of Sale of Assets	$0		$0		$0	$0	$0		$0
71400 Fraud Recovery	$0		$0	$9,476	$0	$0	$9,476		$9,476
71500 Other Revenue	$77,874		$0		$186,636	$367,651	$632,161	($145,373)	$486,788
71600 Gain or Loss on Sale of Capital Assets	$0		$0		$0	$0	$0		$0
72000 Investment Income - Restricted	$0		$0		$0	$0	$0		$0
70000 Total Revenue	$2,688,090	$55,080	$96,550	$468,250	$1,058,646	$399,315	$4,765,931	($145,373)	$4,620,558
91100 Administrative Salaries	$387,244		$0	$55,653	$84,524	$232,716	$760,137		$760,137
91200 Auditing Fees	$14,850		$0		$18,300	$600	$33,750		$33,750
91300 Management Fee									
91310 Book-keeping Fee	$0		$0		$5,806	$0	$5,806		$5,806
91400 Advertising and Marketing	$0		$0		$8,671	$0	$8,671		$8,671
91500 Employee Benefit contributions - Administrative	$142,998		$0	$16,311	$11,197	$70,069	$240,575		$240,575
91600 Office Expenses	$78,123		$0		$79,606	$16,018	$173,747		$173,747
91700 Legal Expense	$11,626		$0		$2,654	$0	$14,280		$14,280
91800 Travel	$47,176		$0		$10,056	$2,214	$59,446		$59,446
91810 Allocated Overhead	$0		$0		$0	$0	$0		$0
91900 Other	$32,711		$0		$61,933	$89	$94,733	($13,200)	$81,533
91000 Total Operating - Administrative	$714,728	$0	$0	$71,964	$282,747	$321,706	$1,391,145	($13,200)	$1,377,945
92000 Asset Management Fee	$0		$0		$0	$0	$0		$0
92100 Tenant Services - Salaries	$0	$44,064	$85,463		$0	$0	$129,527		$129,527
92200 Relocation Costs	$0		$0		$0	$0	$0		$0
92300 Employee Benefit Contributions - Tenant Services	$0	$11,016	$11,087		$0	$0	$22,103		$22,103
92400 Tenant Services - Other	$2,732		$0		$0	$21,189	$23,921		$23,921
92500 Total Tenant Services	$2,732	$55,080	$96,550	$0	$0	$21,189	$175,551	$0	$175,551

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	Subtotal	ELIM	Total
93100 Water	$93,496		$0		$25,885	$0	$119,381		$119,381
93200 Electricity	$279,552		$0		$44,314	$11,225	$335,091		$335,091
93300 Gas	$58,399		$0		$13,677	$0	$72,076		$72,076
93400 Fuel	$0		$0		$0	$0	$0		$0
93500 Labor	$0		$0		$0	$0	$0		$0
93600 Sewer	$96,884		$0		$26,157	$0	$123,041		$123,041
93700 Employee Benefit Contributions - Utilities	$0		$0		$0	$0	$0		$0
93800 Other Utilities Expense	$0		$0		$0	$0	$0		$0
93000 Total Utilities	$528,331	$0	$0	$0	$110,033	$11,225	$649,589	$0	$649,589
94100 Ordinary Maintenance and Operations - Labor	$119,673		$0		$0	$42,304	$161,977		$161,977
94200 Ordinary Maintenance and Operations - Materials and Other	$74,822		$0		$28,577	$9,165	$112,564		$112,564
94300 Ordinary Maintenance and Operations Contracts	$276,197			$224	$142,162	$46,252	$464,835		$464,835
94500 Employee Benefit Contributions - Ordinary Maintenance	$48,455		$0		$0	$0	$48,455		$48,455
94000 Total Maintenance	$519,147	$0	$0	$224	$170,739	$97,721	$787,831	$0	$787,831
95100 Protective Services - Labor	$0		$0		$0	$0	$0		$0
95200 Protective Services - Other Contract Costs	$0		$0		$0	$0	$0		$0
95300 Protective Services - Other	$0		$0		$0	$0	$0		$0
95500 Employee Benefit Contributions - Protective Services	$0		$0		$0	$0	$0		$0
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance	$0		$0		$43,187	$0	$43,187		$43,187
96120 Liability Insurance	$0		$0		$0	$0	$0		$0
96130 Workmen's Compensation	$0		$0		$0	$0	$0		$0
96140 All Other Insurance	$57,312		$0		$0	$0	$57,312		$57,312
96100 Total insurance Premiums	$57,312	$0	$0	$0	$43,187	$0	$100,499	$0	$100,499
96200 Other General Expenses	$170,162		$0		$79,426	$0	$249,588	($125,000)	$124,588
96210 Compensated Absences	$12,292		$0		$0	$0	$12,292		$12,292
96300 Payments in Lieu of Taxes	$24,368		$0		$11,889	$0	$36,257		$36,257
96400 Bad debt - Tenant Rents	$25,684		$0		$0	$0	$25,684		$25,684
96500 Bad debt - Mortgages	$0		$0		$0	$0	$0		$0
96600 Bad debt - Other	$0		$0		$0	$0	$0		$0
96800 Severance Expense	$0		$0		$0	$0	$0		$0
96000 Total Other General Expenses	$232,506	$0	$0	$0	$91,315	$0	$323,821	($125,000)	$198,821
96710 Interest of Mortgage (or Bonds) Payable	$0		$0		$132,495	$0	$132,495		$132,495
96720 Interest on Notes Payable (Short and Long Term)			$0		$0	$0	$0		$0
96730 Amortization of Bond Issue Costs	$0		$0		$0	$0	$0		$0
96700 Total Interest Expense and Amortization Cost	$0	$0	$0	$0	$132,495	$0	$132,495	$0	$132,495
96900 Total Operating Expenses	$2,054,756	$55,080	$96,550	$72,188	$830,516	$451,841	$3,560,931	($138,200)	$3,422,731

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	$633,334	$0	$0	$396,062	$228,130	($52,526)	$1,205,000	($7,173)	$1,197,827
97100 Extraordinary Maintenance	$0		$0		$0	$0	$0		$0
97200 Casualty Losses - Non-capitalized	$7,957		$0		$0	$0	$7,957		$7,957
97300 Housing Assistance Payments	$0		$0	$455,667	$0	$0	$455,667	($7,173)	$448,494
97350 HAP Portability-In	$0		$0		$0	$0	$0		$0
97400 Depreciation Expense	$381,373		$0		$1,139,562	$18,171	$1,539,106		$1,539,106
97500 Fraud Losses	$0				$0	$0	$0		$0
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense	$0		$0		$0	$0	$0		$0
90000 Total Expenses	$2,444,086	$55,080	$96,550	$527,855	$1,970,078	$470,012	$5,563,661	($145,373)	$5,418,288
10010 Operating Transfer In	$100,000		$0		$0	$0	$100,000	($100,000)	$0
10020 Operating transfer Out	($100,000)		$0		$0	$0	($100,000)	$100,000	$0
10030 Operating Transfers from/to Primary Government			$0		$0	$0	$0		$0
10040 Operating Transfers from/to Component Unit	$0		$0		$0	$0	$0		$0
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Extraordinary Items, Net Gain/Loss	$0		$0		$0	$0	$0		$0
10080 Special Items (Net Gain/Loss)	$0		$0		$0	$0	$0		$0
10091 Inter Project Excess Cash Transfer In	$0						$0		$0
10092 Inter Project Excess Cash Transfer Out	$0						$0		$0
10093 Transfers between Program and Project - In	$0		$0		$0	$0	$0		$0
10094 Transfers between Project and Program - Out	$0		$0		$0	$0	$0		$0
10100 Total Other financing Sources (Uses)	$0	$0	$0	$0	$0	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	$244,004	$0	$0	($59,605)	($911,432)	($70,697)	($797,730)	$0	($797,730)
11020 Required Annual Debt Principal Payments	$0	$0	$0	$0	$0	$0	$0		$0
11030 Beginning Equity	$7,844,695	$0	$0	$88,859	$6,780,995	$753,634	$15,468,183		$15,468,183
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0				$8,709,196		$8,709,196		$8,709,196
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 Allowance for Doubtful Accounts - Dwelling Rents									
11100 Changes in Allowance for Doubtful Accounts - Other									
11170 Administrative Fee Equity				$29,254			$29,254		$29,254
11180 Housing Assistance Payments Equity				$0			$0		$0
11190 Unit Months Available	2813		0	1248	1344	0	5405		5405
11210 Number of Unit Months Leased	2688		0	1153	1343	0	5184		5184

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2017

	Project Total	14.896 PIH Family Self-Sufficiency Program	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	Subtotal	ELIM	Total
11270 Excess Cash	$208,577						$208,577		$208,577
11610 Land Purchases	$0						$0		$0
11620 Building Purchases	$220,972						$220,972		$220,972
11630 Furniture & Equipment - Dwelling Purchases	$0						$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0						$0		$0
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
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
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
FOR YEAR ENDED DECEMBER 31, 2017

	TN43P03550113	TN43P03550114
Funds Approved	$ 318,609	$ 321,117
Funds Expended	$ 318,609	$ 321,117
Excess of Funds Approved	$ -	$ -
Funds Advanced (HUD Grants)	$ 318,609	$ 321,117
Funds Expended	$ 318,609	$ 321,117
Excess of Funds Advanced	$ -	$ -

1. The distribution of costs by project as shown on the Final Statement of Modernization Cost both dated March 6, 2017, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Authority's records.

2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

Franklin Housing Authority
Schedule of Expenditures of Federal Awards
For Year Ended December 31, 2017

Federal Grantor	CFDA Number	Contract Number	Expenditures
Federal Awards			
US Department of Housing and Urban Development (HUD):			
Low Rent Public Housing	14.850	TN035-00000116D	$ 1,246
Low Rent Public Housing	14.850	TN035-00000216D	87
Low Rent Public Housing	14.850	TN035-00000117D	908,547
Total Low Rent Public Housing Program			**909,880**
Resident Opportunity and Self Sufficiency	14.870	ROSS170010	96,550
Total Resident Opportunity and Self Sufficiency			**96,550**
Housing Choice Voucher Program	14.871		458,774
Total Housing Choice Voucher Program			**458,774**
Capital Fund Program	14.872	TN043P035501-15	76,396
Capital Fund Program	14.872	TN043P035501-16	144,433
Capital Fund Program	14.872	TN043P035501-17	246,050
Total Capital Fund Program			**466,879**
FSS Program Coordinator	14.896	TN035FSH377A016	55,080
Total Resident Opportunity and Self Sufficiency			**55,080**
TOTAL FEDERAL AWARDS EXPENDED			**$ 1,987,163**

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, 2017. 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.

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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"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 24, 2018. Our report includes a reference to other auditors who audited the financial statements of Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P., as described in our report on the Authority's financial statements. The financial statements of Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Senior Residence at Reddick Street, L.P. and Reddick Street Associates I, L.P.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 & DeJohn, LLC

Birmingham, AL
May 24, 2018

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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

Report on Compliance for 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, 2017. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 & DeJohn, LLC

Birmingham, AL
May 24, 2018

Financial Statement Findings
None

Major Program Audit Findings
None

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2017

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: CFDA #14.850 - Low Rent Public Housing Program		
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

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To the Board of Commissioners
Franklin Housing Authority

Independent Accountant's Report on Applying Agreed-Upon Procedure

We have performed the procedure described in the second paragraph, which was agreed to by the Franklin Housing Authority (the Housing Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with related hard copy documents included within the Single Audit reporting package. The Housing Authority is responsible for the accuracy and completeness of the electronic submission. This agreed upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in 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 to perform an audit in accordance with 2 CFR 200 Subpart F, Audit Requirements, for the Housing Authority as of and for the year ended December 31, 2017, and have issued our reports thereon dated May 24, 2018. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Housing Authority's Financial Data Schedule (FDS) dated May 24, 2018, was expressed in relation to the basic financial statements of the Housing Authority taken as a whole.

A copy of the reporting package required by OMB, which includes the auditor's reports, is available in its entirety from the Housing Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Housing Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

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 & DeJohn, LLC

Birmingham, AL
May 24, 2018