

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION**

**YEAR ENDED SEPTEMBER 30, 2015**

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
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YEAR ENDED SEPTEMBER 30, 2015**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
Franklin Township Housing Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Franklin Township Housing Authority ("the Authority") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the accompanying 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 and audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 opinion.

## INDEPENDENT AUDITOR'S REPORT (continued)

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Township Housing Authority as of September 30, 2015, and the respective changes in financial position and cash flows 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 the management's discussion and analysis, schedule of pension contributions and schedule of net pension liability 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 an opinion on the financial statements that collectively comprise the Franklin Township Housing Authority's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying financial data schedule is also not a required part of the financial statements and are presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The Schedule of Expenditures of Federal Awards and the financial data schedule are the responsibility of management and were derived from and relate 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 Schedule of Expenditures of Federal Awards and the financial data schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## INDEPENDENT AUDITOR'S REPORT (continued)

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 2016 on our consideration of the Franklin Township Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Franklin Township Housing Authority's internal control over financial reporting and compliance.

*Fallon & Larsen LLP*

May 10, 2016  
Toms River, New Jersey

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

As Management of the Authority, we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this Report.

**A**     Financial Highlights

1. The assets and deferred outflows of resources of the Authority exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1,885,681 (net position) as opposed to \$1,950,604 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority reported ending Unrestricted Net Position of \$1,242,956.
3. The Authority's cash and cash equivalent balance (including restricted cash) at September 30, 2015 was \$2,018,989 representing an increase of \$65,213 from the prior fiscal year.
4. The Authority had operating revenues of \$4,079,668 and operating expenses of \$4,065,772 for the year ended September 30, 2015.
5. The Authority's capital expenditures for the fiscal year were \$0.
6. The Authority's Expenditures of Federal Awards amounted to \$4,042,637 for the fiscal year.
7. The Authority adopted GASB 68 during the year ended September 30, 2015 which resulted in a beginning net pension liability of \$144,193, beginning deferred outflows of resources of \$4,534 and beginning deferred inflows of resources of \$8,895.

**B.**     Using the Annual Report

1. Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's general purpose financial statements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

**B. Using the Annual Report (continued)**

**1. Management's Discussion and Analysis (continued)**

The Authority's general purpose financial statements and Notes to Financial Statements included in this Report were prepared in accordance with GAAP applicable to governmental entities in the United States of America for Proprietary Fund types.

**2. Basic Financial Statements**

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows.

The Statement of Net Position presents information on all the Authority's assets, deferred inflows of resources, deferred outflows of resources and liabilities, with the difference reported as net position. Increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The Statement of Cash Flows presents relevant information about the Authority's cash receipts and cash payments during the year.

The basic financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe and sanitary housing to low income and special needs populations. The basic financial statements can be found on pages 11 through 14 in this Report.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

**B. Using the Annual Report (continued)**

**3. Notes to Financial Statements**

The Notes to Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes to Financial Statements can be found in this Report after the basic financial statements.

**4. Supplemental Information**

The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-profit Organizations. The Schedule of Expenditures of Federal Awards can be found on page 35 of this report.

**C. The Authority as a Whole**

The Authority's Net Position decreased during the fiscal year as detailed on the next page primarily due to the implementation of GASB 68, whereby the Authority was required to recognize their unfunded pension obligation with the State of New Jersey's Public Employees Retirement System (PERS) in the amount of \$144,193.

The Authority's revenues are primarily subsidies and grants received from HUD. The Authority receives subsidies each month based on a pre-approved amount by HUD. Grants are drawn down based on need against a pre-authorized funding level. The Authority's revenues were sufficient to cover all expenses during the fiscal year.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

Computations of Net Position are as follows:

	As of		
	09/30/15	09/30/14	Variance
Cash and Other Current Assets	\$ 2,035,137	\$ 2,005,633	\$ 29,504
Other Assets	642,725	641,596	1,129
Deferred Outflows of Resources	42,385	-	42,385
Total Assets and Deferred Outflows of Resources	2,720,247	2,647,229	73,018
Less: Total Liabilities and Def. Inflows of Resources	834,566	696,625	137,941
Net Position	1,885,681	1,950,604	\$ (64,923)
Restricted Net Position	642,725	641,596	1,129
Unrestricted Net Position	1,242,956	1,309,008	(66,052)
Total Net Position	\$ 1,885,681	\$ 1,950,604	\$ (64,923)
Changes in Net Position are as follows:	Years Ended		
	09/30/15	09/30/14	Variance
Revenues			
HUD Operating Grants	2,364,270	2,417,432	(53,162)
Other Revenues	1,715,398	1,735,488	(20,090)
Total Operating Revenues	4,079,668	4,152,920	(73,252)
Expenses			
Other Operating Expenses	518,014	597,194	(79,180)
Housing Assistance Payments	3,547,758	3,639,665	(91,907)
Total Operating Expenses	4,065,772	4,236,859	(171,087)
Excess (Deficiency) of Operating Revenues Over Expenses	13,896	(83,939)	97,835
Non-Operating Revenues (Expenses)			
Land Lease Revenue	9,871	9,870	1
Interest on Investments	3,728	3,244	484
Change in Net Position	27,495	(70,825)	98,320
Net Position – Beginning of Year	1,950,604	2,021,429	(70,825)
Change in Accounting Principle / Prior Period Adjust.	(92,418)	-	(92,418)
Net Position – End of Year	\$ 1,885,681	\$ 1,950,604	\$ (64,923)

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

C. The Authority as a Whole (continued)

- Cash and cash equivalents increased \$65,213.
- Accounts receivable – HUD decreased from \$50,109 in 2014 to \$0 as a result of the Authority collecting the full subsidy owed from HUD in FY 2015.
- Accounts receivable – miscellaneous increased \$15,881 as the Authority is owed more from Public Housing Authorities for portable tenants participating in the Housing Choice Voucher Program.
- Housing Choice Voucher program operating grants decreased from \$2,157,729 in FY 2014 to \$2,133,654 in FY 2015. The decrease is because the Authority had 25 less unit months under lease in FY 2015.
- Other revenues decreased \$29,960 as the Authority earned less port-in revenues in FY 2015 than in FY 2014.
- Administrative expenses decreased \$32,165, as the Authority reduced administrative salaries.
- Housing Assistance Payments decreased \$91,907 as the Authority decreased port-in housing assistance payment expense in 2015 by \$54,000 and regular housing assistance payments decreased \$37,907.
- Insurance and general expenses decreased \$47,167 from 2014 amounts as the Authority had a decrease in development expenditures paid in connection with Parkside Village.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

D. Budgetary Highlights

For the year ended September 30, 2015, individual program or grant budgets were prepared by the Authority and were approved by the Board of Commissioners. Also, the Authority adopted a comprehensive annual budget for the General Fund. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

As indicated by the increase in the Authority's cash and other current assets of \$29,504, the Authority's financial condition improved slightly from 2014 to 2015.

E. Capital Assets and Debt Administration

1. Capital Assets

As of September 30, 2015, the Authority's investment in capital assets for its Proprietary Fund was \$0 (net of accumulated depreciation). As previously discussed, this is a result of the Authority leasing substantially all of its property to an unaffiliated entity.

Capital assets purchased during fiscal year from capital fund grants were made on behalf of the Authority's Public Housing units which are owned by an unaffiliated entity and thus not capitalized on the Authority's books.

Additional information on the Authority's capital assets can be found in the notes to the Financial Statements, which is included in this Report.

2. Long Term Debt

The Authority has no long-term interest bearing debt.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2015**

**F. Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2016:

1. The state of the economy.
2. The need for Congress to fund the war on terrorism and the continued cut-back on HUD subsidies and grants.
3. The use of the Authority's Unrestricted Net Position of \$1,242,956 to fund any shortfalls rising from a possible economic turndown and reduced subsidies and grants. The Authority's Unrestricted Net Position appears sufficient to cover any shortfall.

**G. Contacting the Authority's Financial Management**

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Franklin Township Housing Authority, 25 Parkside Street, Somerset, NJ 08873.

## FINANCIAL STATEMENTS

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
STATEMENT OF NET POSITION  
AS OF SEPTEMBER 30, 2015**

**ASSETS**

Current assets:	
Cash and cash equivalents	\$ 2,017,860
Accounts receivable - miscellaneous	15,881
Prepaid expenses	<u>1,396</u>
Total current assets	<u>2,035,137</u>
Non-current assets:	
Restricted cash and cash equivalents	1,129
Investment in leased property	<u>641,596</u>
Total non-current assets	<u>642,725</u>
Total assets	<u>2,677,862</u>

**DEFERRED OUTFLOWS OF RESOURCES**

State of New Jersey P.E.R.S.	<u>42,385</u>
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**LIABILITIES**

Current liabilities:	
Accounts payable	19,712
Accrued compensated absences	17,195
Prepaid revenues	<u>592,242</u>
Total current liabilities	<u>629,149</u>
Non-current liabilities:	
Accrued compensated absences, net of current portion	29,065
Accrued pension liability	<u>173,321</u>
Total non-current liabilities	<u>202,386</u>
Total liabilities	<u>831,535</u>

**DEFERRED INFLOWS OF RESOURCES**

State of New Jersey P.E.R.S.	<u>3,031</u>
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**NET POSITION**

Net position:	
Restricted	642,725
Unrestricted	<u>1,242,956</u>
Total net position	<u>\$ 1,885,681</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEAR ENDED SEPTEMBER 30, 2015**

Operating revenues:		
HUD operating grants	\$	2,364,270
Other revenues		<u>1,715,398</u>
Total operating revenues		<u>4,079,668</u>
Operating expenses:		
Administrative		304,486
Utilities		2,839
Insurance and general expenses		210,689
Housing assistance payments		<u>3,547,758</u>
Total operating expenses		<u>4,065,772</u>
Operating income		<u>13,896</u>
Non-operating revenues:		
Interest income		3,728
Land lease revenue		<u>9,871</u>
Net non-operating revenue		<u>13,599</u>
Change in net position		27,495
Total net position, beginning of year, as restated		<u>1,858,186</u>
Total net position, end of year	\$	<u>1,885,681</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED SEPTEMBER 30, 2015**

Cash Flows from Operating Activities:	
Cash received from tenants	\$ 1,715,398
Cash received from grantors	2,398,498
Cash paid to suppliers	(3,984,231)
Cash paid to employees	<u>(68,180)</u>
Net cash flows provided by operating activities	<u>61,485</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>3,728</u>
Net cash flows provided by investing activities	<u>3,728</u>
Net increase in cash	65,213
Cash and cash equivalents, beginning of year	<u>1,953,776</u>
Cash and cash equivalents, end of year	<u>\$ 2,018,989</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 2,017,860
Restricted cash	<u>1,129</u>
Cash and cash equivalents at end of year	<u>\$ 2,018,989</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**STATEMENT OF CASH FLOWS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 13,896
Adjustments to reconcile operating income to net cash provided by operating activities:	
Land lease income	9,871
Changes in assets and liabilities:	
Accounts receivable - net	24,357
Prepaid expenses	352
Accounts payable	(5,613)
Accrued expenses	(1,486)
Accrued compensated absences	34,695
Other current liabilities	29,128
Deferred outflows of resources	(37,851)
Deferred inflows of resources	<u>(5,864)</u>
Net cash provided by operating activities	<u>\$ 61,485</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Housing Authority of the Township of Franklin ("Franklin Township Housing Authority" or "the Authority") is a governmental, public corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in Franklin Township, New Jersey. The Authority is responsible for operating certain low-rent housing programs in the Township under programs administered by the U.S. Department of Housing and Urban Development ("HUD"). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to the U.S. Department of Housing and Urban Development ("HUD") and the State of New Jersey, Division of Local Government Services, Department of Community Affairs ("the Division"). An executive director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority.

The Authority maintains its accounting records by program.

**B. Description of Programs**

The following programs are operated by the Authority:

Low Rent Public Housing Program

The public housing program is designed to provide low-cost housing. Under this program, HUD provides funding via an annual contributions contract. These funds are available solely to meet the operating expenses of the program.

On November 29, 2010, the Authority entered into a 65 year ground lease with Parkside Family Housing, L.P. ("Parkside") in furtherance of the Authority's redevelopment objectives. Under terms of the agreement, the Authority leased land it owned in its Low Rent Public Housing Program to Parkside and thus Parkside owns the improvements built on the land.

As part of an agreement with HUD, the Authority continues to receive operating subsidy on the Low Rent Public Housing units and remits a majority of the subsidy to Parkside.

Housing Choice Voucher Program

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under the Housing Choice Voucher Program. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Description of Programs (continued)**

Public Housing Capital Fund Program

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing and improving the central office facilities. Funding for this program is provided by grants from HUD.

**C. Reporting Entity**

In accordance with Statement No. 61 of the Government Accounting Standards Board ("GASB"), the Authority's basic financial statements include those of the Franklin Township Housing Authority and any component units. Component units are legally separate, tax-exempt organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government. An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, this report includes the activities of FTHA Development Group, LLC, which was created to facilitate the redevelopment of Parkside Village. This entity is a limited partner in Parkside Family Housing, L.P. with an ownership interest of .001%. As of September 30, 2015, FTHA Development Group, LLC had no financial assets or liabilities.

Parkside Family Housing, L.P. was formed for the purpose of acquiring, owning and operating a low-income housing project in accordance with Section 42 of the Internal Revenue Code. Parkside Family Housing, L.P. is not a component unit of the Authority.

The Authority is not included in any other reporting entity on the basis of such criteria.

**D. Basis of Accounting**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. For financial reporting purposes, the programs of the Authority are combined into one Enterprise Fund. An Enterprise Fund is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority's financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, ("GASB 34") as amended. GASB 34 requires the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows. GASB 34 also requires the Authority to include Management's Discussion and Analysis as part of the Required Supplemental Information.

The Authority's enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

In accordance with GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Authority incorporates FASB and AICPA guidance into GASB authoritative literature.

On January 30, 2008, HUD issued PIH Notice 2008-9 which requires that housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Basis of Accounting (continued)**

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fee and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. Investment income earned on HAP cash balances is credited to the HAP restricted net position and investment income earned on administrative fee cash balances is credited to the unrestricted net position account.

**New Accounting Standards Adopted**

The Authority adopted Statement No. 68 of the Governmental Accounting Standards Board "*Accounting and Financial Reporting for Pensions.*" The Statement established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenditures associated with pension plans of State and Local Governments. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actual present value, and attribute that present value to periods of employee service. In addition, this Statement details the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions.

**E. Cash and cash equivalents**

HUD requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

For the statement of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

It is the Authority's policy to maintain collateralization in accordance with HUD requirements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**F. Accounts Receivable**

The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled but earned as of year end.

**G. Prepaid Expenses**

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**H. Capital Assets**

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of fixed assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Assets. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

- |                           |           |
|---------------------------|-----------|
| • Buildings               | 40 Years  |
| • Furniture and Equipment | 3-5 Years |

The Authority has established a capitalization threshold of \$5,000.

**I. Compensated Absences**

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees earn hours of vacation and sick time at various rates based on years of employment. Annual vacation and sick time may be accumulated and rolled over up to a maximum of 150 days. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service.

**J. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement System (PERS) and additions to/deductions from PERS's fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Unearned Revenue**

The Authority's unearned revenue consists of prepayment of the Authority's land lease.

**L. Inter-program Receivables and Payables**

Inter-program receivables/payables are current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes.

**M. Operating Revenues and Expenses**

The Authority defines its operating revenues as income derived from charges to residents and others for services provided, as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

**N. Taxes**

The Authority is a unit of local government under New Jersey law and is exempt from real estate, sales and income taxes.

**O. Use of Management Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment and contingencies. Actual results could differ significantly from these estimates.

**P. Equity Classifications**

Equity is classified as net position and displayed in three components:

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**P. Equity Classifications (continued)**

Net investments in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and 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.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net positions that do not meet the definition of "restricted" or "investments in capital assets".

**Q. Budgets and Budgetary Accounting**

The Authority is required by New Jersey State law to adopt an annual, entity wide operating and capital budget and submit it to the State of New Jersey Department of Community Affairs at least ninety days prior to the start of its fiscal year.

The Public Housing Program prepares a budget annually. The Board of Commissioners adopts the budget through passage of a budget resolution and submits it to HUD at least ninety days prior to the beginning of the program year.

**R. Economic Dependency**

The Housing Choice Voucher and Low Rent Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD.

**NOTE 2. CASH AND CASH EQUIVALENTS**

At September 30, 2015, the Authority had funds on deposit in checking and money market accounts.

All bank deposits as of the balance sheet date are covered by the Government Unit Depository Protection Act of the State of New Jersey, which requires the institution to pool collateral for all governmental deposits and have the collateral held by an approved custodian in the Authority's name.

For the fiscal year ended September 30, 2015, the carrying amount of the Authority's cash (including restricted cash) was \$2,018,989 and the bank balances was \$2,040,756.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 2. CASH AND CASH EQUIVALENTS (continued)**

Of the bank balances, \$500,000 were covered by federal depository insurance and the remaining \$1,540,756 was collateralized by GUDPA as of September 30, 2015.

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk. As of September 30, 2015, the Authority's bank balances were not exposed to custodial credit risk.

**NOTE 3. ACCOUNTS RECEIVABLE - MISCELLANEOUS**

Accounts receivable - miscellaneous consists of amounts due to the Authority from other public housing authorities for portable tenants as part of the Housing Choice Voucher Program. The Authority considers these amounts fully collectible and accordingly, have made no allowance.

**NOTE 4. CAPITAL ASSETS, NET**

A summary of the changes in capital assets during the year ended September 30, 2015 was as follows:

Description	September 30, 2014	Additions	Dispositions	September 30, 2015
<u>Depreciable capital assets:</u>				
Furniture and equipment	18,699	-	-	18,699
Less: accumulated depreciation	18,699	-	-	18,699
Net capital assets	\$ -	\$ -	\$ -	\$ -

Depreciation expense for the years ended September 30, 2015 amounted to \$-.

**NOTE 5. GROUND LEASE AGREEMENT**

On November 29, 2010, the Authority has entered into a 65 year ground lease with Parkside Family Housing, L.P. ("Parkside") in furtherance of the Authority's redevelopment objectives. Under terms of the agreement, the Authority leased land it owned to Parkside for an upfront payment of \$641,596 and thus Parkside owns the improvements built on the land. In accordance with Generally Accepted Accounting Principles, this lease is classified as an operating lease which is accounted for as follows:

The leased property will be included as a non-current asset but separately identified on the Authority's Statement of Net Position as "Investment in Leased Property". Since land has an indefinite useful life, no depreciation will be charged on the property.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 5. GROUND LEASE AGREEMENT (continued)**

Rent will be reported as income over the lease term as it becomes receivable according to the provisions of the lease. However, if the rentals vary from the straight-line basis, the Authority will recognize the income on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit from the leased property is diminished, in which case that basis will be used. Rental income for the year ended September 30, 2015 was \$9,871 and is included in the Authority's Statements of Revenues and Expenses and Changes in Net Position.

Initial indirect costs will be deferred and allocated over the lease term in proportion to the recognition of rental income. However, initial direct costs may be charged to expense as incurred if the effect is not materially different from that which would have resulted from the use of the method prescribed in the preceding sentence.

As of November 29, 2010, the inception of the lease, the fair value of the property was \$641,596 which is listed on the Authority's Statement of Net Position as an Investment in Leased Property.

**NOTE 6. COMPENSATED ABSENCES**

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued for which payment is probable. Compensated absences activity for the year ended September 30, 2015 consisted of the following:

<u>Description</u>	<u>Amount</u>
Beginning accumulated compensated absences	\$ 67,701
Compensated absences earned	11,764
Compensated absences redeemed	<u>(33,205)</u>
Ending accumulated compensated absences	46,260
Less: current portion of accumulated compensated absences	<u>17,195</u>
Accumulated compensated absences, net of current portion	<u>\$ 29,065</u>

**NOTE 7. PENSION PLAN**

**A. Description of the Plan**

The State of New Jersey, Public Employees Retirement System (PERS) is a cost-sharing multiple employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR), which can be found at [www.state.nj.us/treasury/pensions/annrprts.shtml](http://www.state.nj.us/treasury/pensions/annrprts.shtml).

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7. PENSION PLAN (continued)**

**B. Benefits**

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

1. Members who were enrolled prior to July 1, 2007
2. Members who were eligible to enroll on or after July 1, 2007 and prior to November 2, 2008
3. Members who were eligible to enroll on or after November 2, 2008 and prior to May 22, 2010
4. Members who were eligible to enroll on or after May 22, 2010 and prior to June 28, 2011
5. Members who were eligible to enroll on or after June 28, 2011

Service retirement benefits of 1/55<sup>th</sup> of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60<sup>th</sup> of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers one and two before reaching age 60, tiers 3 and 4 before age 62 with 25 years or more of service credit and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month a member retires prior to the age at which a member can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

**C. Contributions**

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by all active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on the actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of the assets.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7. PENSION PLAN (continued)**

**D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2015, the Authority reported a liability of \$173,321 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating local employers, actuarially determined. At June 30, 2015 the Authority's proportion was .0008 percent which was an increase of .000002 percent from its proportion measured at July 1, 2014.

For the year ended September 30, 2015 the Authority recognized pension expense of \$15,474. At September 30, 2015 the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources.

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions	\$ 18,613	\$ -
Changes in Proportion	309	244
Differences between expected and actual experience	4,135	-
Net differences between actual and projected earnings on pension plan investments	-	2,787
Net differences between Proportionate Share and actual Contribution	<u>19,328</u>	<u>-</u>
Total	<u>\$ 42,385</u>	<u>\$ 3,031</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2016	7,741
2017	7,741
2018	7,740
2019	9,887
2020	<u>6,245</u>
	<u>\$ 39,354</u>

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7. PENSION PLAN (continued)**

**E. Actuarial Assumptions**

The total pension liability calculated utilizing a June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015, which was rolled forward to June 30, 2016. The total pension liability calculated utilizing a June 30, 2015 measurement date was determined by an actuarial valuation as of July 1, 2014. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate	3.04%
Salary Increases 2012-2021	2.15-4.40%, based on age
Thereafter	3.15-5.40%, based on age
Investment rate of return	7.90%

Mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (setback one year for females) with adjustments for mortality improvements from the base year of 2012 based on Projection Scale AA.

The actuarial assumptions used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2011.

**F. Long-term expected rate of return**

The long-term expected rate of return is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and the Division of Pensions and Benefits, the board of trustees and the actuaries. Best estimates of arithmetic real rates of return for each major asset class includes the PERS's target asset allocation as of June 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	5.00%	1.04%
Core Bonds	1.75%	1.64%
Intermediate Term Bonds	10.00%	1.79%
Mortgages	2.10%	1.62%
High Yield Bonds	2.00%	4.03%
Inflation-Indexed Bonds	1.50%	3.25%
Broad US Equities	27.25%	8.52%
Developed Foreign Markets	12.00%	6.88%
Emerging Market Equities	6.40%	10.00%
Private Equity	9.25%	12.41%
Hedge Funds/Absolute Return	12.00%	4.72%

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 7. PENSION PLAN (continued)**

**F. Long-term expected rate of return (continued)**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Real Estate (Property)	2.00%	6.83%
Commodities	1.00%	5.32%
Global Debt ex US	3.50%	-0.40%
REIT	4.25%	5.12%

**G. Discount Rate**

The discount rate used to measure the total pension liability was 5.39% and 5.55% as of June 30, 2014 and 2013, respectively. The single blended discount rate was based on the long-term expected rate of return on the pension plan investments of 7.9%, and a municipal bond rate of 4.29% and 4.63% as of June 30, 2014 and 2013, respectively, based on the Bond Buyer Go 20-Bond Municipal bond Index which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from the plan members will be made at the current member contribution rates and that contributions from employers will be made based on the average of the last five years of recommended contributions. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through 2033. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2033, and the municipal bond rate was applied to projected benefit payments after that date in determining the total pension liability.

**H. Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 4.90 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.90 percent) or 1 percentage point higher (5.90 percent) than the current rate.

	1% Decrease (3.90%)	Discount Rate (4.90%)	1% Increase (5.90%)
Authority's proportionate share of the net pension liability	\$ <u>215,417</u>	\$ <u>173,321</u>	\$ <u>138,028</u>

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (continued)  
YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 8. POST-RETIREMENT BENEFITS**

The Authority provides health insurance to its employee(s) through the Township of Franklin. The agreement does not provide for any post-employment benefits for employees upon retirement or termination from the Authority.

**NOTE 9. RESTRICTIONS ON NET POSITION**

Restricted net position consists of the following at September 30, 2015:

<u>Category</u>	<u>Amount</u>
Housing assistance payment reserves	\$ 1,129
Investment in leased property	\$ <u>641,596</u>
	<u>\$ 642,725</u>

Housing assistance payment reserves are restricted for tenant rents in the Housing Choice Voucher Program.

The Authority's leased property is restricted for use by the lessee to maintain and operate one hundred forty (140) rental housing units of which fifty (50) are considered public housing program units. Revenue generated from the lease is considered to be program income in accordance with 24 CFR 85.25 and to be used for eligible program costs or other affordable housing purposes.

**NOTE 10. CHANGE IN ACCOUNTING PRINCIPLE**

The Authority adopted the provisions of GASB Statement 68, "Accounting and Financial Reporting for Pensions" as amended by GASB Statement 71, "Pension Transition for Contributions made Subsequent to the Measurement Date." The provisions were effective for periods beginning after June 15, 2014. As of September 30, 2014, the Authority's net position has been reduced by \$148,554 to reflect a net pension liability of \$144,193, deferred outflows of resources of \$4,534 and deferred inflows of resources of \$8,895.

**NOTE 11. PRIOR PERIOD ADJUSTMENT**

The Authority corrected an error in reporting compensated absences which resulted in a reduction of the compensated absence liability and an increase in unrestricted net position in the amount of \$56,136.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 12. CONTINGENCIES**

The Authority receives financial assistance from HUD in the form of grants and subsidies. Entitlement to the funds is generally conditional upon compliance with terms and conditions of the grant agreements and applicable regulations, including the expenditure of the funds for eligible purposes. Substantially all grants, entitlements and cost reimbursements are subject to financial and compliance audits by HUD. As a result of these audits, costs previously reimbursed could be disallowed and require repayments to HUD. As of September 30, 2015, the Authority estimates that no material liabilities will result from such audits.

**NOTE 13. COMMITMENTS**

On January 14, 2009, the Franklin Township Housing Authority entered into a development agreement with a corporation to revitalize Parkside Village ("the Project") and develop and operate one hundred forty (140) units of rental housing of which fifty (50) will be public housing program units. In conjunction thereto, the entities formed a limited partnership (Parkside Family Housing, L.P.) that included an agreement which named an entity unaffiliated with the Authority as general partner of the limited partnership. The Authority through a wholly owned subsidiary (FTHA Development Group, LLC) owns a .001% interest in the limited partnership. In applying GASB No. 61, the limited partnership does not meet the criteria set forth in defining a component unit and as such is not included with the financial statements of the Authority.

The Authority added a mixed-finance amendment to its Annual Contributions Contract with HUD which will provide grant assistance to the thirty public housing program units. As such the Project will be eligible to receive Operating Fund assistance under section 9(e) of the United States Housing Act of 1937 as well as Capital Fund assistance under HUD's Capital Fund Program.

Included in insurance and general expenses on the Authority's Statements of Revenue, Expenses and Changes in Net Position for the year ended September 30, 2015 is \$158,587, of operating subsidy paid to the Project.

**NOTE 14. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets: error and omission, injuries to employees; and natural disaster. The Authority is a member of the New Jersey Public Housing Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of housing authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The Joint Insurance Fund will be self-sustaining through member premiums. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the years ended September 30, 2015, 2014 and 2013.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (continued)**  
**YEAR ENDED SEPTEMBER 30, 2015**

**NOTE 15. SUBSEQUENT EVENTS**

Events that occur after the financial statement 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 conditions that existed at the financial statement date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the financial statement date require disclosure in the accompanying notes to the financial statements. Management evaluated the activity of the Authority through May 10, 2016 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**INDEPENDENT AUDITOR'S 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**

To the Board of Commissioners  
Franklin Township Housing Authority:

We have audited the financial statements of the Franklin Township Housing Authority ("the Authority") as of and for the year ended September 30, 2015, and have issued our report therein dated May 10, 2016. 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; and the audit requirements as prescribed by the State of New Jersey, Division of Local Government Services ("the Division").

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

**INDEPENDENT AUDITOR'S 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 (continued)**

**Compliance and Other Matters**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Fallon & Larsen LLP*

May 10, 2016  
Toms River, New Jersey



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
STATE OF NEW JERSEY OMB CIRCULAR 04-04**

To the Board of Commissioners  
Franklin Housing Authority:

**Report on Compliance for Each Major Federal Program**

We have audited the Franklin Township Housing Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of Franklin Township Housing Authority's major federal programs for the year ended September 30, 2015. Franklin Township Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Franklin Township Housing 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; the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and State of New Jersey OMB Circular 04-04. Those standards and OMB Circular A-133 and State of New Jersey OMB Circular 04-04 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Franklin Township Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND  
STATE OF NEW JERSEY OMB CIRCULAR 04-04 (continued)**

**Opinion on Each Major Federal Program**

In our opinion, Franklin Township Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

**Report on Internal Control Over Compliance**

Management of Franklin Township Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Franklin Township Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and New Jersey OMB Circular 04-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Franklin Township Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal 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 OMB Circular A-133 and New Jersey Circular 04-04. Accordingly, this report is not suitable for any other purpose.

*Fallon & Larsen LLP*

May 10, 2016  
Toms River, New Jersey

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State Pass- through Number</u>	<u>Grant Period From / To</u>		<u>Grant Award</u>	<u>Fiscal Year Cash Receipts</u>	<u>Fiscal Year Expenditures</u>	<u>Cumulative - Expenditures</u>
<u>U.S. Department of Housing and Urban Dev.</u>								
Low Rent Public Housing:								
NJ042-00000214D	14.850	N/A	1/1/14	12/31/14	\$ 73,535	\$ 18,256	\$ 18,256	\$ 73,535
NJ042-00000215D	14.850	N/A	1/1/15	12/31/15	59,869	44,939	44,939	44,939
NJ042-00000314D	14.850	N/A	1/1/14	12/31/14	44,161	10,964	10,964	44,161
NJ042-00000315D	14.850	N/A	1/1/15	12/31/15	44,852	33,666	33,666	33,666
NJ042-00000414D	14.850	N/A	1/1/14	12/31/14	68,055	16,896	16,896	68,055
NJ042-00000415D	14.850	N/A	1/1/15	12/31/15	<u>68,593</u>	<u>51,487</u>	<u>51,487</u>	<u>51,487</u>
Grant Subtotal					<u>359,065</u>	<u>176,208</u>	<u>176,208</u>	<u>315,843</u>
Section 8 Housing Choice Voucher Program:								
NJ042-2FPH-2015	14.871	N/A	10/1/14	9/30/15	<u>2,133,654</u>	<u>2,133,654</u>	<u>3,812,021</u>	<u>2,133,654</u>
Public Housing Capital Fund Program:								
NJ39P042501-14	14.872	N/A	5/13/14	5/12/18	<u>54,408</u>	<u>54,408</u>	<u>54,408</u>	<u>54,408</u>
Totals					<u>\$ 2,655,943</u>	<u>\$ 2,473,086</u>	<u>\$ 4,042,637</u>	<u>\$ 2,612,721</u>

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**SEPTEMBER 30, 2015**

**NOTE 1. BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Franklin Township Housing Authority under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of operations of the Franklin Township Housing Authority, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Franklin Township Housing 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 principles contained in OMB Circular A-87, Cost Principles for State, Local and Indian Tribes, 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. Pass-through entity identifying numbers are presented where available.

**NOTE 3. SUBRECIPIENTS**

The Authority was not a subrecipient of any federal awards and did not pass-through any federal awards to subrecipients.

**NOTE 4. NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2015.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SEPTEMBER 30, 2015**

**I. Summary of Auditor's Results**

**Financial Statement Section**

- |    |  |            |
|----|--|------------|
| 1. | Type of auditor's report issued:   | Unmodified |
| 2. | Internal control over financial reporting  |            |
|    | a. Material Weakness(es) identified?   | No         |
|    | b. Were reportable conditions identified not considered to be material weaknesses? | No         |
| 3. | Noncompliance material to the financial statements?                                | No         |

**Federal Awards Section**

- |    |   |            |
|----|---|------------|
| 1. | Dollar threshold used to distinguish between Type A and Type B Programs:  | \$300,000  |
| 2. | Auditee qualified as low-risk Auditee?  | No         |
| 3. | Type of auditor's report on compliance for major programs:  | Unmodified |
| 4. | Internal Control over compliance:   |            |
|    | a. Material weakness(es) identified?  | No         |
|    | b. Were reportable conditions identified not considered to be material weaknesses?  | No         |
|    | c. Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 (section .510(a))? | No         |
| 5. | Identification of major programs:   |            |

CFDA Number

Name of Federal Program

14.871

Section 8 Housing Choice Vouchers

**FRANKLIN TOWNSHIP HOUSING AUTHORITY**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)**  
**SEPTEMBER 30, 2015**

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

IV. Schedule of Prior Year Federal Audit Findings

**Finding 2014-001**

Condition: Based on inspection of documentation there was an open line of credit of \$12,500 available to the executive director.

Status: The finding has been cleared.

**Finding 2014-002**

Condition: The Authority's "own" procurement policy was not available for inspection at the time of audit.

Status: The finding has been cleared.

**Finding 2014-003**

Condition: There was no adopted methodology available for examination at the time of audit.

Status: The finding has been cleared.

**Finding 2014-004**

Condition: The Authority is not following the adopted personnel policy (2002) as it relates to the criteria for compensated absences.

Status: The finding has been cleared.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY  
REQUIRED PENSION INFORMATION  
SEPTEMBER 30, 2015**

**SCHEDULE OF AUTHORITY CONTRIBUTIONS FOR THE LAST TEN FISCAL YEARS\*\*\***

	September 30, <u>2013</u>	September 30, <u>2014</u>	September 30, <u>2015</u>
Contractually required contribution	\$ 5,817	\$ 6,349	\$ 6,638
Contributions in relation to the contractually required contribution	<u>5,817</u>	<u>6,349</u>	<u>6,638</u>
(Over) / under funded	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 176,626</u>	<u>\$ 100,093</u>	<u>\$ 68,180</u>
Contributions as a percentage of covered-employee payroll	<u>3.29 %</u>	<u>6.34 %</u>	<u>9.74 %</u>

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THEIR NET PENSION LIABILITY FOR THE LAST TEN FISCAL YEARS\*\*\***

	September 30, <u>2013</u>	September 30, <u>2014</u>	September 30, <u>2015</u>
Authority's proportion of the net pension liability	<u>0.0008 %</u>	<u>0.0008 %</u>	<u>0.0008 %</u>
Authority's proportionate share of the net pension liability	<u>\$ 147,548</u>	<u>\$ 144,193</u>	<u>\$ 173,321</u>
Authority's covered-employee payroll	<u>\$ 176,626</u>	<u>\$ 100,093</u>	<u>\$ 68,180</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	<u>83.54 %</u>	<u>144.06 %</u>	<u>254.21 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>48.72 %</u>	<u>52.08 %</u>	<u>47.93 %</u>

\*\*\* = Until a full 10 year trend is compiled the Authority is presenting information for those years that are available.

Franklin Housing Authority						
NJ042						
Financial Data Schedule (FDS)						
September 30, 2015						
Line Item #	Account Description	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	ELJM	TOTAL
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash						
111	Cash - unrestricted	\$ 362,333	\$ 243,533	\$ 1,411,974	\$ -	\$ 2,017,860
112	Cash - restricted - modernization and development	-	-	-	-	-
113	Cash - other restricted	-	1,129	-	-	1,129
114	Cash - tenant security deposits	-	-	-	-	-
115	Cash - restricted for payment of current liabilities	-	-	-	-	-
100	Total cash	362,333	244,662	1,411,974	-	2,018,969
Accounts and notes receivables						
121	Accounts receivable - PHA projects	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	-	-
124	Accounts receivable - other government	-	15,881	-	-	15,881
125	Accounts receivable - miscellaneous	-	-	-	-	-
126	Accounts receivable - tenants	-	-	-	-	-
126	Allowance for doubtful accounts - tenant	-	-	-	-	-
126	Allowance for doubtful accounts - other	-	-	-	-	-
127	Notes and mortgages receivable - current	-	-	-	-	-
128	Frugal recovery	-	-	-	-	-
128	Allowance for doubtful accounts - frugal	-	-	-	-	-
139	Accrued interest receivable	-	-	-	-	-
120	Total receivables, net of allowances for doubtful account	-	15,881	-	-	15,881
Current investments						
131	Investments - unrestricted	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-
135	Investments - restricted for payment of current liability	-	-	-	-	-
142	Prepaid expenses and other assets	1,396	-	-	-	1,396
143	Inventories	-	-	-	-	-
143	Allowance for obsolete inventory	-	-	-	-	-
144	Interprogram - due from	672,591	-	-	(672,591)	-
145	Assets held for sale	-	-	-	-	-
150	TOTAL CURRENT ASSETS	1,036,340	260,543	1,411,974	(672,591)	2,036,266
<b>NONCURRENT ASSETS</b>						
Fixed assets						
161	Land	-	-	-	-	-
162	Buildings	-	-	-	-	-
163	Furniture, equipment & machinery - dwelling	-	-	-	-	-
164	Furniture, equipment & machinery - administration	18,699	-	-	-	18,699
165	Leasehold improvements	-	-	-	-	-
166	Accumulated depreciation	(18,699)	-	-	-	(18,699)
167	Construction in Progress	-	-	-	-	-
168	Infrastructure	-	-	-	-	-
160	Total fixed assets, net of accumulated depreciation	-	-	-	-	-
Other non-current assets						
171	Notes and mortgages receivable - non-current	-	-	-	-	-
172	Notes and mortgages receivable-non-current - past due	-	-	-	-	-
173	Grants Receivable Non-Current	-	-	-	-	-
174	Other assets	641,596	-	-	-	641,596
175	Undistributed debits	-	-	-	-	-
176	Investment in joint venture	-	-	-	-	-
180	TOTAL NONCURRENT ASSETS	641,596	-	-	-	641,596
200	Deferred Outflows of Resources	11,300	31,085	-	-	42,385
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,689,236	\$ 291,628	\$ 1,411,974	\$ (672,591)	\$ 2,720,247

Franklin Housing Authority						
NJ042						
Financial Data Schedule (FDS)						
September 30, 2015						
Line Item #	Account Description	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	ELIM	TOTAL
<b>LIABILITIES AND EQUITY</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable ≤ 90 days	4,703	15,009	-	-	19,712
313	Accounts payable > 90 days past due	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-
322	Accrued compensated absences - current portion	4,648	12,347	-	-	17,195
324	Accrued contingency liability	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-
331	Accounts payable - HUD/PHA program	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-
341	Tenant security deposits	-	-	-	-	-
342	Unearned revenue	392,242	-	-	-	392,242
343	Current portion of L-T debt - capital projects	-	-	-	-	-
344	Current portion of L-T debt - operating borrowing	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-
347	Interprogram - due to	-	-	672,591	(672,591)	-
348	Loan liability - Current	-	-	-	-	-
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>601,593</b>	<b>27,356</b>	<b>672,591</b>	<b>(672,591)</b>	<b>629,149</b>
<b>NONCURRENT LIABILITIES</b>						
351	Long-term debt, net of current - capital projects	-	-	-	-	-
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-
353	Non-current liabilities- other	-	-	-	-	-
354	Accrued compensated absences - noncurrent	6,917	22,148	-	-	29,065
355	Loan Liability - Non Current	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-
357	Accrued pension and OPEB liabilities	46,208	127,113	-	-	173,321
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>53,125</b>	<b>149,261</b>	<b>-</b>	<b>-</b>	<b>202,386</b>
300	<b>TOTAL LIABILITIES</b>	<b>654,718</b>	<b>176,617</b>	<b>672,591</b>	<b>(672,591)</b>	<b>831,535</b>
400	Deferred Inflows of Resources	808	2,223	-	-	3,031
<b>EQUITY</b>						
508	Invested in Capital Assets, Net of Related Deb	-	-	-	-	-
511	Restricted Net Assets	641,596	1,129	-	-	642,725
512	Unrestricted Net Assets	392,114	111,459	739,383	-	1,242,956
513	<b>TOTAL EQUITY</b>	<b>1,033,710</b>	<b>112,588</b>	<b>739,383</b>	<b>-</b>	<b>1,885,681</b>
600	<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY</b>	<b>\$ 1,689,236</b>	<b>\$ 291,628</b>	<b>\$ 1,411,974</b>	<b>\$ (672,591)</b>	<b>\$ 2,720,247</b>
	Proof of concept	-	-	-	-	-

Franklin Housing Authority							
NJ042							
Financial Data Schedule (FDS)							
September 30, 2015							
Line Item #	Account Description	OPERATING	CAPITAL	14.871 Housing Choice Vouchers	1 Business Activities	ELIM	TOTAL
<b>REVENUE:</b>							
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Tenant revenue - other	-	-	-	-	-	-
70500	Total tenant revenue	-	-	-	-	-	-
70600	HHD PHA grants	176,208	54,408	2,133,654	-	-	2,364,270
70610	Capital grants	-	-	-	-	-	-
70710	Management fee	-	-	-	-	-	-
70720	Asset management fee	-	-	-	-	-	-
70730	Book keeping fee	-	-	-	-	-	-
70740	Front line service fee	-	-	-	-	-	-
70750	Other fees	-	-	-	-	-	-
70800	Other government grants	-	-	-	-	-	-
71100	Investment income - unrestricted	856	-	756	2,116	-	3,728
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	1,910	-	-	1,910
71500	Other revenue	12,120	-	1,711,239	-	-	1,723,359
71600	Gain or loss on sale of fixed asset	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-
70000	<b>TOTAL REVENUE</b>	<b>189,184</b>	<b>54,408</b>	<b>3,847,559</b>	<b>2,116</b>	<b>-</b>	<b>4,093,267</b>
<b>EXPENSES:</b>							
<b>Administrative</b>							
91100	Administrative salaries	18,931	-	52,078	-	-	71,009
91200	Auditing fees	5,090	-	3,090	-	-	10,180
91300	Outside management fees	165,761	-	-	-	-	165,761
91310	Book-keeping fee	-	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	6,946	-	21,891	-	-	28,837
91600	Office expenses	16,676	-	15,190	-	-	31,866
91700	Legal expenses	1,295	-	12,884	39,942	-	57,121
91800	Travel	123	-	374	-	-	498
91810	Allocated overhead	-	-	-	-	-	-
91900	Other	6,200	-	63,352	6,249	-	77,801
92000	Asset Management Fee	-	-	-	-	-	-
<b>Tenant services</b>							
92100	Tenant services - salaries	-	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-	-
92300	Employee benefit contributions- tenant service	-	-	-	-	-	-
92400	Tenant services - other	-	-	-	-	-	-
<b>Utilities</b>							
93100	Water	-	-	-	-	-	-
93200	Electricity	2,489	-	-	-	-	2,489
93300	Gas	350	-	-	-	-	350
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	-	-	-	-	-	-
93700	Employee benefit contributions- utilities	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-
<b>Ordinary maintenance &amp; operation</b>							
94100	Ordinary maintenance and operations - labor	-	-	-	-	-	-
94200	Ordinary maintenance and operations - materials & other	-	-	-	-	-	-
94300	Ordinary maintenance and operations - contract cost	-	-	-	-	-	-
94500	Employee benefit contributions- ordinary maintenanc	-	-	-	-	-	-
<b>Protective services</b>							
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services- other contract cost	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions- protective service	-	-	-	-	-	-

Franklin Housing Authority							
NJ042							
Financial Data Schedule (FDS)							
September 30, 2015							
Line Item #	Account Description	OPERATING	CAPITAL	14,871 Housing Choice Vouchers	1 Business Activities	ELIM	TOTAL
	General expenses						
96100	Insurance premiums	2,961	-	2,960	-	-	5,921
96200	Other general expenses	-	-	11,486	-	-	11,486
96210	Compensated absences	-	-	34,695	-	-	34,695
96300	Payments in lieu of taxes	-	-	-	-	-	-
96400	Bad debt - tenant rents	-	-	-	-	-	-
96500	Bad debt - mortgages	-	-	-	-	-	-
96600	Bad debt - other	-	-	-	-	-	-
96700	Interest expense	-	-	-	-	-	-
96710	Interest of mortgage (or bonds) payable	-	-	-	-	-	-
96720	Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-
96730	Amortization of bond issue cost	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96900	<b>TOTAL OPERATING EXPENSES</b>	<b>229,823</b>	<b>-</b>	<b>242,099</b>	<b>46,191</b>	<b>-</b>	<b>518,014</b>
97000	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	<b>(40,639)</b>	<b>54,408</b>	<b>3,605,559</b>	<b>(44,075)</b>	<b>-</b>	<b>3,575,253</b>
97100	Extraordinary maintenance	-	-	-	-	-	-
97200	Capital leases - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	1,952,697	-	-	1,952,697
97350	HAF Portability - in	-	-	1,393,061	-	-	1,393,061
97400	Depreciation expense	-	-	-	-	-	-
97500	Fraud losses	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-
99000	<b>TOTAL EXPENSES</b>	<b>229,823</b>	<b>-</b>	<b>3,789,758</b>	<b>46,191</b>	<b>-</b>	<b>4,065,772</b>
	<b>OTHER FINANCING SOURCES (USES)</b>						
10010	Operating transfers in	54,408	-	-	-	(54,408)	-
10020	Operating transfers out	-	(54,408)	-	-	54,408	-
10030	Operating transfers from/to primary government	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-
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	-	-	-	-	-	-
10093	Transfers between program and project in	-	-	-	-	-	-
10094	Transfers between program and project out	-	-	-	-	-	-
10100	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>54,408</b>	<b>(54,408)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES</b>	<b>13,769</b>	<b>-</b>	<b>57,801</b>	<b>(44,075)</b>	<b>-</b>	<b>27,495</b>
	<b>MEMO ACCOUNT INFORMATION:</b>						
11020	Required annual debt principal payments	-	-	-	-	-	-
11030	Beginning equity	1,033,410	-	163,736	783,458	-	1,980,604
11040	Prior period adjustments and equity transfers	16,531	-	(108,949)	-	-	(92,418)
11170	Administrative fee equity	-	-	198,145	-	-	198,145
11180	Housing assistance payments equity	-	-	1,129	-	-	1,129
11190	Unit months available	600	-	199,274	-	-	199,274
11210	Number of unit months leased	588	-	2,760	-	-	3,360
	Equity Roll Forward Test:						
	Calculation from R/E Statement	\$ 1,033,710	\$ -	\$ 112,588	\$ 739,383	\$ -	\$ 1,885,681
	B/S Line 513	\$ 1,033,710	\$ -	\$ 112,588	\$ 739,383	\$ -	\$ 1,885,681
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -