



HENDERSON & DEJOHN, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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June 30, 2017

Mr. Derwin Jackson
Executive Director
Franklin Housing Authority
200 Spring Street
Franklin, TN 37064

RE: Audited Financial Statements & Supplemental Information Reports

Dear Mr. Jackson:

Enclosed are four bound copies and one unbound copy of the audited financial statements & supplemental information reports for the Franklin Housing Authority for the year ended December 31, 2016, and a communication letter to the Board of Commissioners as required by *AU Section 260*.

The audited report has been submitted to REAC and to the Tennessee State Comptroller's Office.

We have electronically submitted Form SF-SAC, along with one copy of the audited report, to the Federal Audit Clearinghouse.

Additionally, one copy of the audited report needs to be forwarded to the State Office of HUD in Memphis TN. The remaining copies of the report are for the Authority's use. Also, enclosed for your records is a copy of the letter of audit adjustments.

If you have any questions, please contact us.

Sincerely,

Roy W. Henderson Jr., CPA
Henderson & DeJohn, LLC

Enclosures

FRANKLIN HOUSING AUTHORITY

**FINANCIAL STATEMENTS
&
SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2016

FRANKLIN HOUSING AUTHORITY
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YEAR ENDED DECEMBER 31, 2016

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FRANKLIN HOUSING AUTHORITY
ROSTER OF OFFICIALS
YEAR ENDED DECEMBER 31, 2016

Name of Member	Title
Derwin Jackson	Executive Director
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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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, 2016, 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 and the financial data schedule are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by 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 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 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 June 29, 2017 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Henderson & DeJohn, LLC

Birmingham, AL
June 29, 2017

FRANKLIN HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION & ANALYSIS
DECEMBER 31, 2016

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, 2016, increased to \$8,687,188. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$7,746,949 for 2015.
- The business-type activities operating revenue at December 31, 2016, increased to \$3,737,162. Total operating revenue was \$2,747,557 for 2015.
- The total operating expenses of all programs for December 31, 2016, increased to \$3,071,384. Total operating expenses were \$2,994,713 for 2015.
- Total capital contributions at December 31, 2016, increased to \$182,136. Total capital contributions were \$120,631 for 2015.

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, 2016 and 2015.

TABLE 1 – STATEMENT OF NET POSITION

	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>% Change</u>
Current Assets	\$ 1,629,055	\$ 1,475,122	\$ 153,933	10.44%
Capital Assets, Net	5,303,942	5,270,127	33,815	0.64%
Other Noncurrent Assets	2,593,416	1,654,625	938,791	56.74%
Total Assets	<u>9,526,413</u>	<u>8,399,874</u>	<u>1,126,539</u>	13.41%
Current Liabilities	519,923	422,006	97,917	23.20%
Noncurrent Liabilities	319,302	230,919	88,383	38.27%
Total Liabilities	<u>839,225</u>	<u>652,925</u>	<u>186,300</u>	28.53%
Net Position				
Net Investment in Capital Assets	5,303,942	5,270,127	33,815	0.64%
Restricted	175,508	77,862	97,646	125.41%
Unrestricted	3,207,738	2,398,960	808,778	33.71%
Total Net Position	<u>\$ 8,687,188</u>	<u>\$ 7,746,949</u>	<u>\$ 940,239</u>	12.14%

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets increased by \$153,933 due, in majority, to an increase in accounts receivable for developer fees earned but not yet received, partially offset by a decrease in investments and inventories, net.

Capital assets, net increased by \$33,815 due to current year capital assets purchases exceeding current year depreciation expense.

Other noncurrent assets increased by \$938,791 primarily due to an increase in noncurrent notes receivables for loans provided by the Authority to their discretely presented component units. See Note 11 to the Financial Statements for further details. Additionally, this category increased due to a \$100,000 deferred developer fee being recorded.

Current liabilities increased \$97,917 due to an increase in unearned revenues, accrued liabilities and the current portion of loans liability, partially offset by a decrease in vendor payables, accrued wage/payroll taxes payable and PILOT liabilities.

Noncurrent liabilities increased \$88,383 due to an increase in the noncurrent portion of FSS escrowed liabilities and the noncurrent portion of loans liability.

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

The following table reflects the revenues and expenses as of December 31, 2016 and 2015.

	<u>2016</u>	<u>2015</u>	<u>Variance</u>	<u>% Change</u>
Operating Revenues				
Rental Income, Net	\$ 925,511	\$ 843,785	\$ 81,726	9.69%
Federal & Other Government Grants	2,290,049	1,691,227	598,822	35.41%
Other	<u>521,602</u>	<u>212,545</u>	<u>309,057</u>	<u>145.41%</u>
Total Operating Revenues	<u>3,737,162</u>	<u>2,747,557</u>	<u>989,605</u>	<u>36.02%</u>
Operating Expenses				
Administration	1,071,424	905,247	166,177	18.36%
Tenant Services	113,337	135,648	(22,311)	-16.45%
Utilities	541,388	547,268	(5,880)	-1.07%
Maintenance	538,724	524,192	14,532	2.77%
General	180,476	148,925	31,551	21.19%
Housing Assistance Payments	212,390	298,344	(85,954)	-28.81%
Depreciation	<u>413,645</u>	<u>435,089</u>	<u>(21,444)</u>	<u>-4.93%</u>
Total Operating Expenses	<u>3,071,384</u>	<u>2,994,713</u>	<u>76,671</u>	<u>2.56%</u>
Operating Income (loss)	<u>665,778</u>	<u>(247,156)</u>	<u>912,934</u>	<u>-369.38%</u>
Nonoperating revenues (expenses)				
Interest Revenue	92,325	78,407	13,918	17.75%
Capital Contributions	<u>182,136</u>	<u>120,631</u>	<u>61,505</u>	<u>50.99%</u>
Total Nonoperating Activity	<u>274,461</u>	<u>199,038</u>	<u>75,423</u>	<u>37.89%</u>
Change in Net Position	940,239	(48,118)	988,357	-2054.03%
Beginning Net Position	<u>7,746,949</u>	<u>7,795,067</u>	<u>(48,118)</u>	<u>-0.62%</u>
Ending Net Position	<u>\$ 8,687,188</u>	<u>\$ 7,746,949</u>	<u>\$ 940,239</u>	<u>12.14%</u>

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

The Authority had an increase in net position of \$940,239 this year versus a decrease in net position of \$48,118 in the prior year. This increase in net position this year was primarily due to an increase in operating and nonoperating revenues in excess of the increase in operating expenses.

The Authority had an operating income of \$665,778 including non-cash depreciation expense of \$413,645 versus an operating loss of \$247,156 and depreciation expense of \$435,089 in the prior year.

Total operating revenue increased by \$989,605 to \$3,737,162 due to an increase in rental income net of bad debt expense, an increase in HUD PHA operating grant revenue in the Low Rent, CFP, and HCV Programs, an increase in the Housing Trust Fund loan liability forgiven this year, and an increase in other revenue related to the recognition of developer fees from the development of affordable housing.

Total operating expenses increased by \$76,671 to \$3,071,384 due to an increase in administration expense resulting from an increase in administrative salaries and benefits, as well as small increases in maintenance and other general expenses, partially offset by a decrease in tenant services expenses resulting from a decrease in tenant services salaries and benefits, as well as a decrease in HCV Program Housing Assistance Payments and depreciation expenses.

Capital contributions increased by \$61,505 to \$182,136 due to an increase in ongoing construction and modernization projects.

CAPITAL ASSETS

As of December 31, 2016, capital assets for its business-type activities were \$5,303,942, 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
- 2016 Nissan Rogue
- Furniture for community center
- Viewsonic projector

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

DEBT OUTSTANDING

As of year-end, the Authority had \$550,000 in loan liability outstanding compared to \$400,000 last year, an increase of \$150,000. This 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.

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, 2016

	Primary Government	Senior Residence at Reddick Street Associates I, LP	Reddick Street Associates I, LP
ASSETS			
Current assets:			
Unrestricted cash and cash equivalents	\$ 364,980	\$ 6,780	\$ 23,757
Restricted cash and cash equivalents	256,631	1,142,910	472,814
Investments	647,871	-	-
Due from HUD	37,018	-	-
Miscellaneous receivable	215,436	-	47,100
Tenants receivable, net of allowance of \$4,846, \$0, & \$0, respectively	45,357	31	6,645
Accrued interest receivable	8,329	-	-
Fraud recovery receivable, net of allowance of \$9,886, \$0, & \$0, respectively	-	-	-
Prepaid expenses and other assets	12,367	6,756	-
Inventories, net of allowance of \$4,563, \$0, & \$0, respectively	41,066	-	-
Total current assets	<u>1,629,055</u>	<u>1,156,477</u>	<u>550,316</u>
Noncurrent assets:			
Capital assets:			
Land and construction in progress	881,094	50,000	-
Buildings and equipment, net of depreciation	4,422,848	5,631,075	13,437,770
Total capital assets	5,303,942	5,681,075	13,437,770
Notes receivable, net of current portion	2,493,416	-	-
Other noncurrent assets	100,000	43,051	90,895
Total noncurrent assets	<u>7,897,358</u>	<u>5,724,126</u>	<u>13,528,665</u>
Total assets	<u>\$ 9,526,413</u>	<u>\$ 6,880,603</u>	<u>\$ 14,078,981</u>

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Primary Government	Senior Residence at Reddick Street Associates I, LP	Reddick Street Associates I, LP
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 37,925	\$ 61,486	\$ 1,328,696
Accrued liabilities	55,367	273,578	27,577
Intergovernmental payables	30,840	41,272	-
Tenant security deposits	23,635	10,529	11,875
Unearned revenue	31,337	2,976	819
FSS escrowed liabilities, current portion	25,028	-	1,385,432
Compensated absences, current portion	15,791	-	-
Loan liabilities, current portion	300,000	-	-
Notes payable, current portion	-	-	8,418,244
Total current liabilities	<u>519,923</u>	<u>389,841</u>	<u>11,172,643</u>
Noncurrent liabilities:			
FSS escrowed liabilities, net of current portion	36,842	-	-
Compensated absences, net of current portion	32,460	-	-
Noncurrent liabilities - other	-	-	410,305
Loan liabilities, net of current portion	250,000	-	-
Notes payable, net of current portion	-	1,250,000	955,800
Total noncurrent liabilities	<u>319,302</u>	<u>1,250,000</u>	<u>1,366,105</u>
Total liabilities	<u>839,225</u>	<u>1,639,841</u>	<u>12,538,748</u>
NET POSITION			
Investment in capital assets	5,303,942	4,431,075	4,063,726
Restricted	175,508	1,132,381	460,939
Unrestricted	3,207,738	(322,694)	(2,984,432)
Total net position	<u>\$ 8,687,188</u>	<u>\$ 5,240,762</u>	<u>\$ 1,540,233</u>

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, 2016

	Primary Government	Senior Residence at Reddick Street Associates I, LP	Reddick Street Associates I, LP
OPERATING REVENUES			
Rental income, net of bad debts of \$26,823, \$728, & \$0, respectively	\$ 925,511	\$ 172,850	\$ 22,864
Federal & other government grants	2,290,049	105,979	-
Other	<u>521,602</u>	<u>2,361</u>	<u>750</u>
Total operating revenues	<u>3,737,162</u>	<u>281,190</u>	<u>23,614</u>
OPERATING EXPENSES			
Administration	1,071,424	124,969	44,052
Tenant services	113,337	701	-
Utilities	541,388	60,717	-
Maintenance	538,724	56,881	-
General	180,476	125,309	135,066
Housing assistance payments	212,390	-	-
Depreciation	<u>413,645</u>	<u>317,575</u>	<u>80,834</u>
Total operating expenses	<u>3,071,384</u>	<u>686,152</u>	<u>259,952</u>
Operating income (loss)	665,778	(404,962)	(236,338)
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	92,325	564	-
Interest expense	<u>-</u>	<u>(70,476)</u>	<u>(1,066)</u>
Income (loss) before contributions	758,103	(474,874)	(237,404)
Capital contributions	<u>182,136</u>	<u>-</u>	<u>-</u>
Change in net position	<u>940,239</u>	<u>(474,874)</u>	<u>(237,404)</u>
Total net position - beginning of the year	7,746,949	7,563,295	1,777,637
Prior period adjustments	<u>-</u>	<u>(1,847,659)</u>	<u>-</u>
Total net position - beginning of the year, as restated	<u>7,746,949</u>	<u>5,715,636</u>	<u>1,777,637</u>
Total net position - end of the year	<u>\$ 8,687,188</u>	<u>\$ 5,240,762</u>	<u>\$ 1,540,233</u>

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2016

	Primary Government	Senior Residence at Reddick Street Asssociates I, LP	Reddick Street Associates I, LP
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from tenants	\$ 911,801	\$ 173,675	\$ 28,913
Federal grants & Other Government Grants	2,305,668	105,979	-
Other receipts	309,542	2,554	750
Payments to suppliers and Section 8 landlords	(1,843,706)	(323,402)	(190,852)
Payments to or on behalf of employees	(1,191,446)	(61,999)	-
Net cash provided (used) by operating activities	<u>491,859</u>	<u>(103,193)</u>	<u>(161,189)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of capital assets	(447,464)	-	(8,079,163)
Capital contributions	179,458	-	-
Proceeds from capital debt	450,000	-	8,678,434
Interest payments on capital debt	<u>-</u>	<u>(5,968)</u>	<u>-</u>
Net cash provided (used) by capital financing activities	<u>181,994</u>	<u>(5,968)</u>	<u>599,271</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest revenue	681	564	-
Proceeds from sale of investments	143,818	-	-
Issuance of note receivable	<u>(754,569)</u>	<u>-</u>	<u>-</u>
Net cash provided (used) by investing activities	<u>(610,070)</u>	<u>564</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	63,783	(108,597)	438,082
Balances - beginning of the year	<u>557,828</u>	<u>1,258,287</u>	<u>58,489</u>
Balances - end of the year	<u>\$ 621,611</u>	<u>\$ 1,149,690</u>	<u>\$ 496,571</u>

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2016

	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)	\$ 665,778	(404,962)	(236,338)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	413,645	317,575	80,834
Change in assets and liabilities:			
Receivables, net	(235,879)	1,602	(6,645)
Inventories, net	21,620	-	-
Prepays and other assets	1,882	21	-
Assets held for resale	-	-	-
Other assets	(100,000)	49,731	(64,895)
Accounts payable	(31,891)	(78,084)	41,348
Intergovernmental payables	(21,854)	11,446	-
Unearned revenue	27,926	(17)	819
Other liabilities	(278,455)	62	11,813
Accrued liabilities	20,143	-	-
Compensated absences	8,464	-	-
Tenant security deposits	480	(567)	11,875
Net cash provided (used) by operating activities	<u>\$ 491,859</u>	<u>\$ (103,193)</u>	<u>\$ (161,189)</u>

The accompanying notes are an integral part of these financial statements

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

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.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

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.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

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 non-current assets. All of the notes receivables are considered non-current assets as of December 31, 2016 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, 2016.

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.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

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:

<u>Assets</u>	<u>Years</u>
Buildings & Improvements	20-27.5
Furniture, equipment, and machinery	3-10

J. 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.

K. 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.

L. 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.

M. 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.

N. Income Taxes

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

O. Recent Accounting Pronouncements

The Authority has adopted GASB Statement No. 77, *Tax Abatement Disclosures*. This statement requires state and local governments, for the first time, to disclose information about tax abatement agreements. It also requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments and reduce the reporting government's tax revenues. The adoption of GASB Statement No. 77 had no material effect on the Authority's December 31, 2016 financial statements.

The Authority has adopted GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement amends the scope and applicability of GASB 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that: (1) is not a state or local governmental pension plan; (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This statement also establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The adoption of GASB Statement No. 78 had no material effect on the Authority's December 31, 2016 financial statements.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

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, 2016, cash was in bank deposits or money market accounts, and investments were in certificates of deposit, all of which were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. The investments were in certificates of deposit. Cash and investments balances at December 31, 2016, totaled \$621,611 and \$647,871, 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.

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. 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, 2016, all deposits and investments were fully collateralized or insured.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 3 – CAPITAL ASSETS

A. Changes in Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Retirements	Reclassifications	Ending Balance
Capital assets not being depreciated					
Land	\$ 569,084	\$ -	\$ -	\$ -	\$ 569,084
Construction in progress	232,364	257,719	-	(178,073)	312,010
Total capital assets not being depreciated	801,448	257,719	-	(178,073)	881,094
Capital assets being depreciated					
Buildings and improvements	12,525,239	163,474	-	161,787	12,850,500
Equipment	528,453	26,271	-	16,286	571,010
Total capital assets being depreciated	13,053,692	189,745	-	178,073	13,421,510
Less accumulated depreciation for:					
Buildings and improvements	(8,153,156)	(374,955)	-	-	(8,528,111)
Equipment	(431,861)	(38,690)	-	-	(470,551)
Total accumulated depreciation	(8,585,017)	(413,645)	-	-	(8,998,662)
Capital assets, net	\$ 5,270,123	\$ 33,819	\$ -	\$ -	\$ 5,303,942

B. Capital Contributions

The Authority receives capital grants from HUD. The Authority recognized \$182,136 in capital contributions for the fiscal year ended December 31, 2016.

C. Commitments

At December 31, 2016, the Authority had one uncompleted construction contract with SDT Contractors, Inc. in the amount of \$35,602. This construction commitment was for the concrete parking and sidewalk replacement project.

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 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, 2016 there was \$200,000 outstanding on the note. The Authority expects for all \$200,000 of the remaining outstanding note payable to be forgiven and reduced within the next fiscal year.

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 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, 2016 there was \$350,000 outstanding on the note. The Authority expects for \$100,000 of the outstanding note payable to be forgiven and reduced within the next fiscal year.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 5 – NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2016 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
FSS escrowed liabilities	\$ 24,393	\$ 45,434	\$ 12,339	\$ 57,488	\$ 25,028
Accrued compensated absences	44,170	8,463	-	52,633	15,791
Loan liabilities	400,000	450,000	300,000	550,000	300,000
Total noncurrent liabilities	\$ 468,563	\$ 503,897	\$ 312,339	\$ 660,121	\$ 340,819

NOTE 6 – 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, 2016 were \$83,189 and \$12,717 by the Authority and the employees, respectively.

NOTE 7 – 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 8 – 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 9 – 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.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 10 – BLENDED COMPONENT UNIT

Condensed combining information for the Authority's blended component unit, Franklin Housing Collaborative, for the year ended December 31, 2016 is presented as follows:

CONDENSED STATEMENT OF NET POSITION
December 31, 2016

ASSETS

Current assets	\$ 517,573
Noncurrent assets	<u>252,283</u>
Total assets	<u>769,856</u>

LIABILITIES

Current liabilities	<u>16,222</u>
Total liabilities	<u>16,222</u>

NET POSITION

Net investment in capital assets	152,283
Restricted	21,943
Unrestricted	<u>579,408</u>
Total net position	<u>\$ 753,634</u>

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
For Year Ended December 31, 2016

OPERATING REVENUES (EXPENSES)

Operating revenues	\$ 606,862
Operating expenses	<u>(314,513)</u>
Operating income (loss)	<u>292,349</u>
Change in net position	292,349
Total net position - beginning of the year	<u>461,285</u>
Total net position - end of the year	<u>\$ 753,634</u>

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 10 – BLENDED COMPONENT UNIT (Continued)

CONDENSED STATEMENT OF CASH FLOW
For Year Ended December 31, 2016

NET CASH PROVIDED (USED) BY:

Operating activities	\$ (43,260)
Capital and related financing activities	<u>(94,375)</u>
Net increase (decrease) in cash and cash equivalents	(137,635)
Cash balances - beginning of the year	<u>441,274</u>
Cash balances - end of the year	<u><u>\$ 303,639</u></u>

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 11 – 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, 2016, 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.

\$ 1,204,621

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 of 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 Notes Receivables within the next fiscal year.

322,697

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 Receivables within the next fiscal year.

510,017

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 Notes Receivables within the next fiscal year.

456,081

Total noncurrent notes receivable (principal and interest)

\$ 2,493,416

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 11 – TRANSACTIONS WITH DISCRETELY PRESENTED COMPONENT UNITS (Continued)

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 12 – INTER-PROGRAM BALANCES

Inter-program balances at December 31, 2016 consisted of the following:

	Interprogram Due From	Interprogram Due To
Low Rent Public Housing Program	\$ 9,508	\$ -
FSS Program Coordinator	-	(9,508)
Total	<u>\$ 9,508</u>	<u>\$ (9,508)</u>

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 13 – RESTRICTED NET POSITION

Restricted net position consist of excess Housing Assistance Payment (HAP) funds available to the Authority under the Section 8 Housing Choice Vouchers program, funds available under the Low Rent Public Housing Program that represent unused Operating Fund reserves released by HUD to the Authority and restricted for future financing of constructing affordable housing units, and restricted scholarship funds that are available under Franklin Housing Collaborative, the Authority's blended component unit. Total restricted net position related to excess HAP was \$59,605 as of the end of the fiscal year. Total restricted net position related to program income funds restricted for future financing of constructing affordable housing units was \$93,960 as of the end of the fiscal year. Lastly, restricted net position related to the donated funds restricted for future scholarships was \$21,943.

NOTE 14 -- 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 June 29, 2017, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

FRANKLIN HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR YEAR ENDED DECEMBER 31, 2016

NOTE 15 – 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 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, the schedule shows two prior period adjustments for the discretely presented component unit; however, one of these related to Reddick Street Associates I, L.P. in the amount of \$1,777,637, is shown on the face of the financial statements as beginning equity for the newly included Reddick Street Associates I, L.P. financial statements. The other prior period adjustment amounting to (\$1,847,659) relates to a correction of errors to Senior Residence at Reddick Street, L.P.'s beginning capital assets, net of depreciation balance. These events had no effect on current year income.

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2016

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	8.1 Component Unit - Discretionary Presented	8.2 Component Unit - Blended	14,896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$30,887		\$57,059	\$30,537	\$277,024		\$395,517		\$395,517
112 Cash - Restricted - Modernization and Development									
113 Cash - Other Restricted	\$126,420		\$59,005	\$1,693,320	\$26,515		\$1,805,860		\$1,805,860
114 Cash - Tenant Security Deposits	\$23,635			\$22,404	\$100		\$46,039		\$46,039
115 Cash - Restricted for Payment of Current Liabilities	\$20,459						\$20,459		\$20,459
100 Total Cash	\$201,308	\$0	\$116,064	\$1,645,261	\$305,639	\$0	\$2,267,672	\$0	\$2,267,672
121 Accounts Receivable - PHA Projects									
122 Accounts Receivable - HUD Other Projects	\$27,610	\$0				\$9,508	\$37,018		\$37,018
123 Accounts Receivable - Other Government									
124 Accounts Receivable - Miscellaneous	\$3,259			\$47,100	\$212,177		\$262,536		\$262,536
125 Accounts Receivable - Tenants	\$48,445			\$6,676	\$1,758		\$56,879		\$56,879
126.1 Allowance for Doubtful Accounts - Tenants	(\$4,845)			\$0	(\$1)		(\$4,846)		(\$4,846)
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current									
128 Fraud Recovery			\$8,888				\$8,888		\$8,888
128.1 Allowance for Doubtful Accounts - Fraud			(\$8,888)				(\$8,888)		(\$8,888)
129 Accrued Interest Receivable	\$8,320						\$8,320		\$8,320
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$82,698	\$0	\$0	\$53,776	\$213,634	\$9,508	\$369,916	\$0	\$369,916
131 Investments - Unrestricted	\$647,871						\$647,871		\$647,871
132 Investments - Restricted									
135 Investments - Restricted for Payment of Current Liability									
142 Prepaid Expenses and Other Assets	\$12,367			\$6,766			\$19,123		\$19,123
143 Inventories	\$45,629			\$0			\$45,629		\$45,629
143.1 Allowance for Obsolete Inventories	(\$4,653)			\$0			(\$4,653)		(\$4,653)
144 Inter-Program Due From	\$9,508						\$9,508	(\$9,508)	\$0
145 Assets Held for Sale									
150 Total Current Assets	\$984,818	\$0	\$116,064	\$1,705,783	\$517,573	\$9,508	\$3,345,356	(\$9,508)	\$3,335,848
161 Land	\$543,475			\$50,000	\$25,609		\$619,084		\$619,084
162 Buildings	\$12,550,451			\$20,317,057	\$300,049		\$33,167,557		\$33,167,557
163 Furniture, Equipment & Machinery - Dwellings	\$480,131				\$90,879		\$571,010		\$571,010
164 Furniture, Equipment & Machinery - Administration									
165 Leasehold Improvements									
166 Accumulated Depreciation	(\$8,684,426)			(\$1,248,212)	(\$334,234)		(\$10,246,874)		(\$10,246,874)
167 Construction in Progress	\$242,050				\$69,980		\$312,010		\$312,010
168 Infrastructure									
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,161,699	\$0	\$0	\$19,118,845	\$152,283	\$0	\$34,422,787	\$0	\$34,422,787
171 Notes, Loans and Mortgages Receivable - Non-Current	\$2,493,416						\$2,493,416		\$2,493,416
172 Notes, Loans, & Mortgages Receivable - Non-Current - Past Due									
173 Grants Receivable - Non-Current									
174 Other Assets				\$133,946	\$100,000		\$233,946		\$233,946
175 Investments in Joint Ventures									
180 Total Non-Current Assets	\$7,645,076	\$0	\$0	\$19,252,791	\$252,283	\$0	\$27,150,148	\$0	\$27,150,148
200 Deferred Outflow of Resources									

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2016

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretionary Presented	6.2 Component Unit - Blended	14,868 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
280 Total Assets and Deferred Outflow of Resources	\$8,636,863	\$0	\$118,664	\$20,859,584	\$766,856	\$9,508	\$30,465,505	(\$9,508)	\$30,456,997
311 Bank Overdraft									
312 Accounts Payable <= 90 Days	\$52,151			\$1,390,182	\$5,774		\$1,428,107		\$1,428,107
313 Accounts Payable >90 Days Past Due									
321 Accrued Wage/Payroll Taxes Payable	\$2,012						\$2,897		\$2,897
322 Accrued Compensated Absences - Current Portion	\$15,791						\$15,791		\$15,791
324 Accrued Contingency Liability									
325 Accrued Interest Payable				\$286,289			\$286,289		\$286,289
331 Accounts Payable - HUD PHA Programs									
332 Accounts Payable - PHA Projects									
333 Accounts Payable - Other Government									
341 Tenant Security Deposits	\$30,840			\$41,272			\$72,112		\$72,112
342 Unearned Revenue	\$23,635			\$22,404	\$100		\$46,039		\$46,039
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$3,632		\$27,805	\$3,795			\$35,132		\$35,132
344 Current Portion of Long-term Debt - Operating Borrowings	\$0			\$5,418,244			\$5,418,244		\$5,418,244
345 Other Current Liabilities	\$20,456			\$1,395,432	\$4,572		\$1,410,460		\$1,410,460
346 Accrued Liabilities - Other	\$47,579			\$4,859	\$4,891		\$57,329		\$57,329
347 Inter Program - Due To						\$9,508	\$9,508	(\$9,508)	\$0
348 Loan Liability - Current	\$330,000						\$330,000		\$330,000
310 Total Current Liabilities	\$475,866	\$0	\$27,805	\$11,662,494	\$16,222	\$9,508	\$12,091,915	(\$9,508)	\$12,082,407
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0			\$2,205,800			\$2,205,800		\$2,205,800
352 Long-term Debt, Net of Current - Operating Borrowings									
353 Non-current Liabilities - Other	\$32,460			\$410,305			\$442,765		\$442,765
354 Accrued Compensated Absences - Non Current	\$36,842						\$36,842		\$36,842
355 Loan Liability - Non Current	\$250,000						\$250,000		\$250,000
356 FASB 5 Liabilities									
357 Accrued Pension and OPEB Liabilities									
350 Total Non-Current Liabilities	\$319,902	\$0	\$0	\$2,616,105	\$0	\$0	\$2,935,407	\$0	\$2,935,407
300 Total Liabilities	\$795,168	\$0	\$27,805	\$14,178,599	\$16,222	\$9,508	\$15,027,322	(\$9,508)	\$15,017,814
400 Deferred Inflow of Resources									
508.4 Net Investment in Capital Assets	\$6,161,659	\$0	\$0	\$8,484,801	\$152,283		\$13,798,743		\$13,798,743
511.4 Restricted Net Position	\$53,950	\$0	\$59,605	\$1,583,320	\$21,943		\$1,768,823		\$1,768,823
512.4 Unrestricted Net Position	\$2,599,076	\$0	\$29,254	(\$3,307,126)	\$579,403	\$0	(\$96,399)		(\$96,399)
513 Total Equity - Net Assets / Position	\$7,844,695	\$0	\$88,859	\$8,780,995	\$763,634	\$0	\$15,468,183	\$0	\$15,468,183
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,636,863	\$0	\$118,664	\$20,859,584	\$766,856	\$9,508	\$30,465,505	(\$9,508)	\$30,456,997

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2016

	Project Total	14,870 Resident Opportunity and Supportive Services	14,971 Housing Choice Vouchers	6.1 Component Unit - Discretionary Presented	6.2 Component Unit - Blended	14,898 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$748,180			\$196,442	\$143,438		\$1,088,070		\$1,088,070
70400 Tenant Revenue - Other	\$59,706						\$59,706		\$59,706
70500 Total Tenant Revenue	\$808,886	\$0	\$0	\$196,442	\$143,438	\$0	\$1,148,776	\$0	\$1,148,776
70600 HUD PHA Operating Grants	\$1,445,076	\$29,043	\$406,973			\$59,355	\$1,940,049		\$1,940,049
70610 Capital Grants	\$182,136						\$182,136		\$182,136
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
70900 Other Government Grants	\$350,000			\$105,979			\$455,979		\$455,979
71100 Investment Income - Unrestricted	\$9,103			\$504	\$0		\$5,597		\$5,597
71200 Mortgage Interest Income	\$84,222						\$84,222		\$84,222
71300 Proceeds from Disposition of Assets Held for Sale									
71310 Cost of Sale of Assets									
71400 Fraud Recovery			\$2,662		\$50		\$2,742		\$2,742
71500 Other Revenue	\$221,299			\$3,111	\$463,374		\$687,784	(\$195,813)	\$521,971
71600 Gain or Loss on Sale of Capital Assets									
72000 Investment Income - Restricted									
70000 Total Revenue	\$3,100,334	\$29,043	\$408,965	\$306,096	\$606,862	\$59,355	\$4,510,355	(\$195,813)	\$4,344,542
91100 Administrative Salaries	\$511,810		\$22,060	\$50,677	\$113,635		\$698,182		\$698,182
91200 Auditing Fees	\$10,925			\$7,500	\$850		\$19,375		\$19,375
91300 Management Fee				\$6,462			\$6,462		\$6,462
91310 Book-keeping Fee									
91400 Advertising and Marketing				\$1,749			\$1,749		\$1,749
91500 Employee Benefit Contributions - Administrative	\$184,553		\$9,050	\$6,832	\$31,806		\$235,241		\$235,241
91600 Office Expenses	\$109,189			\$21,342	\$25,791		\$156,332	(\$13,200)	\$143,132
91700 Legal Expense	\$14,412			\$485			\$14,907		\$14,907
91800 Travel	\$98,117			\$1,490	\$448		\$38,055		\$38,055
91810 Allocated Overhead									
91900 Other	\$13,200			\$97,969	\$173		\$81,342		\$81,342
91000 Total Operating - Administrative	\$690,216	\$0	\$31,110	\$169,021	\$173,298	\$0	\$1,253,645	(\$13,200)	\$1,240,445
92000 Asset Management Fee									
92100 Tenant Services - Salaries		\$23,234				\$47,484	\$70,718		\$70,718
92200 Relocation Costs									
92300 Employee Benefit Contributions - Tenant Services		\$5,809				\$11,871	\$17,680		\$17,680
92400 Tenant Services - Other	\$3,764			\$701	\$21,185		\$25,640		\$25,640
92500 Total Tenant Services	\$3,764	\$29,043	\$0	\$701	\$21,185	\$59,355	\$114,038	\$0	\$114,038
93100 Water	\$69,149			\$7,201	\$5,469		\$81,879		\$81,879
93200 Electricity	\$286,275			\$36,492	\$28,753		\$351,520		\$351,520
93300 Gas	\$50,023			\$13,161			\$63,814		\$63,814
93400 Fuel									

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2016

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	6.1 Component Unit - Discretionary Presented	6.2 Component Unit - Blended	14,896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
93500 Labor									
93800 Sewer	\$93,423			\$3,773	\$7,886		\$104,892		\$104,892
93700 Employee Benefit Contributions - Utilities									
93800 Other Utilities Expense									
93900 Total Utilities	\$495,470	\$0	\$0	\$50,717	\$41,918	\$0	\$602,105	\$0	\$602,105
94100 Ordinary Maintenance and Operations - Labor	\$95,978				\$26,174		\$122,150		\$122,150
94200 Ordinary Maintenance and Operations - Materials and Other	\$64,923			\$199	\$1,091		\$66,173		\$66,173
94300 Ordinary Maintenance and Operations Contracts	\$280,176		\$2,915	\$56,722	\$28,442		\$348,255		\$348,255
94500 Employee Benefit Contributions - Ordinary Maintenance	\$39,027						\$39,027		\$39,027
94600 Total Maintenance	\$480,102	\$0	\$2,915	\$56,881	\$55,707	\$0	\$595,605	\$0	\$595,605
95100 Protective Services - Labor									
95200 Protective Services - Other Contract Costs									
95300 Protective Services - Other									
95500 Employee Benefit Contributions - Protective Services									
95600 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$21,015			\$35,334			\$56,349		\$56,349
96120 Liability Insurance	\$8,389						\$8,389		\$8,389
96130 Workmen's Compensation	\$12,371			\$696			\$13,027		\$13,027
96140 All Other Insurance	\$9,795						\$9,795		\$9,795
96100 Total Insurance Premiums	\$51,570	\$0	\$0	\$35,990	\$0	\$0	\$87,560	\$0	\$87,560
96200 Other General Expense	\$151,392			\$212,838	\$8,873		\$371,004	(\$60,851)	\$310,153
96210 Compensated Absences	\$8,466						\$8,466		\$8,466
96300 Payments in Lieu of Taxes	\$23,228			\$11,446			\$34,672		\$34,672
96400 Bad debt - Tenant Rents	\$26,623			\$728			\$27,351		\$27,351
96500 Bad debt - Mortgages									
96600 Bad debt - Other									
96800 Severance Expense									
96900 Total Other General Expenses	\$209,807	\$0	\$0	\$225,113	\$6,873	\$0	\$441,893	(\$60,851)	\$380,842
96710 Interest of Mortgage (or Bonds) Payable				\$71,542			\$71,542		\$71,542
96720 Interest on Notes Payable (Short and Long Term)									
96730 Amortization of Bond Issue Costs									
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$71,542	\$0	\$0	\$71,542	\$0	\$71,542
96900 Total Operating Expenses	\$2,125,019	\$28,043	\$34,025	\$819,965	\$298,781	\$99,355	\$3,166,188	(\$74,051)	\$3,092,137
97000 Excess of Operating Revenue over Operating Expenses	\$875,315	\$0	\$374,640	(\$313,869)	\$308,081	\$0	\$1,344,167	(\$61,762)	\$1,282,405
97100 Extraordinary Maintenance									
97200 Casualty Losses - Non-capitalized									
97300 Housing Assistance Payments			\$304,152				\$304,152	(\$91,782)	\$212,370
97350 HAP Portability-In									
97400 Depreciation Expense	\$397,913			\$398,409	\$15,732		\$812,054		\$812,054
97500 Fraud Losses									

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE -- INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2016

	Project Total	14,870 Resident Opportunity and Supportive Services	14,871 Housing Choice Vouchers	6.1 Component Unit - Discreetly Presented	6.2 Component Unit - Blended	14,896 PIH Family Self- Sufficiency Program	Subtotal	ELIM	Total
97600 Capital Outlays - Governmental Funds									
97700 Debt Principal Payment - Governmental Funds									
97800 Dwelling Units Rent Expense									
90000 Total Expenses	\$2,522,932	\$29,043	\$338,177	\$1,018,374	\$314,513	\$58,355	\$4,282,394	(\$185,813)	\$4,116,581
10010 Operating Transfer In									
10020 Operating Transfer Out									
10030 Operating Transfers from/to Primary Government									
10040 Operating Transfers from/to Component Unit									
10050 Proceeds from Notes, Loans and Bonds									
10060 Proceeds from Property Sales									
10070 Expenditure Items - Net Gain/Loss									
10080 Special Items (Net Gain/Loss)									
10091 Inter Project Excess Cash Transfer In									
10092 Inter Project Excess Cash Transfer Out									
10093 Transfers between Program and Project - In									
10094 Transfers between Project and Program - Out									
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	\$577,402	\$0	\$70,488	(\$712,278)	\$232,349	\$0	\$227,961	\$0	\$227,961
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$7,287,293	\$0	\$18,371	\$7,983,295	\$461,285	\$0	\$15,310,244		\$15,310,244
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0			(\$70,022)			(\$70,022)		(\$70,022)
11050 Changes in Compensated Absence Balance									
11060 Changes in Contingent Liability Balance									
11070 Changes in Unrecognized Pension Transition Liability									
11080 Changes in Special Term/Servance 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			\$56,605				\$56,605		\$56,605
11190 Unit Months Available	2712	0	756	0	0		3468		3468
11210 Number of Unit Months Leased	2704	0	861	0	0		3365		3365
11270 Excess Cash	\$163,594						\$163,594		\$163,594
11610 Land Purchases	\$0						\$0		\$0
11620 Building Purchases	\$351,213						\$351,213		\$351,213
11630 Furniture & Equipment - Dwelling Purchases	\$0						\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$1,876						\$1,876		\$1,876
11650 Leasehold Improvements Purchases	\$0						\$0		\$0
11660 Infrastructure Purchases	\$0						\$0		\$0
13510 CFFP Debt Service Payments	\$0						\$0		\$0
13501 Replacement Housing Factor Funds	\$0						\$0		\$0

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED DECEMBER 31, 2016

Federal Grantor	CFDA Number	Contract Number	Expenditures
<u>Federal Awards</u>			
<u>US Department of Housing and Urban Development (HUD):</u>			
Low Rent Public Housing	14.850	TN035-00000116D	\$ 968,767
Total Low Rent Public Housing Program			968,767
Resident Opportunity and Self Sufficiency	14.870	TN035RPS055A012	29,043
Total Resident Opportunity and Self Sufficiency			29,043
Housing Choice Voucher Program	14.871		405,973
Total Housing Choice Voucher Program			405,973
Capital Fund Program	14.872	TN043P035501-13	138,799
Capital Fund Program	14.872	TN043P035501-14	131,227
Capital Fund Program	14.872	TN043P035501-15	206,858
Capital Fund Program	14.872	TN043P035501-16	182,163
Total Capital Fund Program			659,047
FSS Program Coordinator	14.896	TN035FSH377A015	59,355
Total Resident Opportunity and Self Sufficiency			59,355
TOTAL FEDERAL AWARDS EXPENDED			\$ 2,122,185

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, 2016. 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, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated June 29, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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
June 29, 2017



HENDERSON & DEJOHN, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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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, 2016. 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, 2016.

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
June 29, 2017

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF DISPOSITION OF PRIOR YEAR FINDINGS
FOR YEAR ENDED DECEMBER 31, 2016

Financial Statement Findings

None

Major Program Audit Findings

None

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2016

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, 2016, and have issued our reports thereon dated June 29, 2017. 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 June 29, 2017, 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 CFDA's, 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
June 29, 2017