

FRANKLIN HOUSING AUTHORITY



FINANCIAL STATEMENTS & INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

FRANKLIN HOUSING AUTHORITY

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FINANCIAL INFORMATION



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Board of Commissioners
Franklin Housing Authority
Franklin, TN

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities and aggregate discretely presented component units of the Franklin Housing Authority as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 Apartments I, L.P. for the year ended December 31, 2015, which represent one-hundred percent of the assets, net position, and revenues of the aggregate discretely presented component units. The statements of Senior Residence at Reddick Street, L.P. were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Franklin Housing Authority, is based solely on the report of the other auditors. The statements of Reddick Street Apartments I, L.P. were not audited by our firm or any other auditors, therefore no opinion has been issued (see Summary of Opinions). 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 statement. The procedures selected depend on the auditor's judgment, including the assessment of the risk 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.

Summary of Opinions

Opinion Unit	Type of Opinion
Business-Type Activities	Unmodified
Aggregate Discretely Presented Component Units	Qualified

Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units

The financial statements of Reddick Street Apartments I, LP have not been audited, and we were not engaged to audit the Reddick Street Apartments I, LP financial statement as part of our audit of Franklin Housing Authority's basic financial statements. Reddick Street Apartments I, LP's financial activities are included in Franklin Housing Authority's basic financial statements as a discretely presented component unit and represent 27 percent, 24 percent, and 87 percent of the assets, net position and revenues, respectively, of Franklin Housing Authority's aggregated discretely presented component units.

Qualified Opinion

In our opinion, excepted the possible effect of the matter described in the "Basis for Qualified Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregated discretely presented component units of Franklin Housing Authority, as of December 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles, generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Franklin Housing Authority, as of December 31, 2015, and the respective change in financial position and cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed on the table of contents, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 of the financial statements that collectively comprise the Franklin Housing Authority's basic financial statements. The Statement and Certification of Actual Modernization Costs - Completed, Statement and Certification of Actual Modernization Costs - Uncompleted, Financial Data Schedule, Combining Schedule of Discretely Presented Component Units and the Schedule of Expenditures of Federal Awards, required by the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the financial statements.

The Statement and Certification of Actual Modernization Costs - Completed, Statement and Certification of Actual Modernization Costs – Uncompleted, Financial Data Schedule, Combining Schedule of Discretely Presented Component Units and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement and Certification of Actual Capital Fund Program Costs, Financial Data Schedule, Combining Schedule of Discretely Presented Component Units, and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2016 on our consideration of the Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


June 21, 2016

Franklin Housing Authority

Management's Discussion & Analysis For the Year Ended December 31, 2015

Franklin Housing Authority's ("Authority") management's discussion and analysis 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 individual program issues or concerns. Since the Management's Discussion and Analysis (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 decreased by \$48 thousand during 2015. Since the Authority engages only in business type activities, the decrease is all in the category of business-type net position. Net Position was \$7.7 million and \$7.8 million for 2015 and 2014 respectively.

Revenues decreased by \$290 thousand during 2015, and were \$2.95 million and \$3.24 million for 2015 and 2014 respectively.

Expenses increased by \$110 thousand during 2015. Total expenses were \$2.99 million and \$2.88 million for 2015 and 2014 respectively.

USING THIS ANNUAL REPORT

The Report includes three major sections, the "Management's Discussion and Analysis (MD&A)", "Basic Financial Statements", and "Other Required Supplementary Information":

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements (Authority-wide)
- Other Required Supplementary Information

The primary focus of the Authority's financial statements is on both the Authority as a whole (Authority-wide) and the major individual programs. Both perspectives (Authority-wide and major program) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhance the Authority's accountability.

Authority-Wide Financial Statements

The Authority-wide financial statements are designed to be corporate-like in that all business type activities are consolidated into columns which add to a total for the entire Authority.

These statements include a Statement of Net Position, which is similar to a balance sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets plus deferred outflows of resources equals liabilities plus deferred inflows of resources and "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

Franklin Housing Authority

Management's Discussion & Analysis For the Year Ended December 31, 2015

The focus of the Statement of Net Position is designed to represent the net available liquid (noncapital) assets, net of liabilities, for the entire Authority. Net position (formerly equity) is reported in three broad categories:

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 asset by 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".

The Authority-wide financial statements also include a Statement of Revenues, Expenses, & Changes in Net Position (similar to an income statement). This statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance and depreciation, and non-operating revenue and expenses, such as capital grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses, & Changes in Net Position is the "Change in Net Position", which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing and investing activities.

FINANCIAL STATEMENTS

All of the Authority's programs utilize the enterprise fund method of accounting. Enterprise funds use the full accrual basis of accounting. The enterprise method of accounting is similar to accounting utilized by the private sector. Many of the programs maintained by the Authority are required by the Department of Housing and Urban Development. Others are segregated to enhance accountability and control.

THE AUTHORITY'S PROGRAMS

Business-type Programs

1. **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. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.
2. **Housing Choice Voucher**
The objective of this program is to provide housing for eligible low-income families through housing assistance payments to private landlords. The program is administered under an Annual Contributions Contract (ACC) with HUD.

Franklin Housing Authority

Management's Discussion & Analysis For the Year Ended December 31, 2015

3. Component Unit

Franklin Housing Collaborative is a blended component unit of the Authority. It has been blended with the Authority and shares its management and board of directors. The component unit is included on the consolidated Financial Statements. There are no separate financial statements available.

Senior Residence at Reddick Street, L.P. and Reddick Street Apartments I, L.P. are discretely presented component units of the Authority. No transactions have been eliminated between the Authority and the discretely presented component units in accordance with GASB 61. Separate audited financial statements are available upon request to the Authority for Senior Residence at Reddick Street, L.P.

STATEMENT OF NET POSITION

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged only in business-type activities.

	2015	2014	Change	
			Dollar	Percentage
ASSETS				
Current Assets	\$ 1,475,122	\$ 1,434,952	\$ 40,170	2.80%
Capital & Non-Current Assets	<u>6,924,752</u>	<u>7,172,418</u>	<u>(247,666)</u>	-3.45%
Total Assets	<u>8,399,874</u>	<u>8,607,370</u>	<u>(207,496)</u>	-2.41%
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 8,399,874</u>	<u>\$ 8,607,370</u>	<u>\$ (207,496)</u>	-2.41%
LIABILITIES				
Current Liabilities	\$ 422,006	\$ 375,152	\$ 46,854	12.49%
Non-Current Liabilities	<u>230,919</u>	<u>437,151</u>	<u>(206,232)</u>	-47.18%
Total Liabilities	<u>652,925</u>	<u>812,303</u>	<u>(159,378)</u>	-19.62%
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	0.00%
NET POSITION				
Investment in Capital Assets	5,270,127	5,782,815	(512,688)	-8.87%
Restricted Net Position	77,862	250,000	(172,138)	
Unrestricted Net Position	<u>2,398,960</u>	<u>1,762,252</u>	<u>636,708</u>	36.13%
Total Net Position	<u>7,746,949</u>	<u>7,795,067</u>	<u>(48,118)</u>	-0.62%
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, & NET POSITION	<u>\$ 8,399,874</u>	<u>\$ 8,607,370</u>	<u>\$ (207,496)</u>	-2.41%

Major Factors Affecting the Statement of Net Position

Capital & non-current assets decreased by \$248 thousand, due primarily to depreciation. Total liabilities decreased by \$159 thousand, due primarily to a decrease in long-term debt.

Franklin Housing Authority

Management's Discussion & Analysis For the Year Ended December 31, 2015

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in business-type activities.

	2015	2014	Change	
			Dollar	Percentage
Dwelling rent	\$ 843,785	\$ 836,060	\$ 7,725	0.92%
Government grants	1,691,227	1,894,180	(202,953)	-10.71%
Other income	212,545	335,433	(122,888)	-36.64%
Interest income	78,407	4,481	73,926	1649.77%
Gain(loss) on disposition of capital assets	-	7,044	(7,044)	-100.00%
Capital contributions - HUD	120,631	159,376	(38,745)	-24.31%
TOTAL REVENUES	2,946,595	3,236,574	(289,979)	-8.96%
Administration	897,938	877,863	20,075	2.29%
Tenant services	135,648	121,564	14,084	11.59%
Utilities	547,268	604,603	(57,335)	-9.48%
Maintenance and operations	524,192	459,365	64,827	14.11%
General	148,925	132,208	16,717	12.64%
Miscellaneous	7,309	-	7,309	100.00%
Housing assistance payments	298,344	231,952	66,392	28.62%
Depreciation	435,089	456,707	(21,618)	-4.73%
TOTAL EXPENSES	2,994,713	2,884,262	110,451	3.83%
CHANGE IN NET POSITION	(48,118)	352,312	(400,430)	-113.66%
BEGINNING NET POSITION	7,795,067	7,442,755	352,312	4.73%
ENDING NET POSITION	\$ 7,746,949	\$ 7,795,067	\$ (48,118)	-0.62%

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

Total revenue decreased by \$290 thousand from 2014 to 2015. Of that \$290 thousand, government grants decreased by \$202 thousand.

Total expenses increased by \$110 thousand from 2014 to 2015. Tenant services, utilities, interest, and general expenses remained stable. Depreciation expense decreased by \$22 thousand in 2015. Administrative expenses increased by \$20 thousand due primarily to a current year increase in administrative salaries and travel. Maintenance expense increased by \$65 thousand, due to increases in ordinary maintenance contract costs.

Franklin Housing Authority

Management's Discussion & Analysis For the Year Ended December 31, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year-end, the Authority had \$5.27 million invested in a variety of capital assets as reflected in the following schedule, which is consistent with the prior year.

	2015	2014	Change	
			Dollar	Percentage
Land	\$ 569,084	\$ 569,084	\$ -	0.00%
Buildings and improvements	12,525,239	11,980,243	544,996	4.55%
Equipment	528,453	525,453	3,000	0.57%
Construction in progress	232,366	857,961	(625,595)	
	13,855,142	13,932,741	(77,599)	-0.56%
Accumulated depreciation	(8,585,015)	(8,149,926)	(435,089)	5.34%
Net Capital Assets	<u>\$ 5,270,127</u>	<u>\$ 5,782,815</u>	<u>\$ (512,688)</u>	-8.87%

Outstanding Debt at Year-End

As of year-end the Authority had \$400,000 associated solely with a grant agreement date August 30, 2012 from the Tennessee Housing Development Agency, which will be forgiven by 20 percent increments of the original principal of \$1,000,000 annually.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary 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

The individual to be contacted regarding this report is Derwin Jackson, Executive Director, Franklin Housing Authority, at 615-794-1247.

FRANKLIN HOUSING AUTHORITY

STATEMENT OF NET POSITION
DECEMBER 31, 2015

ASSETS		
Current Assets	Primary Gov't	Discrete Component Units
Cash and equivalents		
Unrestricted	\$ 515,400	\$ 82,921
Restricted	100,917	1,175,366
Subtotal	616,317	1,258,287
Investments	721,709	-
Accounts receivable, net	60,161	1,633
Inventory, net	62,686	-
Prepaid expenses	14,249	6,777
Total Current Assets	1,475,122	1,266,697
Non-Current Assets		
Notes receivable	1,654,625	-
Intangibles, net	-	92,782
Capital assets, net	5,270,127	8,541,099
Total Non-Current Assets	6,924,752	8,633,881
Total Assets	8,399,874	9,900,578
Deferred Outflows of Resources	-	-
LIABILITIES		
Current Liabilities		
Accounts payable		
Vendors	69,816	139,570
Other gov't	52,694	29,826
Subtotal	122,510	169,396
Accrued liabilities	35,286	4,794
Unearned revenue	3,411	2,993
Notes payable - current	200,000	-
Compensated absences - current	13,351	-
Deposits held in trust	47,448	11,096
Total Current Liabilities	422,006	188,279
Non-Current Liabilities		
Compensated absences - non-current	30,919	-
Notes payable - long-term	200,000	2,149,004
Total Non-Current Liabilities	230,919	2,149,004
Total Liabilities	652,925	2,337,283
Deferred Inflows of Resources	-	-
Net Position		
Investment in capital assets	5,270,127	6,392,095
Restricted	77,862	1,164,270
Unrestricted	2,398,960	6,930
Total Net Position	\$ 7,746,949	\$ 7,563,295

FRANKLIN HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES, & CHANGES IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2015

	Primary Gov't	Discrete Component Units
Operating Revenues		
Dwelling rent, net	\$ 843,785	\$ 180,356
Government grants	1,691,227	91,144
Other income	212,545	7,100
Total Operating Revenues	<u>2,747,557</u>	<u>278,600</u>
Operating Expenses		
Administration	897,938	134,202
Tenant services	135,648	-
Maintenance and operations	524,192	69,569
Utilities	547,268	56,292
General	148,925	80,825
Miscellaneous	7,309	-
Housing assistance payments	298,344	-
Depreciation & amortization	435,089	362,337
Total Operating Expenses	<u>2,994,713</u>	<u>703,225</u>
OPERATING INCOME (LOSS)	<u>(247,156)</u>	<u>(424,625)</u>
Non-Operating Revenues (Expenses)		
Interest income - loans	73,872	-
Interest income - cash & investments	4,535	753
Interest expense	-	(75,203)
Gain (loss) on disposition of capital assets	-	-
Total Non-Operating Revenues (Expenses)	<u>78,407</u>	<u>(74,450)</u>
Capital contributions - HUD	120,631	1,847,659
CHANGE IN NET POSITION	(48,118)	1,348,584
BEGINNING NET POSITION	7,795,067	6,214,711
ENDING NET POSITION	<u><u>\$ 7,746,949</u></u>	<u><u>\$ 7,563,295</u></u>

FRANKLIN HOUSING AUTHORITY

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Primary Gov't</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from tenants	\$ 1,077,003
Operating grants	1,691,227
Cash paid for goods and services	(1,569,326)
Cash paid for housing assistance payment	(298,344)
Cash paid to employees for services	(659,575)
NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES	<u>240,985</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of capital assets	(123,632)
Forgiveness of debt	(200,000)
Capital contributions	120,631
NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(203,001)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received on investments	4,535
Principal received on loans made to component unit	10,081
Purchase of investments	(3,759)
NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES	<u>10,857</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,841
BEGINNING CASH AND CASH EQUIVALENTS	567,476
ENDING CASH AND CASH EQUIVALENTS	<u><u>\$ 616,317</u></u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (247,156)
Non-Cash Adjustment	
Depreciation	435,089
Change in Assets & Liabilities	
Accounts receivable	24,286
Inventory & prepaid	(11,856)
Accounts payable	19,852
Accrued liabilities	10,743
Unearned revenue	(3,613)
Compensated absences	(8,803)
Tenant security deposits	22,443
Total Adjustments	<u>488,141</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 240,985</u></u>

FRANKLIN HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE A – SUMMARY OF SIGNIFICANT POLICIES

Introduction

The financial statements of Franklin Housing Authority (the “Authority”) have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). 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.

Franklin Housing 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 and GASB 63. 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, & Changes in Net Position
 - Statement of Cash Flows
- Notes to Financial Statements
- Required supplemental information other than MD&A

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low income housing programs in the United States. Accordingly, HUD has contracted with the Authority to administer certain HUD funds.

1. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity. Under provisions of this statement, Franklin Housing Authority is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. As used in GASB 14, fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

GASB Statement No. 61 establish criteria for determining which, if any, component units should be considered part of Franklin Housing Authority for financial reporting purposes. The basic criteria for including a potential component unit organization within the Authority's reporting entity includes whether:

- The organization is legally separate (can be sued in their own name)
- The Housing Authority holds the corporate powers of the organization
- The Housing Authority appoints a voting majority of the organization's board
- The Housing Authority is able to impose its will on the organization
- The organization has the potential to impose a financial burden/benefit on the Housing Authority
- There is a fiscal dependency by the organization on the Housing Authority

Based on the aforementioned criteria, and the control and relationship between Franklin Housing Authority and the component units, the Authority has determined that the following entities are considered component units of Franklin Housing Authority and are required to be blended within the Authority's financial statements:

Franklin Housing Collaborative- The Corporation is a 501(c) (3) tax exempt not for profit corporation, whose mission is to promote decent safe and sanitary housings for persons of low-income or the elderly or infirmed in the State of Tennessee. This entity is considered to be a blended component unit. There are no separately issued audited financial statements, however a copy of the most recent informational tax return (Form 990) can be obtained from the Authority staff at the Authority's office.

Based on the aforementioned criteria, the Authority has determined that the following entity is considered a component unit of the Authority and is required to be discretely presented apart from the Authority's financial statements:

Senior Residence at Reddick Street, L.P. – Senior Residence at Reddick Street, L.P. is a partnership organized for the purpose of engaging in the business of affordable housing, and in such other related business as agreed upon by the partners. (Report issued under separate cover. It may be obtained at 200 Spring Street, Franklin, TN 37065). The partnership operates a 49-unit facility, of which 40 are considered Public Housing units.

Senior Residence at Reddick Street, L.P. is on a December 31 fiscal year-end.

Reddick Street Apartments I, L.P. –Reddick Street Apartments I, L.P. is a partnership organized for the purpose of engaging in the business of affordable housing, and in such other related business as agreed upon by the partners. No separate report has been issued.

Reddick Street Apartments I, L.P. is on a December 31 fiscal year-end.

The following is a description of all programs operated by the Authority:

- a. Low Rent Public Housing Program** – Under the Conventional Public Housing Program, Franklin Housing Authority operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide the housing at a rent that is based upon 30% of household income.
- b. Public Housing Capital Fund Programs** - The primary funding source for the modernization, demolition and redevelopment of public housing is the Capital Fund Programs and Stimulus Grant Fund Programs.
- c. Housing Choice Voucher Program** – Designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. The Authority administers contracts with independent land-lords that own property and rent that property to families that have applied for housing assistance through the Authority. The Authority subsidizes the family's rent through a Housing Assistance Payment 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 participants' rent at 30% of household income.

2. Basic Financial Statements/Funds

All activities of Franklin Housing Authority are reported in proprietary fund types. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is secured by the Authority's capital assets and by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

In the Statement of Net Position, equity is classified as net position and displayed in three components:

- a) Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.
- b) Restricted net position – Consists of net assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- c) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted net positions are available for use, generally it is the Authority's policy to use restricted resources first.

3. Accrual Basis of Accounting

Basis of accounting refers to the point at which revenues or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

4. Budgetary Data

Enterprise fund service delivery levels are determined by the extent of consumer demand. Because enterprise fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with Franklin Housing Authority's contract with HUD. The Authority prepares annual budgets for each program. Prior to the beginning of each budget year, the Authority's annual budget is approved by its governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

5. Financial Statement Accounts & Other Matters

a. Cash and Investments.

- i. *Cash and Cash Equivalents.* The Authority defines cash to include certificates of deposit, money market funds, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.
- ii. *Investments.* Investments are carried at fair market value. They are comprised of securities with maturities longer than three months.

Investment instruments consist only of items specifically approved for public housing agencies by HUD. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and laws in the State of Tennessee.

- b. Accounts Receivable.* Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

Accounts for which no possibility of collection is anticipated are charged to bad debts expense which is netted against tenant revenues on the Statement of Revenues, Expenses, and Changes in Net Position. The amount of bad debt related to tenant receivables written off for the year ended December 31, 2015 was \$18,254.

- c. Inventories.* Inventories are valued at cost, which approximates market, using the first-in/ first-out (FIFO) method. The costs of inventories are recorded as expenses when consumed rather than when purchased.

Management has elected to report an allowance for obsolete inventory, which is netted against the value of inventory on the statement of net position. The value is an estimate based on historical trends of spoilage and obsolescence at the Authority. As of yearend the allowance for obsolete inventory was \$6,965.

- d. Restricted Cash.* Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program, cash and investments that are held in trust, reserves and escrows, as well as other cash and investments that are restricted for specific purposes.

Program income restricted cash represents unused excess Operating Fund reserves released by HUD to the Authority for the financing of constructing public housing units.

- e. Capital Assets.* Capital assets are stated at historical cost. Donated capital assets are stated at their fair value on the date donated. This includes site acquisition and improvement, structures and equipment. Items with an expected live greater than 1 year and value in excess of \$1,000 recorded as capital assets.

Depreciation of exhaustible capital assets is charged as an expense against operations utilizing the straight-line method. Accumulated depreciation is reported on the Statement of Fund Net Position. The estimated useful lives for each major class of depreciable fixed assets are as follows:

<u>Category</u>	<u>Useful Life (Years)</u>
Buildings & improvements	15-30
Vehicles	3-7
Specialized use equipment	3-10
Furniture, fixtures, & equipment	3-10

- f. Intangibles & Amortization.* Discretely presented component units of Franklin Housing Authority are for-profit entities that are required to follow FASB reporting standards, accordingly they capitalize debt issuance costs as intangible assets. These assets are then amortized over the life of their respective debt issued utilizing the straight-line method of amortization.

This accounting treatment differs from recent GASB pronouncements, which establishes standards of accounting and financial reporting for debt issuance costs. Debt issuance costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

Debt issuance costs include all costs incurred to issue the bonds, including but not limited to insurance costs (net of rebates from the old debt, if any), financing costs (such as rating agency fees), and other related costs (such as printing, legal, administrative, and trustee expenses).

- g. Tenant Security Deposits.* Security deposits consist of amounts held in trust with Franklin Housing Authority in order for tenants to secure apartment leases.

- h. Compensated Absences.* Compensated absences are absences for which employees will be paid, i.e., sick leave, vacation, and other approved leaves. In accordance with GASB Statement No.16, *Accounting for Compensated Absences*, the Authority accrues the liability for those absences that the employee has earned the rights to the benefits. Accrued amounts are based on the current salary rates. Full-time, permanent employees are granted vacation and sick leave benefits in varying amounts to specified maximums depending on tenure with the Authority. Vacation and sick pay is recorded as an expense and related liability in the year earned by employees.

- i. Accounts Payable - Other Gov't.* Due to other governments consists of amounts due local governments for payments in lieu of taxes (PILOT), if any.

- j. Unearned Revenue.* Unearned revenues consist of rental payments made by tenants in advance of their due date, and rental supplements to be paid to owners of private dwellings during the first month of the next fiscal year.

- k. *Revenues.* All Franklin Housing Authority revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, gain/loss on sale of fixed assets, and interest income/expense, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transactions, are recorded when all applicable eligibility requirements, including time requirements, are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources.
- l. *Expenditures.* Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.
- m. *Depreciation.* Depreciation expense of \$435,089 has been recognized during the year ended December 31, 2015.
- n. *Income Taxes.* Franklin Housing Authority is not subject to federal or state income taxes.
- o. *Use of Estimates.* The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- p. *Subsequent Events.* Franklin Housing Authority adopted the Subsequent Events topic of the GASB Accounting Standards, which requires disclosure of the date through which subsequent events have been evaluated. Management performed an evaluation of the Authority's activity through June 21, 2016, the audit report date, and has concluded that there are no significant subsequent events requiring disclosure through the date these financial statements were issued.
- q. *Deferred Inflows/Outflows of Resources.* In accordance with GASB 63, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet this criterion.
- Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet this criterion.
- r. *Interfund Eliminations.* All interfund receivables and payables between program and blended component units have been eliminated in the financial statements. As have any inter-program or company revenues and expenses.
- s. *Leasing Activities.* The Authority is the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. The Authority may cancel the leases only for a cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within dwelling rent revenue.

- t. *Impairments.* Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The carrying amount of a long-lived asset is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. An impairment loss, if any, is measured as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Management has determined that long-lived assets were not impaired at December 31, 2015.

NOTE B – CASH & CASH EQUIVALENTS

Cash balances are contained in the following types of accounts at various financial institutions at December 31, 2015:

<i>Unrestricted:</i>	
Checking & Money Market Accounts	\$ 515,200
Petty Cash	<u>200</u>
Subtotal	<u>515,400</u>
<i>Restricted:</i>	
Checking - Security Deposits	23,055
Checking - HAP Restricted	4,700
Checking - FSS Escrow & Other	<u>73,162</u>
Subtotal	<u>100,917</u>
Total Cash	<u>\$ 616,317</u>
Investments (Certificates of Deposits)	<u>\$ 721,709</u>
Total Investments	<u>\$ 721,709</u>

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. The State of Tennessee Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority's policy is to manage this exposure to declines in fair values by limiting the weighted average maturity of its investments portfolio. As of December 31, 2015, the Authority's risk of changes in interest rates is minimal since the investments primarily consist of certificates of deposit which have stated interest rates.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of December 31, 2015, the Authority mitigated their exposure to credit risk by only investing in fully insured certificates of deposit.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned. The Authority's policy for custodial credit risk requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of December 31, 2015, none of the Authority's total bank balance, including certificates of deposit, was exposed to custodial credit risk.

Investment Policy

It is the policy of the Authority to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Authority and conforming to all federal, state, and local statutes governing the investment of public funds.

The investment portfolio shall be designed to attain, at a minimum, a market-average rate of return throughout budgetary and economic cycles, taking into account the Authority's investment risk constraints and the cash flow needs of the Authority's operations. Investments will be made at the highest rates obtainable at the time of investment, within the limitations of the law and the Housing Authority's prudent investment policy.

All investments purchased by the Authority are governed by HUD regulation PIH Notice 96-33(HA) regarding requirements governing cash management and approved investment instruments.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2015, consisted of the following:

Tenant rent receivables, gross	\$ 31,235
Allowance for doubtful accounts	<u>(2,931)</u>
Tenant rent receivables, net	28,304
HUD receivables	24,832
Receivables - other	<u>7,025</u>
Accounts receivable, net	<u><u>\$ 60,161</u></u>

NOTE D- CAPITAL ASSETS

The following is a summary of changes in the capital assets during the fiscal year ended December 31, 2015:

	Balance at 12/31/14	Additions	Deletions	Transfers	Balance at 12/31/15
Capital Assets not Being Depreciated:					
Land	\$ 569,084	\$ -	\$ -	\$ -	\$ 569,084
Construction in process	857,961	120,632	(201,231)	(544,996)	232,366
Total Capital Assets not Being Depreciated	<u>1,427,045</u>	<u>120,632</u>	<u>(201,231)</u>	<u>(544,996)</u>	<u>801,450</u>
Capital Assets Being Depreciated					
Buildings & improvements	11,980,243	-	-	544,996	12,525,239
Furniture & equipment	525,453	3,000	-	-	528,453
Total Assets Being Depreciated	<u>12,505,696</u>	<u>3,000</u>	<u>-</u>	<u>544,996</u>	<u>13,053,692</u>
Accumulated Depreciation	<u>(8,149,926)</u>	<u>(435,089)</u>	<u>-</u>	<u>-</u>	<u>(8,585,015)</u>
Net Capital Assets Being Depreciated	<u>4,355,770</u>				<u>4,468,677</u>
Capital Assets, Net	<u><u>\$ 5,782,815</u></u>				<u><u>\$ 5,270,127</u></u>

Construction in progress is composed of expenditures related to major renovation of certain buildings owned by the entity. These renovations are expected to be fully financed by grants from HUD.

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

NOTE E - NONCURRENT LIABILITIES

Activity for long-term liabilities for the year ended December 31, 2015 consisted of the following:

	Balance at 12/31/14	Additions	Deletions	Balance at 12/31/15	Current Portion
Debt	\$ 600,000	\$ -	\$ (200,000)	\$ 400,000	\$ 200,000
Compensated absences	53,073	13,251	(22,154)	44,170	13,251
Total	<u>\$ 653,073</u>	<u>\$ 13,251</u>	<u>\$ (22,154)</u>	<u>\$ 444,170</u>	<u>\$ 213,251</u>

NOTE F – RELATED PARTY TRANSACTIONS

Notes Receivable. The notes receivable consist solely of amounts due from the discretely presented component units to the Authority. As of December 31, 2015, notes receivable were composed of the following:

A first mortgage is being provided to the Senior Residence at Reddick Street, L.P. in the amount of \$1,000,000. The loan bears interest at a rate of five percent compounded annually with a maturity date of August 30, 2052. Principal and interest is to be repaid from 50 percent of available net cash flow, as defined by the Partnership Agreement. The apartment complex is pledged as collateral.

\$ 1,137,767

A second mortgage is being provided to the Senior Residence at Reddick Street, L.P. in the amount of \$500,00. The loan bears interest at a rate of five percent compounded annually with a maturity date of August 30, 2052. Principal and interest is to be repaid from 50 percent of available net cash flow, as defined by the Partnership Agreement. The apartment complex is pledged as collateral. The second mortgage is subordinate to the first mortgage.

315,627

A loan has been provided to Reddick Street Apartments I, L.P in the amount of \$201,231. The loan bears no stated interest rate and has no formal repayment terms.

201,231

Total notes receivable (principal & interest) \$ 1,654,625

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.

NOTE G – NOTES PAYABLE

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 state 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, 2015 there was \$400,000 outstanding on the note.

NOTE H -CONTINGENCIES

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

NOTE I - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft or, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. There were no claims in excess of commercial coverage during the previous three years. These losses include an estimate of claims that have been incurred but not reported. At December 31, 2015, there were no liabilities to be reported.

NOTE J - ECONOMIC DEPENDENCY

Both the Public Housing Authority Owned Housing Program and the Housing Choice Voucher Programs are economically dependent on annual contributions and grants from HUD. Both programs operate at a loss prior to receiving the contributions and grants.

NOTE K - PENSION PLAN

The Authority provides pension benefits to eligible full-time employees through the Housing Renewal & Local Agency Retirement Plan (HRLARP) which is a defined contribution plan administered by the Housing Agency Retirement Trust (HART). The Authority contributes an amount equal to 13 percent of each covered employee's annual compensation and employees contribute 1.5 percent. The covered payroll for December 31, 2015 was \$555,392 and the employer required contribution amounted to \$72,200 which was paid in full at year end.

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NOTE L – BLENDED COMPONENT UNIT

The Financial Statements of Franklin Housing Authority include a blended component unit Franklin Housing Collaborative. The Authority and component unit share both management and board of directors as well as fiscal year ends. Condensed Financial Information is provided as required by Accounting Principles.

	Primary Gov't Housing Authority	Blended Component Franklin Housing Collaborative	Eliminations	Total Business-type Activity
Condensed Statement of Net Position				
Current Assets	\$ 1,031,920	\$ 460,847	\$ (17,645)	\$ 1,475,122
Non-current Assets	6,899,143	25,609	-	6,924,752
Total Assets	7,931,063	486,456	(17,645)	8,399,874
Current Liabilities	414,480	25,171	(17,645)	422,006
Non-current Liabilities	230,919	-	-	230,919
Total Liabilities	645,399	25,171	(17,645)	652,925
Net investment in Capital Assets	5,270,127	-	-	5,270,127
Restricted Net Position	77,862	-	-	77,862
Unrestricted Net Position	1,937,675	461,285	-	2,398,960
Total Net Position	\$ 7,285,664	\$ 461,285	\$ -	\$ 7,746,949

**Condensed Statement of Revenues, Expenses
and Changes in Fund Net Position**

Operating Revenue	\$ 2,540,934	\$ 206,623	\$ -	2,747,557
Operating Expenses	(2,883,325)	(111,388)	-	(2,994,713)
Net Operating Income (Loss)	(342,391)	95,235	-	(247,156)
Nonoperating Revenue (Expenses)	78,407	-	-	78,407
Capital Contributions	44,441	76,190	-	120,631
Change in Net Position	(219,543)	171,425	-	(48,118)
Beginning Net Position	7,505,207	289,860	-	7,795,067
Ending Net Position	\$ 7,285,664	\$ 461,285	\$ -	\$ 7,746,949

Condensed Statement of Cash Flows

Net Cash Provided (Used) by:			
Operating Activities	\$ 62,705	\$ 157,285	\$ 219,990
Capital and related financing activities	(1,770)	-	(1,770)
Investing Activities	(169,379)	-	(169,379)
Beginning Cash	283,487	283,989	567,476
Ending Cash	\$ 175,043	\$ 441,274	\$ 616,317

SUPPLEMENTAL INFORMATION

FRANKLIN HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2015

	Federal CFDA Number	Award Amount	Beginning (Accrued) Deferred	Cash Receipts	Expenditure	Ending (Accrued) Deferred
U.S. Department of HUD						
Direct Programs						
Section 8 Housing Choice Vouchers	14.871	\$ 293,206	\$ 1,935	295,141	\$ 293,206	\$ -
Resident Opportunity & Supportive Services	14.870	128,869	-	128,869	128,869	-
Public and Indian Housing	14.850	960,508	-	960,508	960,508	-
Public Housing Capital Fund	14.872	321,117	32,960	212,178	204,050	24,832
Totals Direct Programs U.S. Department of HUD			<u>\$ 34,895</u>	<u>\$ 1,596,696</u>	<u>1,586,633</u>	<u>\$ 24,832</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS					<u>\$ 1,586,633</u>	

NOTE 1: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. Therefore, the amounts presented in this schedule are presented, or used in the preparation of the basic financial statements.

NOTE 2: SCOPE OF PRESENTATION

The accompanying schedule presents the expenditures incurred (and related awards received) by the Authority that are reimbursable under federal programs of federal agencies providing financial assistance and state awards. For the purposes of this schedule, only the portion of program expenditures reimbursable with such federal or state funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal or state reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule.

FRANKLIN HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Line Item	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Housing Choice Vouchers	ROSS	Blended CU	Eliminations	Primary Gov't Total	Discrete CU(s)	TOTAL
111	Cash - unrestricted	59,632	-	14,494	-	441,274	-	515,400	82,921	598,321
113	Cash - other restricted	73,162	-	4,700	-	-	-	77,862	1,164,270	1,242,132
114	Cash - tenant security deposits	23,055	-	-	-	-	-	23,055	11,096	34,151
100	Total cash	155,849	-	19,194	-	441,274	-	616,317	1,258,287	1,874,604
122	Accounts receivable-Operating Subsidy	24,832	-	-	-	-	-	24,832	-	24,832
125	Accounts receivable-misc	6,118	-	-	-	-	-	6,118	193	6,311
126	Accounts receivable-tenants	29,307	-	-	-	1,928	-	31,235	1,550	32,785
126.1	Allow for doubtful acct-tenants	(2,931)	-	-	-	-	-	(2,931)	(110)	(3,041)
127	Notes, Loans & mort rec. - Current - Other	-	-	-	-	-	-	-	-	-
129	Accrued interest receivable	907	-	-	-	-	-	907	-	907
120	Total receivables, net	58,233	-	-	-	1,928	-	60,161	1,633	61,794
131	Investments - unrestricted	721,709	-	-	-	-	-	721,709	-	721,709
132	Investments - restricted	-	-	-	-	-	-	-	-	-
142	Prepaid expenses & other assets	14,249	-	-	-	-	-	14,249	6,777	21,026
143	Inventories	69,651	-	-	-	-	-	69,651	-	69,651
143.1	Allowance for obsolete inventory	(6,965)	-	-	-	-	-	(6,965)	-	(6,965)
144	Inter-program - due from	15,149	-	-	-	17,645	(32,794)	-	-	-
150	Total Current Assets	1,027,875	-	19,194	-	460,847	(32,794)	1,475,122	1,266,697	2,741,819
161	Land	543,475	-	-	-	25,609	-	569,084	50,000	619,084
162	Buildings	12,225,190	-	-	-	300,049	-	12,525,239	6,798,453	19,323,692
163	Furn, equip & mach-dwellings	-	-	-	-	-	-	-	-	-
164	Furn, equip & mach-admin	528,453	-	-	-	-	-	528,453	-	528,453
166	Accumulated depreciation	(8,284,966)	-	-	-	(300,049)	-	(8,585,015)	(849,922)	(9,434,937)
167	Construction in Progress	232,366	-	-	-	-	-	232,366	2,542,568	2,774,934
160	Total capital assets, net	5,244,518	-	-	-	25,609	-	5,270,127	8,541,099	13,811,226
171	Notes, Loans & mort rec.	1,654,625	-	-	-	-	-	1,654,625	-	1,654,625
174	Other Assets	-	-	-	-	-	-	-	92,782	92,782
180	Total Non-Current Assets	6,899,143	-	-	-	25,609	-	6,924,752	8,633,881	15,558,633
190	TOTAL ASSETS	7,927,018	-	19,194	-	486,456	(32,794)	8,399,874	9,900,578	18,300,452
200	Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-
290	TOTAL ASSETS & DEFERRED OUTFLOWS	7,927,018	-	19,194	-	486,456	(32,794)	8,399,874	9,900,578	18,300,452
311	Bank Overdraft	-	-	-	-	-	-	-	-	-
312	Accounts payable ≤ 90 days	65,504	-	75	-	4,237	-	69,816	139,570	209,386
321	Accrued wage/payroll taxes	31,349	-	748	-	3,189	-	35,286	-	35,286
322	Accrued comp absences-current	13,251	-	-	-	-	-	13,251	-	13,251
325	Accrued interest payable	-	-	-	-	-	-	-	203,394	203,394
331	Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-	-	-
333	Accounts Payable - PILOT	52,694	-	-	-	-	-	52,694	29,826	82,520
341	Tenant security deposits	23,055	-	-	-	-	-	23,055	11,096	34,151
342	Deferred revenue	3,411	-	-	-	-	-	3,411	2,993	6,404
343	Current Portion of Long Term Debt	200,000	-	-	-	-	-	200,000	-	200,000
345	Other current liabilities	24,393	-	-	-	100	-	24,493	-	24,493
346	Accrued Liabilities - Other	-	-	-	-	-	-	-	4,794	4,794
347	Inter-program - due to	15,149	-	-	-	17,645	(32,794)	-	-	-
310	Total Current Liabilities	428,806	-	823	-	25,171	(32,794)	422,006	391,673	813,679
354	Accrued comp abs-non-current	30,919	-	-	-	-	-	30,919	-	30,919
351	Long-term debt	200,000	-	-	-	-	-	200,000	1,945,610	2,145,610
357	OPEB GASB 45	-	-	-	-	-	-	-	-	-
350	Total Non-Current Liabilities	230,919	-	-	-	-	-	230,919	1,945,610	2,176,529
300	TOTAL LIABILITIES	659,725	-	823	-	25,171	(32,794)	652,925	2,337,283	2,990,208

FRANKLIN HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Line Item	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Housing Choice Vouchers	ROSS	Blended CU	Eliminations	Primary Gov't Total	Discrete CU(s)	TOTAL
400	Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-
508.4	Net Investment in Capital Assets	5,244,518	-	-	-	25,609	-	5,270,127	6,392,095	11,662,222
511.4	Restricted Net Position	73,162	-	4,700	-	-	-	77,862	1,164,270	1,242,132
512.4	Unrestricted Net Position	1,949,613	-	13,671	-	435,676	-	2,398,960	6,930	2,405,890
513	Total Net Position	7,267,293	-	18,371	-	461,285	-	7,746,949	7,563,295	15,310,244
600	TOTAL LIABILITIES, NET POSITION, DEFERRED INFLOWS	7,927,018	-	19,194	-	486,456	(32,794)	8,399,874	9,900,578	18,300,452
70300	Net tenant rental revenue	721,890	-	-	-	18,332	-	740,222	179,548	919,770
70400	Tenant revenue other	121,615	-	-	-	217	-	121,832	808	122,640
70500	Total Tenant Revenue	843,505	-	-	-	18,549	-	862,054	180,356	1,042,410
70600	HUD operating grant - Subsidy/CFP	960,508	83,419	293,206	128,869	-	-	1,466,002	-	1,466,002
70610	Capital grants	-	120,631	-	-	-	-	120,631	-	120,631
70800	Other government grants	200,000	-	-	-	25,225	-	225,225	91,144	316,369
70700	Total Fee Revenue	1,160,508	204,050	293,206	128,869	25,225	-	1,811,858	91,144	1,903,002
71100	Investment income - unrestricted	78,407	-	-	-	-	-	78,407	753	79,160
71400	Fraud Recovery	-	-	1,079	-	-	-	1,079	-	1,079
71500	Other revenue	48,617	-	-	-	162,849	-	211,466	1,854,759	2,066,225
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-	-	-	-
70000	TOTAL REVENUE	2,131,037	204,050	294,285	128,869	206,623	-	2,964,864	2,127,012	5,091,876
91100	Administrative salaries	480,861	14,721	16,034	-	9,125	-	520,741	46,766	567,507
91200	Auditing fees	6,025	-	-	-	-	-	6,025	9,600	15,625
91310	Bookkeeping fees	-	-	-	-	-	-	-	4,105	4,105
91400	Advertising and Marketing	-	-	-	-	-	-	-	1,787	1,787
91500	Employee benefit contrib-admin	157,851	3,523	4,937	-	164	-	166,475	4,694	171,169
91600	Office expenses	117,035	-	-	-	27,884	-	144,919	63,454	208,373
91700	Legal expense	10,731	-	-	-	-	-	10,731	3,650	14,381
91800	Travel	47,361	-	1,591	-	95	-	49,047	146	49,193
91900	Other	-	-	-	-	7,309	-	7,309	-	7,309
91000	Total Operating - Administrative	819,864	18,244	22,562	-	44,577	-	905,247	134,202	1,039,449
92100	Tenant services - salaries	-	-	-	92,887	-	-	92,887	-	92,887
92200	Relocation Costs	-	953	-	-	-	-	-	-	953
92300	Employee Benefits - Tenant Services	-	-	-	23,222	-	-	23,222	-	23,222
92400	Tenant services - other	5,826	-	-	12,760	-	-	18,586	-	18,586
92500	Total tenant services	5,826	953	-	128,869	-	-	135,648	-	135,648
93100	Water	69,466	-	-	-	2,329	-	71,795	5,218	77,013
93200	Electricity	308,112	-	-	-	9,299	-	317,411	35,015	352,426
93300	Gas	62,713	-	-	-	-	-	62,713	13,794	76,507
93600	Sewer	92,355	-	-	-	2,994	-	95,349	2,265	97,614
93800	Other Utilities Expenses	-	-	-	-	-	-	-	-	-
93000	Total utilities	532,646	-	-	-	14,622	-	547,268	56,292	603,560

FRANKLIN HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

Line Item	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	Housing Choice Vouchers	ROSS	Blended CU	Eliminations	Primary Gov't Total	Discrete CU(s)	TOTAL
94100	Ordinary maint & oper-labor	104,898	-	-	-	25,133	-	130,031	-	130,031
94200	Ordinary maint & oper-materials	47,504	-	-	-	4,200	-	51,704	-	51,704
94300-010	OM&O - Contract - Garbage and Trash	51,828	-	-	-	1,311	-	53,139	1,870	55,009
94300-020	OM&O - Contract - Heating & Cooling	342	-	-	-	1,175	-	1,517	-	1,517
94300-030	OM&O - Contract - Snow Removal	-	-	-	-	-	-	-	251	251
94300-040	OM&O - Contract - Elevator Maintenance	1,679	-	-	-	-	-	1,679	-	1,679
94300-050	OM&O - Contract - Landscape & Grounds	79,845	-	-	-	8,058	-	87,903	5,147	93,050
94300-060	OM&O - Contract - Unit Turnaround	24,480	-	-	-	-	-	24,480	5,283	29,763
94300-080	OM&O - Contract - Plumbing	15,371	-	-	-	2,800	-	18,171	-	18,171
94300-090	OM&O - Contract - Extermination	15,766	-	-	-	-	-	15,766	2,268	18,034
94300-100	OM&O - Contract - Janitorial	12,615	-	-	-	3,818	-	16,433	1,224	17,657
94300-110	OM&O - Contract - Routine Maintenance	50,524	-	-	-	454	-	50,978	-	50,978
94300-120	OM&O - Contract - Misc Contracts	12,712	-	675	-	5,240	-	18,627	53,526	72,153
94500	Employee benefit contr-ord maint	53,764	-	-	-	-	-	53,764	-	53,764
94000	Total maintenance & Operation	471,328	-	675	-	52,189	-	524,192	69,569	593,761
95200	Protective Services - Other Contracts	-	-	-	-	-	-	-	-	-
950000	Total Protective Services	-	-	-	-	-	-	-	-	-
96110	Property Insurance	24,958	-	-	-	-	-	24,958	57,291	82,249
96120	Liability Insurance	7,503	-	-	-	-	-	7,503	-	7,503
96130	Workmen's Compensation	23,336	-	-	-	-	-	23,336	755	24,091
96140	All other insurance	9,419	-	-	-	-	-	9,419	-	9,419
96100	Total Insurance Premium	65,216	-	-	-	-	-	65,216	58,046	123,262
96200	Other general expenses	52,871	-	-	-	-	-	52,871	5,040	57,911
96210	Compensated absences	-	-	-	-	-	-	-	-	-
96300	Payments in lieu of taxes	30,853	-	-	-	-	-	30,853	17,739	48,592
96400	Bad debt - tenant rents	18,254	-	-	-	-	-	18,254	-	18,254
96600	Bad debt - other	-	-	-	-	-	-	-	-	-
96710	Interest on Debt	-	-	-	-	-	-	-	73,870	73,870
96720	Interest on Notes	-	-	-	-	-	-	-	1,333	1,333
96730	Amortization	-	-	-	-	-	-	-	5,189	5,189
96000	Total Other General Expenses	101,978	-	-	-	-	-	101,978	103,171	205,149
96900	Total Operating Expenses	1,996,858	19,197	23,237	128,869	111,388	-	2,279,549	421,280	2,700,829
97000	Excess revenue over operating expenses	134,179	184,853	271,048	-	95,235	-	685,315	1,705,732	2,391,047
97100	Extraordinary Maintenance	-	-	-	-	-	-	-	-	-
97300	Housing Assistance Payments	36,395	-	261,949	-	-	-	298,344	-	298,344
97400	Depreciation expense	435,089	-	-	-	-	-	435,089	357,148	792,237
90000	TOTAL EXPENSES	2,468,342	19,197	285,186	128,869	111,388	-	3,012,982	778,428	3,791,410
10010	Operating Transfer In	64,222	-	-	-	-	(64,222)	-	-	-
10020	Operating Transfer Out	-	(64,222)	-	-	-	64,222	-	-	-
10030	Operating transfers to/from primary gov't	-	-	-	-	-	-	-	-	-
10040	Operating transfers to/from component units	-	-	-	-	-	-	-	-	-
10080	Special Items	(76,190)	-	-	-	76,190	-	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	(349,273)	120,631	9,099	-	171,425	-	(48,118)	1,348,584	1,300,466
MEMO										
11030	Beginning equity	7,495,935	-	9,272	-	289,860	-	7,795,067	6,214,711	14,009,778
11040	Prior Period Adjust and Correction of Error	-	-	-	-	-	-	-	-	-
11040	Equity Transfer	120,631	(120,631)	-	-	-	-	-	-	-
		7,267,293	-	18,371	-	461,285	-	7,746,949	7,563,295	15,310,244



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Franklin Housing Authority
Franklin, TN

INDEPENDENT AUDITORS' REPORT ON APPLYING AGREED-UPON PROCEDURES


We have performed the procedure described in the second paragraph, which was agreed to by Franklin Housing Authority (the 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 OMB Uniform Guidance reporting package. The 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 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 corresponding documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate **AGREEMENT** of electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with OMB Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations, for the Housing Authority as of and for the year ended December 31, 2015, and have issued our reports thereon dated June 21, 2016. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of the audit. Further, our opinion on the fair presentation of the Authority's Financial Data Schedule (FDS) dated June 21, 2016, 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 Uniform Guidance, which includes the auditor's report, is available in its entirety from the 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 was intended solely for the information and use of the 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.


June 21, 2016

FRANKLIN HOUSING AUTHORITY

AGREED UPON PROCEDURES
FOR THE YEAR ENDED December 31, 2015

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES
1	Balance Sheet and Revenue and Expense (data line items 111 to 1121)	Financial Data Schedule , all CFDA's	x
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	x
3	Type of opinion on the FDS (data element G5100-010)	Auditor's supplemental report on FDS	x
4	Audit findings narratives (data element G5200-010)	Schedule of Findings and Questioned costs	x
5	General information (data element series G2000, G2100 G2200, G2300, G9000, G9100)	OMB Data Collection Form	x
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	x
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	x
8	Type of Compliance Requirement (G4000-020 & G4000-030)	OMB Data Collection Form	x
9	Basic financial statements and auditors' reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	x

FRANKLIN HOUSING AUTHORITY

COMBINING SCHEDULE OF DISCRETELY PRESENTED COMPONENT UNITS FOR THE YEAR ENDED DECEMBER 31, 2015

	Senior Residence at Reddick Street, LP	Reddick Street Apartments I, LP	Total Discrete Component Units
Current assets	\$ 1,161,108	\$ 105,589	\$ 1,266,697
Capital assets, net	5,998,531	2,542,568	8,541,099
Other assets	92,782	-	92,782
TOTAL ASSETS	7,252,421	2,648,157	9,900,578
Current liabilities	83,391	104,888	188,279
Non-current liabilities	1,453,394	695,610	2,149,004
TOTAL LIABILITIES	1,536,785	800,498	2,337,283
NET POSITION	\$ 5,715,636	\$ 1,847,659	\$ 7,563,295
Operating Revenues			
Dwelling rent, net	\$ 180,356	\$ -	\$ 180,356
Government grants	91,144	-	91,144
Other income	7,100	-	7,100
Total Operating Revenues	278,600	-	278,600
Operating Expenses			
Administration	134,202	-	134,202
Tenant services	-	-	-
Maintenance and operations	69,569	-	69,569
Utilities	56,292	-	56,292
General	80,825	-	80,825
Miscellaneous	-	-	-
Housing assistance payments	-	-	-
Depreciation & amortization	362,337	-	362,337
Total Operating Expenses	703,225	-	703,225
OPERATING INCOME (LOSS)	(424,625)	-	(424,625)
Non-operating revenues (expenses)	(74,450)	-	(74,450)
Capital contributions - HUD	-	1,847,659	1,847,659
CHANGE IN NET POSITION	(499,075)	1,847,659	1,348,584
BEGINNING NET POSITION	6,214,711	-	6,214,711
ENDING NET POSITION	\$ 5,715,636	\$ 1,847,659	\$ 7,563,295

FRANKLIN HOUSING AUTHORITY

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS - COMPLETED DECEMBER 31, 2015

1. The Actual Modernization Costs of Phase TN 43 was as follows:

	N/A*
Funds Approved	\$ -
Funds Expended	-
Excess (Deficiency) of Funds Approved	<u>\$ -</u>

Funds Advanced:

HUD Grant	\$ -
Funds Expended	-
Excess (Deficiency) of Funds Advanced	<u>\$ -</u>

2. The distribution of costs as shown on the Financial Statement of Modernization costs accompanying the
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

* There were no completed modernization contracts for the current fiscal year.

FRANKLIN HOUSING AUTHORITY

STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS - UNCOMPLETED DECEMBER 31, 2015

1. The Actual Modernization Costs of Phase TN 43 was as follows:

	P035501-15	P035501-14	P035501-13
Funds Approved	\$ 376,339	\$ 321,117	\$ 318,609
Funds Expended	45,153	214,723	179,810
Excess (Deficiency) of Funds Approved	<u>\$ 331,186</u>	<u>\$ 106,394</u>	<u>\$ 138,799</u>

Funds Advanced:

HUD Grant	\$ 45,153	\$ 189,891	\$ 179,810
Funds Expended	45,153	214,723	179,810
Excess (Deficiency) of Funds Advanced	<u>\$ -</u>	<u>\$ (24,832)</u>	<u>\$ -</u>

NON-FINANCIAL SECTION



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Board of Commissioners
Franklin Housing Authority
Franklin, TN

**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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Franklin Housing Authority (the "Authority") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Authorities' basic financial statements, and have issued our report thereon dated June 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Franklin Housing Authority's internal control over financial reporting (internal control) to determine the auditing 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 Franklin Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Housing 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

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 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.


June 21, 2016



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Board of Commissioners
Franklin Housing Authority
Franklin, TN

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program

We have audited Franklin Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Franklin Housing Authority's major federal programs for the year ended December 31, 2015. Franklin Housing 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 each of its major federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, Franklin Housing 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, 2015.

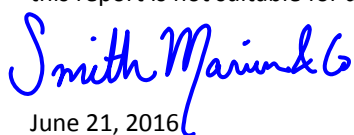
Report on Internal Control Over Compliance

Management of Franklin Housing 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 Franklin Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 Franklin Housing 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 controls 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 the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



June 21, 2016

FRANKLIN HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

SECTION I - Summary of Auditors' Results

Financial Statements

1. Type of Auditor Report on the financial statements: Modified.
2. Internal control over financial reporting:
- a. Material weakness identified ☐ yes ☒ no
- b. Significant deficiency identified that are not considered to be material weaknesses? ☐ yes ☒ none reported
3. Noncompliance material to financial statements? ☐ yes ☒ no

Federal Awards

4. Internal control over major programs:
- a. Material weakness identified ☐ yes ☒ no
- b. Significant deficiency that are not considered to be material weaknesses? ☐ yes ☒ none reported
5. Type of auditors' report on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no
7. Identification of Major Programs:
- | CFDA Number | Name of Federal Program |
|-------------|---|
| 14.850 | US Department of Housing and Urban Development – Public Housing |
8. The Dollar Threshold Used To Distinguish Between Type A and Type B Programs: \$750,000.
9. Auditee qualified as a low-risk auditee? ☒ yes ☐ no

SECTION II – Financial Statement Findings

1. There are no auditor findings required to be reported in accordance with GAGAS.

SECTION III – Federal Award Findings and Questioned Costs

1. There are no auditor findings to be reported in accordance with 2 CFR 200.516(a).

FRANKLIN HOUSING AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015**

There were no findings noted in the prior Single Audit Report (for the year ended December 31, 2014).