FRANKLIN HOUSING AUTHORITY

FINANCIAL STATEMENTS
&
SUPPLEMENTAL INFORMATION

FOR YEAR ENDED DECEMBER 31, 2018

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FOR YEAR ENDED DECEMBER 31, 2018

FRANKLIN HOUSING AUTHORITY
ROSTER OF OFFICIALS
FOR YEAR ENDED DECEMBER 31, 2018

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

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Independent Auditor's Report

To the Board of Commissioners
Franklin Housing Authority

Report on the Financial Statements
We have audited the financial statements of the Franklin Housing Authority (the "Authority"), as of and for the year ended December 31, 2018, 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 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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the Authority's basic financial statements. The accompanying supplemental data including the roster of officials, the schedule of changes in long-term debt by individual issue, and the financial data schedule are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by 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 schedule of changes in long-term debt by individual issue, 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 schedule of changes in long-term debt by individual issue, 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 September 25, 2019 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Henderson & DeJohn, LLC

Birmingham, AL
September 25, 2019

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, 2018, increased to $10,433,996. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was $8,800,890 for 2017.
- The business-type activities operating revenues at December 31, 2018, increased to $4,451,456. Total operating revenues were $3,074,979 for 2017.
- The total operating expenses of all programs for December 31, 2018, increased to $3,650,995. Total operating expenses were $3,422,526 for 2017.
- Total capital contributions at December 31, 2018, increased to $746,090. Total capital contributions were $347,368 for 2017.

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.

FINANCIAL ANALYSIS

The following table reflects the condensed Statement of Net Position as of December 31, 2018 and 2017.

TABLE 1 – STATEMENT OF NET POSITION

	2018	2017	Variance	% Change
Current Assets	$ 2,189,038	$ 1,238,417	$ 950,621	76.76%
Capital Assets, Net	7,361,194	6,311,848	1,049,346	16.63%
Other Noncurrent Assets	2,812,895	2,852,037	(39,142)	-1.37%
Total Assets	12,363,127	10,402,302	1,960,825	18.85%
Current Liabilities	725,821	771,752	(45,931)	-5.95%
Noncurrent Liabilities	1,203,310	829,660	373,650	45.04%
Total Liabilities	1,929,131	1,601,412	327,719	20.46%
Net Position				
Net Investment in Capital Assets	6,328,694	5,430,672	898,022	16.54%
Restricted	80,260	35,943	44,317	123.30%
Unrestricted	4,025,042	3,334,275	690,767	20.72%
Total Net Position	$ 10,433,996	$ 8,800,890	$ 1,633,106	18.56%

MAJOR FACTORS AFFECTING THE STATEMENT OF NET POSITION

Current assets increased by $950,621 due, in majority, to an increase in unrestricted cash.

Capital assets, net increased by $1,049,346 due to current year capital investments in the Park Street Project, Chickasaw Development, and Spring Johnson Project.

Noncurrent liabilities increased by $373,650 due to an increase in the permanent loan for the Park Street Project.

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

The following table reflects the revenues and expenses as of December 31, 2018 and 2017.

	2018	2017	Variance	% Change
Operating Revenues				
Rental Income, Net	$ 889,218	$ 793,892	$ 95,326	12.01%
Federal & Other Government Grants	2,564,485	1,971,459	593,026	30.08%
Other	997,753	309,628	688,125	222.24%
Total Operating Revenues	4,451,456	3,074,979	1,376,477	44.76%
Operating Expenses				
Administration	1,113,143	1,095,198	17,945	1.64%
Tenant Services	137,445	175,551	(38,106)	-21.71%
Utilities	615,673	539,556	76,117	14.11%
Maintenance	689,518	617,092	72,426	11.74%
General	210,446	139,134	71,312	51.25%
Housing Assistance Payments	476,205	448,494	27,711	6.18%
Other Operating Expenses	-	7,957	(7,957)	-100.00%
Depreciation	408,565	399,544	9,021	2.26%
Total Operating Expenses	3,650,995	3,422,526	228,469	6.68%
Operating Income (loss)	800,461	(347,547)	1,148,008	-330.32%
Nonoperating revenues (expenses)				
Interest Revenue	110,363	113,881	(3,518)	-3.09%
Interest Expense	(23,808)	-	(23,808)	
Capital Contributions	746,090	347,368	398,722	114.78%
Total Nonoperating Activity	832,645	461,249	371,396	80.52%
Change in Net Position	1,633,106	113,702	1,519,404	1336.30%
Beginning Net Position	8,800,890	8,687,188	113,702	1.31%
Ending Net Position	$ 10,433,996	$ 8,800,890	$ 1,633,106	18.56%

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

The Authority had an increase in net position of $1,633,106 this year versus an increase in net position of $113,702 in the prior year. This increase in net position this year was primarily due to increases federal and other government grants, other revenue, and capital contributions.

The Authority had operating income of $800,461 including non-cash depreciation expense of $408,565 versus an operating loss of $347,547 and depreciation expense of $399,544 in the prior year.

Total operating revenues increased by $1,376,477 to $4,451,456 due to an increase in rental income net of bad debt expense while developments are being renovated, an increase in HUD PHA operating grant revenue in the Low Rent, CFP, and HCV Programs, an increase in other government grants, and an increase in other revenue.

Total operating expenses increased by $228,469 to $3,650,995 due to increased utilities, maintenance costs, general expenses, and an increase in Housing Assistance Payments.

Capital contributions increased by $398,722 to $746,090 due to an increase in ongoing construction and modernization projects.

CAPITAL ASSETS

As of December 31, 2018, capital assets for its business-type activities were $7,361,194, 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
- Development of Cherokee Redevelopment
- Park Street Development Costs

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

DEBT OUTSTANDING

As of year-end, the Authority had $1,282,500 in loan liability and debt outstanding compared to $1,181,176 last year, an increase of $101,324. This loan liability and debt 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, a general line of credit, and a permanent loan on the Park Street Project.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflation, recession and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.

FINANCIAL CONTACT

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

Franklin Housing Authority
Statement of Net Position
December 31, 2018

ASSETS		
Current assets:		
Unrestricted cash and cash equivalents	$	1,425,591
Restricted cash and cash equivalents		130,017
Investments		370,992
Restricted Investments		50,953
Due from HUD		13,811
Miscellaneous receivable, net		118,315
Tenants receivable, net of allowance of $2,805		23,138
Fraud recovery receivable, net of allowance of $6,490		-
Prepaid expenses and other assets		25,951
Inventories, net of allowance of $3,363		30,270
Total current assets		2,189,038
Noncurrent assets:		
Capital assets:		
Land and construction in progress		1,733,501
Buildings and equipment, net of depreciation		5,627,693
Total capital assets		7,361,194
Notes, loans and mortgages receivable		2,812,895
Total noncurrent assets		10,174,089
Total assets	$	12,363,127

The accompanying notes are an integral part of these financial statements

Franklin Housing Authority
Statement of Net Position
December 31, 2018

LIABILITIES		
Current liabilities:		
Accounts payable	$	413,654
Accrued liabilities		885
Intergovernmental payables		55,208
Tenant security deposits		27,274
Unearned revenue		4,925
Loan liabilities, current portion		150,000
Notes payable, current portion		52,500
Compensated absences, current portion		21,375
Total current liabilities		725,821
Noncurrent liabilities:		
FSS escrowed liabilities		70,783
Loan liabilities, net of current portion		100,000
Notes payable, net of current portion		980,000
Compensated absences, net of current portion		49,874
Noncurrent liabilities - other		2,653
Total noncurrent liabilities		1,203,310
Total liabilities		1,929,131
NET POSITION		
Net investment in capital assets		6,328,694
Restricted		80,260
Unrestricted		4,025,042
Total net position	$	10,433,996

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, 2018

OPERATING REVENUES	
Rental income, net of bad debts of $15,542	$ 889,218
Federal grants	2,564,485
Other	997,753
Total operating revenues	4,451,456
OPERATING EXPENSES	
Administration	1,113,143
Tenant services	137,445
Utilities	615,673
Maintenance	689,518
General	210,446
Housing assistance payments	476,205
Depreciation	408,565
Total operating expenses	3,650,995
Operating income (loss)	800,461
NONOPERATING REVENUES (EXPENSES)	
Interest revenue	110,363
Interest expense	(23,808)
Income (loss) before contributions	887,016
Capital contributions	746,090
Change in net position	1,633,106
Total net position - beginning of the year	8,800,890
Total net position - end of the year	$ 10,433,996

The accompanying notes are an integral part of these financial statements

Franklin Housing Authority
Statement of Cash Flows
For Year Ended December 31, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from tenants	$ 850,877
Federal grants	2,577,720
Other receipts	1,164,889
Payments to suppliers and Section 8 landlords	(1,711,954)
Payments to or on behalf of employees	(1,405,548)
Net cash provided (used) by operating activities	1,475,984
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(1,457,911)
Capital contributions	847,779
Principal payments on capital debt	(367,500)
Interest payments on capital debt	(23,808)
Proceeds from issuance of capital debt	518,824
Net cash provided (used) by capital financing activities	(482,616)
CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from line of credit disbursements	50,000
Net cash provided (used) by non-capital financing activities	50,000
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest revenue	2,045
Proceeds from sale of investments	235,260
Net cash provided (used) by investing activities	237,305
Net increase (decrease) in cash and cash equivalents	1,280,673
Balances - beginning of the year	274,935
Balances - end of the year	$ 1,555,608

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

FRANKLIN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR YEAR ENDED DECEMBER 31, 2018

RECONCILIATION OF INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	$	800,461
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense		408,565
Change in assets and liabilities:		
Receivables, net		100,237
Prepaids and other assets		40,326
Accounts payable		302,407
Intergovernmental payables		25,695
Unearned revenue		(43,706)
Other liabilities		(113,190)
Accrued liabilities		(74,353)
Compensated absences		25,803
Tenant security deposits		3,739
Net cash provided (used) by operating activities	$	1,475,984

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

A. The Reporting Entity

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

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

Franklin Housing Collaborative

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

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

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 13-Blended Component Unit* in accordance with GASB Statement No. 61.

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

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

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

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

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

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

C. Cash, Cash Equivalents, and Investments

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

D. Accounts Receivables

All receivables are current and due within one year. Receivables are reported net of an allowance for uncollectible accounts. Allowances are reported when accounts are proven to be uncollectible. The allowance method is used to determine allowances for uncollectible accounts. Allowances are based upon historical trends and periodic aging of accounts receivable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Notes, Loans & Mortgages Receivables

Notes receivable relate to affordable housing construction activities where the Authority has loaned funds to affiliated organizations to be used in the development of tax credit RAD affordable housing projects. The notes receivable is collectable as defined in the various loan agreements. Any portions of the notes receivable that are deemed due and collectable within the next twelve months are reported as current assets. The remaining notes receivables that are deemed collectable beyond the next twelve months are reported as noncurrent assets. All of the notes receivables are considered noncurrent assets as of December 31, 2018 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, 2018.

F. Restricted Assets and Liabilities

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

G. Inventories

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

H. Prepaid Items

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

I. Capital Assets

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

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

J. Capitalized Interest

Only interest associated specifically with debt used to construct or modernize physical structures is capitalized. Interest expense on notes payable, net of interest income on related debt proceeds are expensed during the project development period through the date of full availability. No interest was capitalized during the year ended December 31, 2018.

K. Compensated Absences

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

L. Deferred Outflows/Inflows of Resources

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

M. Unearned Revenue

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

P. Recent Accounting Pronouncements
The Authority has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Among other things, Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide and requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The adoption of GASB Statement No. 75 had no material effect on the Authority's December 31, 2018 financial statements.

The Authority has adopted GASB Statement No. 82, *Pension Issues of GASB Statements No. 67, No., 68, and No., 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67***, Financial Reporting for Pension Plans***, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73***, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68***. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The adoption of GASB Statement No. 82 had no material effect on the Authority's December 31, 2018 financial statements.

The Authority has adopted GASB Statement No. 85, *Omnibus 2017*. The objective of this Statement is to improve consistency in accounting and financial reporting by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The provisions of this Statement apply to state and local governments. The adoption of GASB Statement No. 85 had no material effect on the Authority's December 31, 2018 financial statements.

The Authority has adopted GASB Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The adoption of GASB Statement No. 86 had no material effect on the Authority's December 31, 2018 financial statements.

NOTE 2 – CASH DEPOSITS AND INVESTMENTS

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

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

At December 31, 2018, cash was in bank deposits or money market accounts, and investments were in certificates of deposit, all of which were insured or collateralized with securities held by the Authority or by its agent in the Authority's name. Cash and investments balances at December 31, 2018, totaled $1,555,608 and $421,945, respectively.

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

NOTE 2 – CASH DEPOSITS AND INVESTMENTS (Continued)

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 as described in Note 1. State statutes require that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be insured by federal depository insurance or the Tennessee Bank Collateral Pool, or collateralized by collateral held by the Authority's agent in the Authority's name, or by the Federal Reserve Banks acting as third party agents. State statutes also authorize the Authority to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of December 31, 2018, all bank deposits were fully collateralized or insured.

NOTE 3 – CAPITAL ASSETS

A. Changes in Capital Assets
Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reclassifications	Ending Balance
Capital assets not being depreciated				
Land	$ 569,084	$ -	$ -	$ 569,084
Construction in progress	1,431,944	1,457,911	(1,725,438)	1,164,417
Total capital assets not being depreciated	2,001,028	1,457,911	(1,725,438)	1,733,501
Capital assets being depreciated				
Buildings and improvements	13,135,024	-	1,725,438	14,860,462
Equipment	574,010	-	-	574,010
Total capital assets being depreciated	13,709,034	-	1,725,438	15,434,472
Less accumulated depreciation for:				
Buildings and improvements	(8,895,518)	(378,196)	-	(9,273,714)
Equipment	(502,696)	(30,369)	-	(533,065)
Total accumulated depreciation	(9,398,214)	(408,565)	-	(9,806,779)
Capital assets, net	$ 6,311,848	$ 1,049,346	$ -	$ 7,361,194

B. Capital Contributions
The Authority receives capital grants from HUD. The Authority recognized $746,090 in capital contributions for the fiscal year ended December 31, 2018.

NOTE 4 – NOTES, LOANS & MORTGAGES RECEIVABLE

As of December 31, 2018, notes receivable, which include accrued interest receivable, were composed of the following:

The Authority loaned $1,000,000 to Senior Residence at Reddick Street, LP as evidenced by a Promissory Note issued to the Authority dated August 30, 2012. The loan is comprised of Housing Trust Fund (HTF) Competitive Grant Program funds originally borrowed by the Authority from the Tennessee Housing Development Agency (THDA) and then in turn loaned by the Authority to Senior Residence at Reddick Street, LP for the development of the Senior Residence Project, all of which is agreed to in detail in the Subordination Agreement, the HTF Working Agreement, and the Promissory Note. The Note has an interest rate of 5.00% per annum, compounded annually, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Senior Residence at Reddick Street, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the notes receivables within the next fiscal year. Noncurrent accrued interest receivable at December 31, 2018 amounted to $318,600 with $65,758 of this interest being recognized during the current fiscal year.	$ 1,318,600
The Authority loaned $500,000 to Senior Residence at Reddick Street, LP as evidenced by a Promissory Note issued to the Authority dated August 30, 2012. The loan is comprised of HUD Operating Fund Financing Program funds originally borrowed by the Authority from Suntrust Bank and then in turn loaned by the Authority to Senior Residence at Reddick Street, LP for the development of the Senior Residence Project, all of which is agreed to in detail in the Authority Public Housing Loan Agreement and the Promissory Note. The Note has an interest rate of 5.00% per annum until the date or repayment in full of this Note, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Senior Residence at Reddick Street, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Note Receivable within the next fiscal year. The Authority collected $250,000 on this loan in a previous year. Therefore, as of December 31, 2018, the outstanding principal owed to the Authority equals $250,000, with noncurrent accrued interest receivable making up the remaining $109,011 in the Note Receivable balance. $14,923 of the $109,011 in noncurrent accrued interest receivable was recognized during the current fiscal year.	359,011
The Authority loaned $562,000 to Reddick Street Associates I, LP as evidenced by 2 Promissory Notes issued to the Authority dated August 5, 2015. Note A is a promissory note in the amount of $512,000 comprised of Capital Funds that have been defederalized pursuant to the RAD Requirements. Note B is a promissory note in the amount of $50,000 comprised of CDBG Funds made available through a CDBG Contract for use in accordance with the CDBG Contract. Both notes have an interest rate of 1.00% per annum, with a maturity of 40 years from the date of the promissory notes. Payment of principal and accrued interest are payable to the Authority from Reddick Street Associates I, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Notes Receivable within the next fiscal year. Therefore, as of December 31, 2018, the outstanding principal owed to the Authority equals $577,100, with noncurrent accrued interest receivable making up the remaining $15,100 in the Notes Receivable balance. $5,450 of the $15,100 in noncurrent accrued interest receivable was recognized during the current fiscal year.	577,100

NOTE 4 – NOTES, LOANS & MORTGAGES RECEIVABLE (Continued)

The Authority loaned $500,000 to Reddick Street Associates I, LP as evidenced by a Promissory Note issued to the Authority dated August 5, 2015. The loan is comprised of Housing Trust Fund (HTF) Competitive Grant Program funds originally borrowed by the Authority from the Tennessee Housing Development Agency (THDA) and then in turn loaned by the Authority to Reddick Street Associates I, LP for the development of the Reddick Street Project, all of which is agreed to in detail in the Subordination Agreement, the HTF Working Agreement, and the Promissory Note. The Note has an interest rate of 5.00% per annum, compounded annually, with a maturity of 40 years from the date of the promissory note. Payment of principal and accrued interest are payable to the Authority from Reddick Street Associates I, LP's surplus cash in the priority of distributions of net cash flows as outlined in the Partnership Agreement. The Authority does not expect to receive any repayment on the Note Receivable within the next fiscal year. Therefore, as of December 31, 2018, the outstanding principal owed to the Authority equals $500,000, with noncurrent accrued interest receivable making up the remaining $58,184 in the Note Receivable balance. $24,164 of the $58,184 in noncurrent accrued interest receivable was recognized during the current fiscal year.	558,184
Total noncurrent notes receivable (principal and interest)	$ 2,812,895

NOTE 5 – LOAN LIABILITIES

On November 20, 2018, the Authority opened up a revolving letter of credit account with Pinnacle Bank for $250,000 to be used to cover certain predevelopment costs related to ongoing affordable housing redevelopment projects. This line of credit account is considered an open-end credit account. The line of credit account bears interest on the outstanding principal balance at a variable rate that is based on changes in an index which is the Pinnacle Base Rate (the "Index"). As of the date of the line of credit agreement, the Index was 5.25% per annum. Interest on the unpaid principal balance of this line of credit will be calculated using a rate of 1.000 percentage point over the Index, rounded to the nearest 0.125 percent, adjusted if necessary for any minimum and maximum rate limitations, resulting in an initial rate of 6.250% per annum based on a year of 360 days. The Authority is expecting to repay all of the outstanding line of credit account balance within the next fiscal year in order to save money from not having to pay interest. As of December 31, 2018, there was $50,000 outstanding on the line of credit account.

On August 5, 2015, the Authority entered into an agreement (Grant Note) with the Tennessee Housing Development Agency (THDA) for a $500,000 grant from the Housing Trust Fund. The agreement terms describe in the Grant Note that the loan bears a zero percent interest rate per annum. Additionally, a 20 percent reduction of the original principal sum due will occur annually, as long as the conditions in the Grant Note are met. As of December 31, 2018, there was $200,000 outstanding on the note, which was a decrease of $100,000 from the loan liability balance at December 31, 2017. The Authority expects for another $100,000 of the outstanding loan liability to be forgiven and reduced within the next fiscal year. Therefore, $100,000 of the remaining $200,000 of this loan liability is classified as a current liability on the face of the Statement of Net Position, with the remaining $100,000 being classified as a noncurrent liability.

NOTE 6 – NOTES PAYABLE

Notes payable consists of a loan of up to $1,400,000 that was obtained by the Authority from Pinnacle Bank and which is evidenced by a promissory note issued by the Authority on May 16, 2017. The Note was obtained as a source of construction financing for extensive rehabilitation to the Park Street project as part of the conversion of 22 residential units to Rental Assistance Demonstration ("RAD"). The interest rate on this Note is subject to change based on changes in the index that is the Prime Rate of large U.S. Money Center Commercial Banks as published in the Wall Street Journal, which rate shall be adjusted on each day that the Index changes. The Index is not necessarily the lowest rate charged by Pinnacle Bank on its loans and is set by Pinnacle Bank in its sole discretion. The Index at the date of the loan was 4.0% per annum. Interest accruing under the Note is computed on a 365/360 basis; that is, by applying the ratio of the interest rate over a year of 360 days, multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding, using an interest rate equal to 4.0% less than the Index, rounded to the nearest one-eighth of 1.0%, provided that the interest rate shall in no event be less than 0.0% per annum or greater than 5.0% per annum. The resulting initial rate at the time of the loan was thus equal to 0.0% per annum. The interest rate changed from 0.25% to 1.25% during the year. The loan is secured by a Construction Deed of Trust, Assignment of Rents and Security Agreement upon the Park Street project, and the buildings and improvements thereon. The Note has a maturity date of May 15, 2032.

NOTE 6 – NOTES PAYABLE (Continued)

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

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

As of December 31, 2018, the Authority owes $1,032,500 in principal of the available $1,400,000 in loan funds for ongoing rehabilitation and construction costs incurred. $52,500 in outstanding principal is expected to be repaid within the next 12 months with the remaining $980,000 being repaid over the remaining maturity period as outlined in the above bullet points and in the amortization schedule below. For the year ended December 31, 2018, the Authority incurred $11,790 in interest expense.

The anticipated aggregate maturity of this notes payable for the years subsequent to December 31, 2018 are as follows:

	Principal	Interest	Total
2019	52,500	12,780	65,280
2020	52,500	12,149	64,649
2021	52,500	11,449	63,949
2022	52,500	10,784	63,284
2023	52,500	10,119	62,619
2024-2028	262,500	40,659	303,159
2029-2032	507,500	18,185	525,685
Total	$ 1,032,500	$ 116,125	$ 1,148,625

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liabilities at December 31, 2018 consisted of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
FSS escrowed liabilities	$ 83,971	$ 31,633	$ 44,821	$ 70,783	$ -
Compensated absences	45,446	25,803	-	71,249	21,375
Noncurrent liabilities - other	2,653	-	-	2,653	-
Loan liabilities	300,000	50,000	100,000	250,000	150,000
Notes payable	881,176	518,824	367,500	1,032,500	52,500
Total noncurrent liabilities	$ 1,313,246	$ 626,260	$ 512,321	$ 1,427,185	$ 223,875

NOTE 8 – 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, 2018 were $99,911 and $15,878 by the Authority and the employees, respectively.

NOTE 9 – 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 10 – 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 11 – COMMITMENTS AND CONTINGENCIES

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

NOTE 12 – AFFILIATED ORGANIZATIONS

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

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

As of the year-ended December 31, 2018, Senior Residence at Reddick owes the Authority $1,677,611 in the form of two notes payable (see *Note 4 – Notes, Loans, & Mortgages Receivable*), which is included in notes, loans, and mortgages receivable on the face of the Statement of Net Position.

The Authority leases land to Senior Residence at Reddick. The Authority leases this land through a ground lease agreement (*see Note 14 – Ground Lease Agreements*).

NOTE 12 – AFFILIATED ORGANIZATIONS (Continued)

Lastly, Senior Residence at Reddick receives Housing Assistance Payments (HAP) from the Authority's Housing Choice Voucher program. During the year ended December 31, 2018, Senior Residence at Reddick recognized $164,779 in HAP from the Authority, which is included in housing assistance payments on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

Reddick Street Associates I, L.P.

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

As of the year-ended December 31, 2018, Reddick Street owes the Authority $1,135,284 in the form of two notes payable (see *Note 4 – Notes, Loans, & Mortgages Receivable*), which is included in notes, loans, and mortgages receivable on the face of the Statement of Net Position.

The Authority leases land to Reddick Street. The Authority leases this land through a ground lease agreement (*see Note 14 – Ground Lease Agreements*).

During the year, the Authority received $62,046 in previously recognized developer fees from Reddick Street. The remaining $111,595 in developer fees receivable is included in the miscellaneous receivable on the face of the Statement of Net Position.

The Authority charges Reddick Street for operating and maintenance services rendered to the Reddick Street development. Total charges by the Authority during 2018 amounted to $101,388, which is included in other revenue on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

Lastly, Reddick Street receives Housing Assistance Payments (HAP) from the Authority's Housing Choice Voucher program. During the year ended December 31, 2018, Reddick Street recognized $133,987 in HAP from the Authority, which is included in housing assistance payments on the face of the Statement of Revenues, Expenses and Changes in Fund Net Position.

NOTE 13 – BLENDED COMPONENT UNIT

Condensed combining information for the Authority's blended component unit, Franklin Housing Collaborative, for the year ended December 31, 2018 is presented as follows:

CONDENSED STATEMENT OF NET POSITION
December 31, 2018

ASSETS		
Current assets	$	1,817,976
Noncurrent assets		2,818,731
Total assets		4,636,707
LIABILITIES		
Current liabilities		447,385
Noncurrent liabilities		982,653
Total liabilities		1,430,038
NET POSITION		
Net investment in capital assets		1,786,231
Restricted		46,915
Unrestricted		1,373,523
Total net position	$	3,206,669

CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
Year Ended December 31, 2018

OPERATING REVENUES (EXPENSES)		
Operating revenues	$	3,022,244
Operating expenses		(498,512)
Change in net position		2,523,732
Total net position - beginning of the year		682,937
Total net position - end of the year	$	3,206,669

NOTE 13 – BLENDED COMPONENT UNIT (Continued)

CONDENSED STATEMENT OF CASH FLOW
Year Ended December 31, 2018

NET CASH PROVIDED (USED) BY:		
Operating activities	$	2,938,479
Capital and related financing activities		(1,472,364)
Non-capital and related financing activities		50,000
Investing activities		(237,342)
Net increase (decrease) in cash and cash equivalents		1,278,773
Cash balances - beginning of the year		178,141
Cash balances - end of the year	$	1,456,914

NOTE 14 – GROUND LEASE AGREEMENTS

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 15 – INTER-PROGRAM BALANCES

Inter-program balances at December 31, 2018 consisted of the following:

	Interprogram Due From		Interprogram Due To	
Low Rent Public Housing Program	$	13,811	$	-
Resident Opportunity and Supportive Services		-		(13,811)
Total	$	13,811	$	(13,811)

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 16 – RESTRICTED NET POSITION

Restricted net position consists of excess Housing Assistance Payment (HAP) funds available to the Authority under the Section 8 Housing Choice Vouchers program and restricted scholarship funds that are available under Franklin Housing Collaborative, the Authority's blended component unit. Restricted net position related to excess HAP as of the end of the fiscal year was approximately $33,345. Restricted net position related to the donated funds restricted for future scholarships amounted to $46,915 as of the fiscal year ended December 31, 2018.

NOTE 17 – 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 September 25, 2019, (the date the financial statements were available to be issued) and concluded that no subsequent events occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

NOTE 18 – FINANCIAL DATA SCHEDULE

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

Franklin Housing Authority
Schedule of Changes in Long-Term Debt by Individual Issue
December 31, 2018

Description of Indebtedness	Original Amount of Issue	Interest Rate	Date of Issue	Last Maturity Date	Outstanding 1/1/2018	Issued During Period	Paid and/or Matured During Period	Refunded During Period	Outstanding 12/31/2018
Business-Type Activities									
NOTES PAYABLE									
Payable through Blended Component Unit Fund									
Park Street RAD Rehabilitation - Pinnacle Bank Note	$ 1,400,000	Variable %	5/16/2017	5/15/2032	$ 881,176	$ 518,824	$ 367,500	$ 0	$ 1,032,500
Total Notes Payable					$ 881,176	$ 518,824	$ 367,500	$ 0	$ 1,032,500
OTHER LOANS PAYABLE									
Payable through Blended Component Unit Fund									
Revolving Letter of Credit Account - Pinnacle Bank	$ 250,000	Variable %	11/20/2018	11/20/2019	$ 0	$ 50,000	$ 0	$ 0	$ 50,000
Payable through Franklin Housing Authority Funds									
Housing Trust Fund Grant Note - THDA	$ 500,000	0 %	8/5/2015	8/5/2020	300,000	0	100,000	0	200,000
Total Other Loans Payable					$ 300,000	$ 50,000	$ 100,000	$ 0	$ 250,000

Notes to Schedule:

(1) The above Housing Trust Fund Grant Note is treated as a forgivable loan that would only be required to be repaid if the Housing Authority defaults on the Loan. As long as the Housing Authority does not default, this Grant Note is forgiven annually at a rate of twenty percent of the original principal sum due under the Grant Note until it is fully forgiven.

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2018

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
111 Cash - Unrestricted	$20,970		$8,994	$1,395,627	$0	$1,425,591		$1,425,591
112 Cash - Restricted - Modernization and Development					$0	$0		$0
113 Cash - Other Restricted			$53,175	$49,568	$0	$102,743		$102,743
114 Cash - Tenant Security Deposits	$15,555			$11,719	$0	$27,274		$27,274
115 Cash - Restricted for Payment of Current Liabilities					$0	$0		$0
100 Total Cash	$36,525	$0	$62,169	$1,456,914	$0	$1,555,608	$0	$1,555,608
121 Accounts Receivable - PHA Projects					$0	$0		$0
122 Accounts Receivable - HUD Other Projects		$13,811	$0			$13,811		$13,811
124 Accounts Receivable - Other Government					$0	$0		$0
125 Accounts Receivable - Miscellaneous	$147			$118,168		$118,315		$118,315
126 Accounts Receivable - Tenants	$20,391			$5,552	$0	$25,943		$25,943
126.1 Allowance for Doubtful Accounts -Tenants	($2,805)			$0	$0	($2,805)		($2,805)
126.2 Allowance for Doubtful Accounts - Other	$0	$0	$0	$0	$0	$0		$0
127 Notes, Loans, & Mortgages Receivable - Current					$0	$0		$0
128 Fraud Recovery			$6,490		$0	$6,490		$6,490
128.1 Allowance for Doubtful Accounts - Fraud			($6,490)		$0	($6,490)		($6,490)
129 Accrued Interest Receivable					$0	$0		$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	$17,733	$13,811	$0	$123,720	$0	$155,264	$0	$155,264
131 Investments - Unrestricted	$113,820		$19,830	$237,342	$0	$370,992		$370,992
132 Investments - Restricted	$50,953		$0		$0	$50,953		$50,953
135 Investments - Restricted for Payment of Current Liability					$0	$0		$0
142 Prepaid Expenses and Other Assets	$25,951				$0	$25,951		$25,951
143 Inventories	$33,633				$0	$33,633		$33,633
143.1 Allowance for Obsolete Inventories	($3,363)				$0	($3,363)		($3,363)
144 Inter Program Due From	$13,811					$13,811	($13,811)	$0
145 Assets Held for Sale					$0	$0		$0
150 Total Current Assets	$289,063	$13,811	$81,999	$1,817,976	$0	$2,202,849	($13,811)	$2,189,038
161 Land	$543,475			$25,609	$0	$569,084		$569,084
162 Buildings	$12,834,975			$2,025,487	$0	$14,860,462		$14,860,462
163 Furniture, Equipment & Machinery - Dwellings					$0	$0		$0
164 Furniture, Equipment & Machinery - Administration	$483,131			$90,879	$0	$574,010		$574,010
165 Leasehold Improvements					$0	$0		$0
166 Accumulated Depreciation	($9,436,193)			($370,586)	$0	($9,806,779)		($9,806,779)
167 Construction in Progress	$117,075			$1,047,342	$0	$1,164,417		$1,164,417
168 Infrastructure					$0	$0		$0
160 Total Capital Assets, Net of Accumulated Depreciation	$4,542,463	$0	$0	$2,818,731	$0	$7,361,194	$0	$7,361,194
171 Notes, Loans and Mortgages Receivable - Non-Current	$2,812,895			$0		$2,812,895		$2,812,895
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due								
173 Grants Receivable - Non Current					$0	$0		$0
174 Other Assets								
176 Investments in Joint Ventures								
180 Total Non-Current Assets	$7,355,358	$0	$0	$2,818,731	$0	$10,174,089	$0	$10,174,089

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – BALANCE SHEET
DECEMBER 31, 2018

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
200 Deferred Outflow of Resources					$0	$0		$0
290 Total Assets and Deferred Outflow of Resources	$7,644,421	$13,811	$81,999	$4,636,707	$0	$12,376,938	($13,811)	$12,363,127
311 Bank Overdraft					$0	$0		$0
312 Accounts Payable <= 90 Days	$81,373			$332,281	$0	$413,654		$413,654
313 Accounts Payable >90 Days Past Due					$0	$0		$0
321 Accrued Wage/Payroll Taxes Payable	$0			$885	$0	$885		$885
322 Accrued Compensated Absences - Current Portion	$21,375				$0	$21,375		$21,375
324 Accrued Contingency Liability					$0	$0		$0
325 Accrued Interest Payable					$0	$0		$0
331 Accounts Payable - HUD PHA Programs								
332 Account Payable - PHA Projects					$0	$0		$0
333 Accounts Payable - Other Government	$55,208				$0	$55,208		$55,208
341 Tenant Security Deposits	$15,555			$11,719	$0	$27,274		$27,274
342 Unearned Revenue	$4,925					$4,925		$4,925
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	$0			$52,500	$0	$52,500		$52,500
344 Current Portion of Long-term Debt - Operating Borrowings					$0	$0		$0
345 Other Current Liabilities					$0	$0		$0
346 Accrued Liabilities - Other					$0	$0		$0
347 Inter Program - Due To		$13,811			$0	$13,811	($13,811)	$0
348 Loan Liability - Current	$100,000			$50,000		$150,000		$150,000
310 Total Current Liabilities	$278,436	$13,811	$0	$447,385	$0	$739,632	($13,811)	$725,821
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				$980,000		$980,000		$980,000
352 Long-term Debt, Net of Current - Operating Borrowings					$0	$0		$0
353 Non-current Liabilities - Other	$50,953		$19,830	$2,653	$0	$73,436		$73,436
354 Accrued Compensated Absences - Non Current	$49,874				$0	$49,874		$49,874
355 Loan Liability - Non Current	$100,000			$0		$100,000		$100,000
356 FASB 5 Liabilities					$0	$0		$0
357 Accrued Pension and OPEB Liabilities								
350 Total Non-Current Liabilities	$200,827	$0	$19,830	$982,653	$0	$1,203,310	$0	$1,203,310
300 Total Liabilities	$479,263	$13,811	$19,830	$1,430,038	$0	$1,942,942	($13,811)	$1,929,131
400 Deferred Inflow of Resources					$0	$0		$0
508.4 Net Investment in Capital Assets	$4,542,463	$0	$0	$1,786,231	$0	$6,328,694		$6,328,694
511.4 Restricted Net Position	$0	$0	$33,345	$46,915	$0	$80,260		$80,260
512.4 Unrestricted Net Position	$2,622,695	$0	$28,824	$1,373,523	$0	$4,025,042		$4,025,042
513 Total Equity - Net Assets / Position	$7,165,158	$0	$62,169	$3,206,669	$0	$10,433,996	$0	$10,433,996
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	$7,644,421	$13,811	$81,999	$4,636,707	$0	$12,376,938	($13,811)	$12,363,127

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2018

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	$751,892			$89,526		$841,418		$841,418
70400 Tenant Revenue - Other	$63,342					$63,342		$63,342
70500 Total Tenant Revenue	$815,234	$0	$0	$89,526	$0	$904,760	$0	$904,760
70600 HUD PHA Operating Grants	$1,274,119	$67,152	$575,432		$55,289	$1,971,992		$1,971,992
70610 Capital Grants	$746,090					$746,090		$746,090
70710 Management Fee								
70720 Asset Management Fee								
70730 Book Keeping Fee								
70740 Front Line Service Fee								
70750 Other Fees								
70700 Total Fee Revenue						$0	$0	$0
70800 Other Government Grants				$592,493		$592,493		$592,493
71100 Investment Income - Unrestricted	$858		$0	$5		$863		$863
71200 Mortgage Interest Income	$109,500					$109,500		$109,500
71300 Proceeds from Disposition of Assets Held for Sale								
71310 Cost of Sale of Assets								
71400 Fraud Recovery			$1,904			$1,904		$1,904
71500 Other Revenue	$168,594			$978,435		$1,147,029	($151,180)	$995,849
71600 Gain or Loss on Sale of Capital Assets								
72000 Investment Income - Restricted	$0					$0		$0
70000 Total Revenue	$3,114,395	$67,152	$577,336	$1,660,459	$55,289	$5,474,631	($151,180)	$5,323,451
91100 Administrative Salaries	$438,142		$47,298	$227,740		$713,180		$713,180
91200 Auditing Fees	$13,000					$13,000		$13,000
91300 Management Fee								
91310 Book-keeping Fee								
91400 Advertising and Marketing								
91500 Employee Benefit contributions - Administrative	$167,586		$17,233	$64,151		$248,970		$248,970
91600 Office Expenses	$79,179		$110	$15,613		$94,902	($12,100)	$82,802
91700 Legal Expense	$17,230			$667		$17,897		$17,897
91800 Travel	$29,806					$29,806		$29,806
91810 Allocated Overhead								
91900 Other	$114,583			$7,488		$122,071	($114,583)	$7,488
91000 Total Operating - Administrative	$859,526	$0	$64,641	$315,659	$0	$1,239,826	($126,683)	$1,113,143
92000 Asset Management Fee								
92100 Tenant Services - Salaries		$63,961			$55,289	$119,250		$119,250
92200 Relocation Costs								
92300 Employee Benefit Contributions - Tenant Services								
92400 Tenant Services - Other	$9,614	$3,191		$5,390		$18,195		$18,195
92500 Total Tenant Services	$9,614	$67,152	$0	$5,390	$55,289	$137,445	$0	$137,445
93100 Water	$227,364			$4,387		$231,751		$231,751
93200 Electricity	$311,993			$10,065		$322,058		$322,058
93300 Gas	$61,864					$61,864		$61,864

FRANKLIN HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – INCOME STATEMENT
FOR YEAR ENDED DECEMBER 31, 2018

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
93400 Fuel								
93500 Labor								
93600 Sewer								
93700 Employee Benefit Contributions - Utilities								
93800 Other Utilities Expense								
93000 Total Utilities	$601,221	$0	$0	$14,452	$0	$615,673	$0	$615,673
94100 Ordinary Maintenance and Operations - Labor	$190,898			$35,187		$226,085		$226,085
94200 Ordinary Maintenance and Operations - Materials and Other	$69,011			$5,508		$74,519		$74,519
94300 Ordinary Maintenance and Operations Contracts	$277,353			$58,601		$335,954	($16,186)	$319,768
94500 Employee Benefit Contributions - Ordinary Maintenance	$69,146			$0		$69,146		$69,146
94000 Total Maintenance	$606,408	$0	$0	$99,296	$0	$705,704	($16,186)	$689,518
95100 Protective Services - Labor								
95200 Protective Services - Other Contract Costs								
95300 Protective Services - Other								
95500 Employee Benefit Contributions - Protective Services								
95000 Total Protective Services	$0	$0	$0	$0	$0	$0	$0	$0
96110 Property Insurance	$37,547					$37,547		$37,547
96120 Liability Insurance	$15,000					$15,000		$15,000
96130 Workmen's Compensation	$5,000					$5,000		$5,000
96140 All Other Insurance	$0					$0		$0
96100 Total insurance Premiums	$57,547	$0	$0	$0	$0	$57,547	$0	$57,547
96200 Other General Expenses	$79,406		$199	$21,731		$101,336	($4,935)	$96,401
96210 Compensated Absences	$6,321					$6,321		$6,321
96300 Payments in Lieu of Taxes	$50,177					$50,177		$50,177
96400 Bad debt - Tenant Rents	$15,542					$15,542		$15,542
96500 Bad debt - Mortgages								
96600 Bad debt - Other								
96800 Severance Expense								
96000 Total Other General Expenses	$151,446	$0	$199	$21,731	$0	$173,376	($4,935)	$168,441
96710 Interest of Mortgage (or Bonds) Payable				$23,808		$23,808		$23,808
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	$23,808	$0	$23,808	$0	$23,808
96900 Total Operating Expenses	$2,285,762	$67,152	$64,840	$480,336	$55,289	$2,953,379	($147,804)	$2,805,575
97000 Excess of Operating Revenue over Operating Expenses	$828,633	$0	$512,496	$1,180,123	$0	$2,521,252	($3,376)	$2,517,876
97100 Extraordinary Maintenance								
97200 Casualty Losses - Non-capitalized								
97300 Housing Assistance Payments			$479,581			$479,581	($3,376)	$476,205
97350 HAP Portability-In								

Franklin Housing Authority
Financial Data Schedule – Income Statement
For Year Ended December 31, 2018

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	6.2 Component Unit - Blended	14.896 PIH Family Self-Sufficiency Program	Subtotal	ELIM	Total
97400 Depreciation Expense	$390,389			$18,176		$408,565		$408,565
97500 Fraud Losses								
97600 Capital Outlays - Governmental Funds								
97700 Debt Principal Payment - Governmental Funds								
97800 Dwelling Units Rent Expense								
90000 Total Expenses	$2,676,151	$67,152	$544,421	$498,512	$55,289	$3,841,525	($151,180)	$3,690,345
10010 Operating Transfer In	$287,991					$287,991	($287,991)	$0
10020 Operating transfer Out	($287,991)					($287,991)	$287,991	$0
10030 Operating Transfers from/to Primary Government								
10040 Operating Transfers from/to Component Unit	($1,361,785)			$1,361,785		$0		$0
10050 Proceeds from Notes, Loans and Bonds								
10060 Proceeds from Property Sales								
10070 Extraordinary Items, Net Gain/Loss								
10080 Special Items (Net Gain/Loss)								
10091 Inter Project Excess Cash Transfer In								
10092 Inter Project Excess Cash Transfer Out	$0					$0		$0
10093 Transfers between Program and Project - In								
10094 Transfers between Project and Program - Out								
10100 Total Other financing Sources (Uses)	($1,361,785)	$0	$0	$1,361,785	$0	$0	$0	$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	($923,541)	$0	$32,915	$2,523,732	$0	$1,633,106	$0	$1,633,106
11020 Required Annual Debt Principal Payments	$0	$0	$0	$367,500	$0	$367,500		$367,500
11030 Beginning Equity	$8,088,699	$0	$29,254	$682,937	$0	$8,800,890		$8,800,890
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	$0		$0			$0		$0
11050 Changes in Compensated Absence Balance								
11060 Changes in Contingent Liability Balance								
11070 Changes in Unrecognized Pension Transition Liability								
11080 Changes in Special Term/Severance Benefits Liability								
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents								
11100 Changes in Allowance for Doubtful Accounts - Other								
11170 Administrative Fee Equity			$28,824			$28,824		$28,824
11180 Housing Assistance Payments Equity			$33,345			$33,345		$33,345
11190 Unit Months Available	2633		1248	878		4759		4759
11210 Number of Unit Months Leased	2628		1153	810		4591		4591
11270 Excess Cash	($287,027)					($287,027)		($287,027)
11610 Land Purchases	$0					$0		$0
11620 Building Purchases	$247,204					$247,204		$247,204
11630 Furniture & Equipment - Dwelling Purchases	$0					$0		$0
11640 Furniture & Equipment - Administrative Purchases	$0					$0		$0
11650 Leasehold Improvements Purchases	$0					$0		$0
11660 Infrastructure Purchases	$0					$0		$0
13510 CFFP Debt Service Payments	$0					$0		$0
13901 Replacement Housing Factor Funds	$598,944					$598,944		$598,944

Franklin Housing Authority
Schedule of Expenditures of Federal Awards
For Year Ended December 31, 2018

Federal Grantor	CFDA Number	Contract Number	Expenditures
Federal Awards			
US Department of Housing and Urban Development (HUD):			
Low Rent Public Housing	14.850	TN035-00000117D	$ 921
Low Rent Public Housing	14.850	TN035-00000118D	985,207
Total Low Rent Public Housing Program			**986,128**
Resident Opportunity and Self Sufficiency	14.870	ROSS170010	67,152
Total Resident Opportunity and Self Sufficiency			**67,152**
Housing Choice Voucher Program	14.871		575,432
Total Housing Choice Voucher Program			**575,432**
Capital Fund Program	14.872	TN43R035501-13	55,410
Capital Fund Program	14.872	TN43R035501-14	55,846
Capital Fund Program	14.872	TN43R035501-15	61,602
Capital Fund Program	14.872	TN43P035501-15	46,432
Capital Fund Program	14.872	TN40R035501-16	59,459
Capital Fund Program	14.872	TN40R035501-17	66,627
Capital Fund Program	14.872	TN40P035501-17	100,714
Capital Fund Program	14.872	TN40P035501-18	587,991
Total Capital Fund Program			**1,034,081**
FSS Program Coordinator	14.896	FSS17TN0346	55,289
Total Resident Opportunity and Self Sufficiency			**55,289**
TOTAL FEDERAL AWARDS EXPENDED			**$ 2,718,082**

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, 2018. 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, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 25, 2019.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

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*.

We noted certain matters that we have reported to management of the Authority in a separate letter dated September 25, 2019.

The Authority's Response to Findings
The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
September 25, 2019

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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, 2018. 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, 2018.

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
September 25, 2019

Financial Statement Findings
None

Major Program Audit Findings
None

FRANKLIN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR YEAR ENDED DECEMBER 31, 2018

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?	x Yes ____ 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 #14.872 - Capital Fund 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

See page 38.

Section III - Federal Award Findings

None

2018-001 Material Weakness in Internal Controls over Financial Reporting

Condition and Criteria:

During our audit, it was determined that material misstatements were made to the current financial statements resulting from material weaknesses in internal controls over the financial reporting process.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the financial statements on a timely basis. AU Section 265 states that deficiencies in controls over the period-end financial reporting process, including controls over procedures used to enter transactions totals into the general ledger ; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements, are ordinarily at least significant deficiencies.

Context and Cause:

The Authority's internal controls over the financial reporting process was not properly implemented, due to significant turnover in key financial management positions at the end of the fiscal year. Also leading to the cause, was the previous CFO did not communicate with the Fee Accounting regarding internal transactions, thus not completed them in a timely manner. Communications that did occur between the CFO and Management/Fee Accountant was often not accurate or adequately communicated to ensure accurate and complete financial reporting.

Effect:

The Authority's financial statements required material current year adjustments. The following financial statement line items on the unaudited financial statements were materially misstated and required adjustment: capital assets, net, notes receivable, notes payable, other revenue, and operating transfers.

Auditor's Recommendation:

We recommend the Authority review the internal controls over financial reporting to improve the detection and correction of misstatements. We also recommend that current management work to ensure that there is always good communication with the Authority's fee accountant so that financial reporting is accurate and complete.

Grantee Response:

The Franklin Housing Authority and its related nonprofit, the Franklin Housing Collaborative, have made significant changes in the Accounting Department and has strengthen the control over financial reporting. The Fee Accountant has been named CFO and we have hired two additional key employees in the finance department with a long history of accounting responsibilities. Financial statements are being completed timely as to report to Management, the Board of Commissioners and Investors.

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

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the electronic submission of the items listed in the "UFRS Rule Information" column in the chart below. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

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, 2018, and have issued our reports thereon dated September 25, 2019. 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 September 25, 2019, 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.

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

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

Henderson & DeJohn, LLC

Birmingham, AL
September 25, 2019