

FRANKLIN TOWNSHIP HOUSING AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED SEPTEMBER 30, 2016

**WITH
REPORT OF INDEPENDENT AUDITORS**

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
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YEAR ENDED SEPTEMBER 30, 2016**

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REPORT OF INDEPENDENT AUDITORS

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 as of and for the year ended September 30, 2016, and the related notes to the 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.

Auditors' 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 auditors' 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 auditors consider 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.

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, 2016, and the changes in its net position and its 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 financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is not a required part of the financial statements. The accompanying financial data schedule is also not a required part of the financial statements and is 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and financial data schedule are fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 8, 2017 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.

Novogradac & Company LLP

August 8, 2017
Toms River, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016**

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, 2016. 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 \$1,666,608 (net position) as opposed to \$1,885,681 for the prior fiscal year.
2. As of the close of the current fiscal year, the Authority reported ending Unrestricted Net Position of \$993,018.
3. The Authority's cash and cash equivalent balance (including restricted cash) at September 30, 2016 was \$1,778,924 representing a decrease of \$240,065 from the prior fiscal year.
4. The Authority had operating revenues of \$4,042,850 and operating expenses of \$3,962,694 for the year ended September 30, 2016.
5. The Authority's capital expenditures for the fiscal year were \$0.
6. The Authority's Expenditures of Federal Awards amounted to \$3,957,855 for the fiscal year.
7. The Authority adopted GASB 68 during the year ended September 30, 2015. The Authority's net pension liability and deferred outflows of resources increased by \$86,683 and \$58,938, respectively, while deferred inflows of resources decreased \$1,889 from September 30, 2015 to September 30, 2016.

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, 2016**

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 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 financial statements can be found on pages 11 through 14 in this Report.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016

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 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 *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule of Expenditures of Federal Awards can be found on page 36 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 HUD's recapture of \$312,878 of Authority reserves due to HUD overfunding the Authority in previous years.

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, 2016**

Computations of Net Position are as follows:

As of

	09/30/16	09/30/15	Variance
Cash and Other Current Assets	\$ 1,796,559	\$ 2,035,137	\$ (238,578)
Other Assets	673,590	642,725	30,865
Deferred Outflows of Resources	101,323	42,385	58,938
Total Assets and Deferred Outflows of Resources	2,571,472	2,720,247	(148,775)
Less: Total Liabilities and Def. Inflows of Resources	(904,864)	(834,566)	(70,298)
Net Position	1,666,608	1,885,681	\$ (219,073)
Restricted Net Position	673,590	642,725	30,865
Unrestricted Net Position	993,018	1,242,956	(249,938)
Total Net Position	\$ 1,666,608	\$ 1,885,681	\$ (219,073)
Changes in Net Position are as follows:	Years Ended		
	09/30/16	09/30/15	Variance
Revenues			
HUD Operating Grants	2,684,157	2,364,270	319,887
Other Revenues	1,358,693	1,715,398	(356,705)
Total Operating Revenues	4,042,850	4,079,668	(36,818)
Expenses			
Other Operating Expenses	519,812	518,014	1,798
Housing Assistance Payments	3,442,882	3,547,758	(104,876)
Total Operating Expenses	3,962,694	4,065,772	(103,078)
Excess (Deficiency) of Operating Revenues Over Expenses	80,156	13,896	66,260
Non-Operating Revenues (Expenses)			
Land Lease Revenue	9,871	9,871	-
HUD Recapture of Funds	(312,878)		(312,878)
Interest on Investments	3,778	3,728	50
Change in Net Position	(219,073)	27,495	(246,568)
Net Position – Beginning of Year	1,885,681	1,950,604	(64,923)
Change in Accounting Principle / Prior Period Adjust.	-	(92,418)	92,418
Net Position – End of Year	\$ 1,666,608	\$ 1,885,681	\$ (219,073)

FRANKLIN TOWNSHIP HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016

C. The Authority as a Whole (continued)

- Cash and cash equivalents decreased \$240,065 as the Authority generated \$69,035 and \$3,778 from operating and investing activities which was offset by a HUD recapture of funds in the amount of \$312,878.
- Accounts receivable – miscellaneous increased from \$15,881 in FY 2015 to \$48,285 in FY 2016 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 increased from \$2,133,654 in FY 2015 to \$2,449,277 in FY 2016. The increase is because the Authority had 161 more unit months under lease in FY 2016.
- Other revenues decreased \$356,705 as the Authority earned less port-in revenues in FY 2016 than in FY 2015.
- Administrative expenses increased \$26,998, as the Authority had increases in administrative salaries and employee benefits.
- Housing Assistance Payments decreased \$104,876 as the Authority decreased port-in housing assistance payment expense by \$363,288 and increased regular housing assistance payments by \$258,412 in 2016.
- Insurance and general expenses decreased \$24,696 from 2015 amounts as the Authority had a decrease in expenditures paid in connection with Parkside Village.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2016

D. Budgetary Highlights

For the year ended September 30, 2016, 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 decrease in the Authority's unrestricted net position, the Authority's financial condition weakened from 2015 to 2016.

E. Capital Assets and Debt Administration

1. Capital Assets

As of September 30, 2016, 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, 2016**

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, 2017:

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 \$993,018 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, 2016

ASSETS

Current assets:	
Cash and cash equivalents	\$ 1,746,930
Accounts receivable - miscellaneous	48,265
Prepaid expenses	<u>1,364</u>
Total current assets	<u>1,796,559</u>
Non-current assets:	
Restricted cash and cash equivalents	31,994
Investment in leased property	<u>641,596</u>
Total non-current assets	<u>673,590</u>
Total assets	<u>2,470,149</u>

DEFERRED OUTFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>101,323</u>
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LIABILITIES

Current liabilities:	
Accounts payable	14,465
Accrued compensated absences	4,688
Prepaid revenues	<u>582,371</u>
Total current liabilities	<u>601,524</u>
Non-current liabilities:	
Accrued compensated absences, net of current portion	42,194
Accrued pension liability	<u>260,004</u>
Total non-current liabilities	<u>302,198</u>
Total liabilities	<u>903,722</u>

DEFERRED INFLOWS OF RESOURCES

State of New Jersey P.E.R.S.	<u>1,142</u>
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NET POSITION

Net position:	
Restricted	673,590
Unrestricted	<u>93,018</u>
Total net position	<u>\$ 1,666,608</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2016

Operating revenues:	
HUD grants	\$ 2,684,157
Other revenues	<u>1,358,693</u>
Total operating revenues	<u>4,042,850</u>
Operating expenses:	
Administrative	331,484
Utilities	2,335
Insurance and general	185,993
Housing assistance payments	<u>3,442,882</u>
Total operating expenses	<u>3,962,694</u>
Operating income	<u>80,156</u>
Non-operating revenues (expenses):	
Interest income	3,778
HUD recapture of funds	(312,878)
Land lease revenue	<u>9,871</u>
Net non-operating (expense)	<u>(299,229)</u>
Change in net position	(219,073)
Total net position, beginning of year	<u>1,885,681</u>
Total net position, end of year	<u>\$ 1,666,608</u>

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED SEPTEMBER 30, 2016**

Cash Flows from Operating Activities:	
Cash received from tenants and other income	\$ 1,326,309
Cash received from grantors	2,684,157
Cash paid to suppliers	(3,842,937)
Cash paid to employees	<u>(98,494)</u>
Net cash flows provided by operating activities	<u>69,035</u>
Cash Flows from Non-capital Financing Activities	
HUD recapture of funds	<u>(312,878)</u>
Net cash flows used from non-capital financing activities	<u>(312,878)</u>
Cash Flows from Investing Activities:	
Interest received on investments	<u>3,778</u>
Net cash flows provided by investing activities	<u>3,778</u>
Net decrease in cash and cash equivalents	(240,065)
Cash and cash equivalents, beginning of year	<u>2,018,989</u>
Cash and cash equivalents, end of year	<u>\$ 1,778,924</u>
A reconciliation of cash and cash equivalents to the Statement of Net Position:	
Cash and cash equivalents	\$ 1,746,930
Restricted cash	<u>31,994</u>
Cash and cash equivalents at end of year	<u>\$ 1,778,924</u>

See accompanying notes to financial statements.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (continued)
YEAR ENDED SEPTEMBER 30, 2016

Reconciliation of operating income to net cash
provided by operating activities:

Operating income \$ 80,156

Adjustments to reconcile operating income to net cash
provided by operating activities:

Changes in assets and liabilities:

Accounts receivable - miscellaneous (32,384)

Other assets (58,938)

Prepaid expenses 32

Accounts payable (5,247)

Accrued compensated absences 622

Other liabilities 84,794

Net cash provided by operating activities \$ 69,035

See accompanying notes to financial statements.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The 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:

Public and Indian 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 Public and Indian 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.

Section 8 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, 2016

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 Governmental 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 FTTHA 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, 2016, FTTHA 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, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

The 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 ("GASB 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.

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, 2016

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 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.

The Authority adopted GASB Statement No. 68, *"Accounting and Financial Reporting for Pensions ("GASB 68").* GASB 68 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, GASB 68 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, 2016

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, 2016

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. Revenues are recognized as they are earned. 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 and expenses 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, 2016

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 does 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 Section 8 Housing Choice Voucher and Public and Indian Housing programs of the Authority are economically dependent on operating grants and subsidies from HUD.

NOTE 2. CASH AND CASH EQUIVALENTS

At September 30, 2016, 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, 2016, the carrying amount of the Authority's cash (including restricted cash) was \$1,778,924 and the bank balances were \$1,818,699.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

NOTE 2. CASH AND CASH EQUIVALENTS (continued)

Of the bank balances, \$500,000 were covered by federal depository insurance and the remaining \$1,318,699 was collateralized by GUDPA as of September 30, 2016.

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, 2016, 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 Section 8 Housing Choice Voucher Program. The Authority considers these amounts fully collectible and accordingly, has made no allowance.

NOTE 4. CAPITAL ASSETS, NET

A summary of the changes in capital assets during the year ended September 30, 2016 was as follows:

Description	September 30, 2015	Additions	Dispositions	September 30, 2016
<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, 2016 amounted to \$-.

NOTE 5. GROUND LEASE AGREEMENT

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 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:

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

NOTE 5. GROUND LEASE AGREEMENT (continued)

The leased property is 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 is charged on the property.

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, 2016 was \$9,871 and is included in the Authority's Statement 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, 2016 consisted of the following:

<u>Description</u>	<u>Amount</u>
Beginning accumulated compensated absences	\$ 46,260
Compensated absences earned	9,997
Compensated absences redeemed	<u>(9,375)</u>
Ending accumulated compensated absences	46,882
Less: current portion of accumulated compensated absences	<u>4,688</u>
Accumulated compensated absences, net of current portion	<u>\$ 42,194</u>

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

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/annrpts.shtml.

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 1/55th 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 1/60th 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.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

NOTE 7. PENSION PLAN (continued)

C. Contributions (continued)

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.

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

At September 30, 2016, the Authority reported a liability of \$260,004 for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and rolled forward to June 30, 2016. For the year ended September 30, 2016 the Authority recognized pension expense of \$25,856. At September 30, 2016 the Authority reported deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 53,859	\$ -
Changes in Proportion	17,482	953
Differences between expected and actual experience	14,749	-
Net differences between actual and projected earnings on pension plan investments	-	189
Net differences between Proportionate Share and actual Contribution	<u>15,233</u>	<u>-</u>
Total	<u>\$ 101,323</u>	<u>\$ 1,142</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 ending September 30:

2017	23,105
2018	23,104
2019	25,251
2020	21,597
2021	<u>7,124</u>
	<u>\$ 100,181</u>

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
 NOTES TO FINANCIAL STATEMENTS (continued)
 YEAR ENDED SEPTEMBER 30, 2016**

NOTE 7. PENSION PLAN (continued)

E. Actuarial Assumptions

The total pension liability at the 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 for the June 30, 2016 measurement date was determined by an actuarial valuation as of July 1, 2015. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate	3.08%
Salary Increases 2026	1.65-4.15%, based on age
Thereafter	2.65 - 5.15%, based on age
Investment rate of return	7.65%

Pre-mortality rates were based on the RP-2000 Employee Preretirement Mortality Table for male and female active participants. For state employees, mortality tables are set back 4 years for males and females. For local employees, mortality tables are set back 2 years for males and 7 years for females. In addition, the tables provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-retirement mortality rates were based on the RP-2000 Combined Healthy Male and Female Mortality Tables (set back one year for males and females) for service retirements and beneficiaries of former members and one-year static projection based on mortality improvement Scale AA. In addition, the tables for service retirements and beneficiaries of former members provide for future improvements in mortality from the base year of 2013 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Disability retirement rates used to value disabled retirees were based on the RP-2000 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2011 to June 30, 2014.

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 including the PERS's target asset allocation as of June 30, 2016 are summarized in the following table:

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

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>
Cash	5.00%	0.87%
U.S. Treasuries	1.50%	1.74%
Investment Grade Credit	8.00%	1.79%
Mortgages	2.00%	1.67%
High Yield Bonds	2.00%	4.56%
Inflation-Indexed Bonds	1.50%	3.44%
Broad US Equities	26.00%	8.53%
Developed Foreign Markets	13.25%	6.83%
Emerging Market Equities	6.50%	9.95%
Private Equity	9.00%	12.40%
Hedge Funds/Absolute Return	12.50%	4.68%
Real Estate (Property)	2.00%	6.91%
Commodities	0.50%	5.45%
Global Debt ex US	5.00%	-0.25%
REIT	5.25%	5.63%

G. Discount Rate

The discount rate used to measure the total pension liability was 3.98% as of June 30, 2016. This single blended discount rate was based on the long-term expected rate of return on the pension plan investments of 7.65%, and a municipal bond rate of 2.85% as of June 30, 2016 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 based on the contribution rate in the most recent fiscal year. The state employer contributed 30% of the actuarially determined contributions and the local employers contributed 100% of their actuarially determined 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 2034. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments through 2034, 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 3.98 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 (2.98 percent) or 1 percentage point higher (4.98 percent) than the current rate.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

NOTE 7. PENSION PLAN (continued)

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

	1% Decrease (2.98%)	Discount Rate (3.98%)	1% Increase (4.98%)
Authority's proportionate share of the net pension liability	\$ <u>318,605</u>	\$ <u>260,004</u>	\$ <u>211,624</u>

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, 2016:

<u>Category</u>	<u>Amount</u>
Housing assistance payment reserves	\$ 31,994
Investment in leased property	<u>641,596</u>
	<u>\$ 673,590</u>

Housing assistance payment reserves are restricted for tenant rents in the Section 8 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. HUD RECAPTURE OF FUNDS

During the year ended September 30, 2016, HUD required the Authority to repay funds as a result of overfunding the Authority's operating subsidy in prior years. As a result, the Authority repaid to HUD, \$312,878 which is included in the Authority's Statement of Revenues, Expenses and Changes in Net Position.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

NOTE 11. 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, 2016, the Authority estimates that no material liabilities will result from such audits.

NOTE 12. 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, 2016 is \$162,917, of operating subsidy paid to the Project.

NOTE 13. 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 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 JIF is 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, 2016, 2015 and 2014.

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (continued)
YEAR ENDED SEPTEMBER 30, 2016

NOTE 14. 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 August 8, 2017 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



**NOVAGRADAC
& COMPANY LLP**
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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, 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 and the audit requirements as prescribed by the State of New Jersey, Division of Local Government Services ("the Division"), the financial statements of the Franklin Township Housing Authority ("the Authority") as of and for the year ended September 30, 2016, and the related notes to the financial statements which collectively comprise the Franklin Township Housing Authority's financial statements and have issued our report thereon dated August 8, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Franklin Township Housing 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 Franklin Township Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin Township Housing Authority's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Novogradac & Company LLP

August 8, 2017
Toms River, New Jersey



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND
STATE OF NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners
Franklin Township 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 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, 2016. Franklin Township Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' 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; and the audit 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) and the State of New Jersey OMB Circular 15-08. 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 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.

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, 2016.

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 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Novogrudac & Company LLP

August 8, 2017
Toms River, New Jersey

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Federal Grantor/Program Title	Federal CFDA Number	State Pass-through Number	Grant Period		Grant Award	Fiscal Year Expenditures	Cumulative - Expenditures
			From	To			
<u>U.S. Department of Housing and Urban Dev.</u>							
Low Rent Public Housing:							
NJ042-00000215D	14.850	N/A	1/1/15	12/31/15	\$ 59,869	\$ 14,930	\$ 14,930
NJ042-00000216D	14.850	N/A	1/1/16	12/31/16	58,262	53,072	53,072
NJ042-00000315D	14.850	N/A	1/1/15	12/31/15	44,852	11,186	11,186
NJ042-00000316D	14.850	N/A	1/1/16	12/31/16	34,473	31,402	31,402
NJ042-00000415D	14.850	N/A	1/1/15	12/31/15	68,593	17,106	17,106
NJ042-00000416D	14.850	N/A	1/1/16	12/31/16	58,538	53,323	53,323
Grant Subtotal					<u>324,587</u>	<u>181,019</u>	<u>181,019</u>
Section 8 Housing Choice Voucher Program:							
NJ042-2FPH-2015	14.871	N/A	10/1/15	9/30/16	2,449,277	3,722,975	2,449,277
Public Housing Capital Fund Program:							
NJ39P042501-15	14.872	N/A	4/13/15	4/12/19	53,861	53,861	53,861
Totals					<u>\$ 2,827,725</u>	<u>\$ 3,957,855</u>	<u>\$ 2,684,157</u>

FRANKLIN TOWNSHIP HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
SEPTEMBER 30, 2016

NOTE 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards ("the Schedule") includes the federal grant activity of Franklin Township Housing Authority under programs of the federal government for the year ended September 30, 2016. The information in the 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 operations of the Franklin Township Housing Authority, it is not intended to and does not present the financial position, changes in net position 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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3. INDIRECT COST RATE

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2016**

I. Summary of Auditors' Results

Financial Statement Section

- | | | |
|----|---|------------|
| 1. | Type of auditors' report issued: | Unmodified |
| 2. | Internal control over financial reporting | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified? | No |
| 3. | Noncompliance material to the financial statements? | No |

Federal Awards Section

- | | | |
|----|--|-----------------------------------|
| 1. | Internal Control over compliance: | |
| | a. Material weakness(es) identified? | No |
| | b. Significant deficiency(ies) identified | No |
| 2. | Type of auditors' report on compliance for major programs: | Unmodified |
| 3. | Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 4. | Identification of major programs: | |
| | <u>CFDA Number</u> | <u>Name of Federal Program</u> |
| | 14.871 | Section 8 Housing Choice Vouchers |
| 5. | Dollar threshold used to distinguish between Type A and Type B Programs: | \$750,000 |
| 6. | Auditee qualified as low-risk Auditee? | No |

FRANKLIN TOWNSHIP HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
SEPTEMBER 30, 2016

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

IV. Schedule of Prior Year Federal Audit Findings

None.

**FRANKLIN TOWNSHIP HOUSING AUTHORITY
REQUIRED PENSION INFORMATION
SEPTEMBER 30, 2016**

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

	September 30, <u>2014</u>	September 30, <u>2015</u>	September 30, <u>2016</u>
Contractually required contribution	\$ 6,349	\$ 6,638	\$ 7,799
Contributions in relation to the contractually required contribution	<u>6,349</u>	<u>6,638</u>	<u>7,799</u>
(Over) / under funded	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 100,093</u>	<u>\$ 68,180</u>	<u>\$ 97,291</u>
Contributions as a percentage of covered- employee payroll	<u>6.34 %</u>	<u>9.74 %</u>	<u>8.02 %</u>

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

	September 30, <u>2014</u>	September 30, <u>2015</u>	September 30, <u>2016</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>\$ 144,193</u>	<u>\$ 173,321</u>	<u>\$ 260,004</u>
Authority's covered-employee payroll	<u>\$ 100,093</u>	<u>\$ 68,180</u>	<u>\$ 97,291</u>
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	<u>144.06 %</u>	<u>254.21 %</u>	<u>267.24 %</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>52.08 %</u>	<u>47.93 %</u>	<u>40.14 %</u>

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

Franklin Township Housing Authority						
NJ842						
Financial Data Schedule (FDS)						
September 30, 2016						
Line Item #	Account Description	Project Total	14 871 Housing Choice Vouchers	1 Business Activities	ELIM	TOTAL
ASSETS						
CURRENT ASSETS						
Cash:						
111	Cash - unrestricted	\$ 360,553	\$ 285,199	\$ 1,101,178	\$ -	\$ 1,746,930
112	Cash - restricted - modernization and development	-	-	-	-	-
113	Cash - other restricted	-	31,994	-	-	31,994
114	Cash - tenant security deposit	-	-	-	-	-
115	Cash - restricted for payment of current liabilities	-	-	-	-	-
100	Total cash	360,553	317,193	1,101,178	-	1,778,924
Accounts and notes receivables						
121	Accounts receivable - PHA projects	-	-	-	-	-
122	Accounts receivable - HUD other projects	-	-	-	-	-
124	Accounts receivable - other government	-	48,265	-	-	48,265
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	Fraud recovery	-	-	-	-	-
128	Allowance for doubtful accounts - fraud	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-
120	Total receivables, net of allowances for doubtful accounts	-	48,265	-	-	48,265
Current investments:						
131	Investments - unrestricted	-	-	-	-	-
132	Investments - restricted	-	-	-	-	-
135	Investments - restricted for payment of current liabilities	-	-	-	-	-
142	Prepaid expenses and other assets	1,364	-	-	-	1,364
143	Inventories	-	-	-	-	-
143	Allowance for obsolete inventories	-	-	-	-	-
144	Interprogram - due from	677,868	-	-	-	677,868
145	Assets held for sale	-	-	-	-	-
150	TOTAL CURRENT ASSETS	1,039,785	465,458	1,101,178	-	2,506,421
NONCURRENT ASSETS						
Fixed assets:						
161	Land	-	-	-	-	-
162	Buildings	-	-	-	-	-
163	Furniture, equipment & machinery - dwelling	-	-	-	-	-
164	Furniture, equipment & machinery - administration	18,699	-	-	-	18,699
165	Leasehold improvement	-	-	-	-	-
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	21,278	80,045	-	-	101,323
290	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,702,659	\$ 445,503	\$ 1,101,178	\$ -	\$ 3,249,340

Franklin Township Housing Authority						
NJ042						
Financial Data Schedule (FDS)						
September 30, 2016						
Line Item #	Account Description	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	ELDM	TOTAL
LIABILITIES AND EQUITY						
Liabilities						
Current Liabilities						
311	Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -
312	Accounts payable < 90 days	3,665	10,860	-	-	14,465
313	Accounts payable > 90 days past due	-	-	-	-	-
321	Accrued wage/payroll taxes payable	-	-	-	-	-
322	Accrued compensated absences - current portion	1,172	3,516	-	-	4,688
324	Accrued contingency liability	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-
331	Accounts payable - HUD PHA programs	-	-	-	-	-
332	Accounts payable - PHA projects	-	-	-	-	-
333	Accounts payable - other government	-	-	-	-	-
341	Tenant security deposits	-	-	-	-	-
342	Unearned revenue	582,371	-	-	-	582,371
343	Current portion of LTY debt - capital project	-	-	-	-	-
344	Current portion of LTY debt - operating borrowing	-	-	-	-	-
345	Other current liabilities	-	-	-	-	-
346	Accrued liabilities - other	-	-	-	-	-
347	Interprogram - due to	-	-	677,868	-	677,868
348	Loan liability - Current	-	-	-	-	-
310	TOTAL CURRENT LIABILITIES	587,208	14,316	677,868	-	1,279,392
NONCURRENT LIABILITIES						
351	Long-term debt, net of current - capital project	-	-	-	-	-
352	Long-term debt, net of current - operating borrowing	-	-	-	-	-
353	Non-current liabilities- other	-	-	-	-	-
354	Accrued compensated absences - noncurrent	10,549	31,645	-	-	42,194
355	Loan Liability - Non Current	-	-	-	-	-
356	FASB 5 Liabilities	-	-	-	-	-
357	Accrued pension and OPEB liabilities	54,601	205,403	-	-	260,004
350	TOTAL NONCURRENT LIABILITIES	65,150	237,048	-	-	302,198
300	TOTAL LIABILITIES	652,358	251,364	677,868	-	1,581,590
400	Deferred Inflows of Resources	240	902	-	-	1,142
EQUITY						
508	Invested in Capital Assets, Net of Related Deb	-	-	-	-	-
511	Restricted Net Assets	641,596	31,994	-	-	673,590
512	Unrestricted Net Assets	408,465	161,243	423,310	-	993,018
513	TOTAL EQUITY	1,050,061	193,237	423,310	-	1,666,608
600	TOTAL LIABILITIES, DEFERRED INFLOWS AND EQUITY	\$ 1,702,659	\$ 445,503	\$ 1,101,178	\$ -	\$ 3,249,340
Proof of concept						

Franklin Township Housing Authority							
NJ042							
Financial Data Schedule (FDS)							
September 30, 2016							
Line Item #	Account Description	OPERATING	CAPITAL	14,871 Housing Choice Vouchers	1 Business Activities	ELIM	TOTAL
REVENUE:							
70300	Net tenant rental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70300	Tenant revenue - other	-	-	-	-	-	-
70300	Total tenant revenue	-	-	-	-	-	-
70600	HUD PHA grants	181,019	53,861	2,449,277	-	-	2,684,157
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	786	-	893	2,109	-	3,778
71200	Mortgage interest income	-	-	-	-	-	-
71300	Proceeds from disposition of assets held for sale	-	-	-	-	-	-
71301	Cost of sale of assets	-	-	-	-	-	-
71400	Fraud recovery	-	-	2,008	-	-	2,008
71500	Other revenue	13,100	-	1,351,456	-	-	1,364,556
71600	Gain or loss on sale of fixed assets	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-
70000	TOTAL REVENUE	196,905	53,861	3,803,624	2,109	-	4,056,499
EXPENSES:							
Administrative							
91100	Administrative salaries	20,999	-	78,117	-	-	99,116
91200	Auditing fees	4,470	-	4,470	-	-	8,940
91300	Outside management fees	11,623	-	34,870	-	-	46,493
91310	Book-keeping fee	-	-	-	-	-	-
91400	Advertising and marketing	-	-	-	-	-	-
91500	Employee benefit contributions- administrative	10,432	-	71,544	-	-	81,976
91600	Office expenses	10,027	-	30,362	-	-	40,389
91700	Legal expenses	5,441	-	16,324	-	-	21,765
91800	Travel	359	-	1,078	-	-	1,437
91810	Allocated overhead	-	-	-	-	-	-
91900	Other	4,650	-	26,718	-	-	31,368
92000	Asset Management Fee	-	-	-	-	-	-
Tenant services							
92100	Tenant services - salaries	-	-	-	-	-	-
92200	Relocation costs	-	-	-	-	-	-
92300	Employee benefit contributions- tenant services	-	-	-	-	-	-
92400	Tenant services - other	-	-	-	-	-	-
Utilities							
93100	Water	-	-	-	-	-	-
93200	Electricity	2,335	-	-	-	-	2,335
93300	Gas	-	-	-	-	-	-
93400	Fuel	-	-	-	-	-	-
93500	Labor	-	-	-	-	-	-
93600	Sewer	-	-	-	-	-	-
93700	Employee benefit contributions- utilities	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-
Ordinary maintenance & operation							
94100	Ordinary maintenance and operations - labor	-	-	-	-	-	-
94200	Ordinary maintenance and operations - materials & other	-	-	-	-	-	-
94300	Ordinary maintenance and operations - contract costs	-	-	-	-	-	-
94500	Employee benefit contributions- ordinary maintenance	-	-	-	-	-	-
Protective services							
95100	Protective services - labor	-	-	-	-	-	-
95200	Protective services- other contract costs	-	-	-	-	-	-
95300	Protective services - other	-	-	-	-	-	-
95500	Employee benefit contributions- protective services	-	-	-	-	-	-

Franklin Township Housing Authority							
NJ042							
Financial Data Schedule (FDS)							
September 30, 2016							
Line Item #	Account Description	OPERATING	CAPITAL	14,871 Housing Choice Vouchers	1 Business Activities	ELIM	TOTAL
	General expenses						
96100	Insurance premiums	1,006	-	1,006	-	-	2,012
96200	Other general expenses	162,917	-	15,138	5,304	-	183,359
96310	Compensated absences	156	-	466	-	-	622
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 costs	-	-	-	-	-	-
96800	Severance expense	-	-	-	-	-	-
96900	TOTAL OPERATING EXPENSES	234,415	-	280,093	5,304	-	519,812
97000	EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(37,510)	53,861	3,523,531	(3,195)	-	3,536,687
97100	Extraordinary maintenance	-	-	-	-	-	-
97200	Casualty losses - non capitalized	-	-	-	-	-	-
97300	Housing assistance payments	-	-	2,211,109	-	-	2,211,109
97350	HAP Portability - in	-	-	1,231,773	-	-	1,231,773
97400	Depreciation expense	-	-	-	-	-	-
97500	Fraud losses	-	-	-	-	-	-
97600	Dwelling units rent expense	-	-	-	-	-	-
90000	TOTAL EXPENSES	234,415	-	3,722,975	5,304	-	3,962,694
	OTHER FINANCING SOURCES (USES)						
10010	Operating transfers in	53,861	-	-	-	-	53,861
10020	Operating transfers out	-	(53,861)	-	-	-	(53,861)
10030	Operating transfers from/to primary government	-	-	-	(312,878)	-	(312,878)
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	TOTAL OTHER FINANCING SOURCES (USES)	53,861	(53,861)	-	(312,878)	-	(312,878)
10000	EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	16,351	-	80,649	(316,073)	-	(219,073)
	MEMO ACCOUNT INFORMATION:						
11020	Required annual debt principal payments	-	-	-	-	-	-
11030	Beginning equity	1,033,710	-	112,588	739,383	-	1,885,681
11040	Prior period adjustments and equity transfers	-	-	-	-	-	-
11170	Administrative fee equity	-	-	189,252	-	-	189,252
11180	Housing assistance payments equity	-	-	31,994	-	-	31,994
		-	-	221,246	-	-	221,246
11190	Unit months available	600	-	2,760	-	-	3,360
11210	Number of unit months leased	579	-	2,518	-	-	3,097
	Equity Roll Forward Test:						
	Calculation from R/E Statement	\$ 1,050,061	\$ -	\$ 193,237	\$ 423,310	\$ -	\$ 1,666,608
	B/S Line 513	\$ 1,050,061	\$ -	\$ 193,237	\$ 423,310	\$ -	\$ 1,666,608
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -