

Report On Audit

**HOUSING AUTHORITY OF THE
TOWNSHIP OF FRANKLIN**

**For the Year Ended
September 30, 2019**

Housing Authority of the Township of Franklin
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Hymanson, Parnes & Giampaolo
Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the Township of Franklin
1 Parkside Street
Somerset, New Jersey 08873

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the Township of Franklin (a governmental public corporation) in Somerset, New Jersey, hereafter referred to as the Authority, which comprise the statement of net position as of September 30, 2019, and the related statement of revenue, expenses and changes in net position, statement of cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Housing Authority of the Township of Franklin'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 Housing Authority of the Township of Franklin'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 respective financial position of the Housing Authority of the Township of Franklin as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and PERS supplemental information on pages 4 through 15 and pages 49-50 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 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 method 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements Housing Authority of the Township of Franklin. The accompanying supplemental information on pages 51-56 is presented for additional analysis and is not required part of the basic financial statements.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The electronic filed Financial Data Schedule is presented for additional analysis as required by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center and is also not required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Financial Data Schedule are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The 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 the Financial Data Schedule is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued reports dated July 27, 2020 on our consideration of the Housing Authority of the Township of Franklin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters.

The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Township of Franklin 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 Housing Authority of the Township of Franklin's internal control over financial reporting and compliance.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: July 27, 2020

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

As Management of the Housing Authority of the Township of Franklin (the Authority), present the following discussion and analysis which is supplementary information required by the Governmental Accounting Standards Board (GASB), and is intended to provide an easily readable explanation of the information provided in the attached financial statements. Management Discussion and Analysis is designed to focus on the current year activities, resulting changes, and current known facts. It is by necessity highly summarized, and in order to gain a thorough understanding of the Authority's financial position, the financial statements and footnotes should be viewed in their entirety beginning on page 16 of this report. New standards issued by GASB have significantly changed the format of the financial statements. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

FINANCIAL HIGHLIGHTS

The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$2,045,781 an increase in the financial position of \$231,678 or 13% as compared to the prior year.

As noted above, the net position of the Authority was \$2,045,781 as of September 30, 2019. Of this amount, the unrestricted net position is \$1,310,088 representing an increase of \$167,740 or 15% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 16 the financial statements, which is included in this report.

The restricted net position increased \$51,302 or 8% percent from the prior year for and ending balance of \$723,057. Additional information on the Authority's restricted net position can be found in Notes 15 to the financial statements, which is included in this report.

The net investment in capital assets increased \$12,636 or 100% percent for an ending balance of \$12,636.

The Authority's unrestricted cash, and cash equivalent at September 30, 2019 is \$1,426,411 representing a decrease of \$583,536 or 29% percent from the prior fiscal year. Total restricted deposits and funded reserves increased \$51,302 or 170% percent for an ending balance of \$81,461. The full detail of this amount can be found in the Statement of Cash Flows on pages 19-20 of this report.

The Authority's total assets and deferred outflows are \$3,235,868 of which capital assets net book value is \$12,636; deferred outflow amount is \$171,783, other assets is \$1,541,596, and restricted deposits and funded reserves \$81,461 leaving total current assets at \$1,428,392. Total current assets decrease from the previous year by \$598,490 or 30% percent.

Unrestricted cash and cash equivalents decreased by \$583,536, accounts receivables decreased by \$15,300 and prepaid expenses increased by \$346.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

Total restricted deposits and funded reserves increased \$51,302 for an ending balance of \$81,461.

Capital assets reported an increase in the net book value of the capital assets in the amount of \$12,636 or 100% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$14,305, less the recording of depreciation expense in the amount of \$1,669. A full detail of capital assets can be found in the Notes to the Financial Statements Section Note - 7 Fixed Assets.

The Authority reported an increase in investment in leased property in the amount of \$900,000 for an ending balance of \$1,541,596. In October 2018, the Authority made an investment in Building Better Futures, Inc. for the purchase of land to promote affordable housing.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$83,508 for an ending balance of \$171,783. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$43,494 for an ending balance of \$171,775. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note - 9 Deferred Outflows/Inflows of Resources.

The Authority's total liabilities are reported at \$1,018,312 of which noncurrent liabilities are stated at \$329,103. Total liabilities increased during the year as compared to the prior year in the amount of \$6,768 or 1% percent. Total current liabilities increased during the year by \$105,465, leaving non-current liabilities for a decrease of \$98,697 as compared to the previous fiscal year.

Total current liabilities increased from the previous year by \$105,465 or 18% percent. Accounts payables increased by \$34,809, accrued liabilities decreased by \$511, and unearned revenue increased \$71,167.

Total noncurrent liabilities decreased by \$98,697 or 23% percent. Long-term obligations for compensated absences decreased in the amount of \$92 for an ending balance of \$44,202.

Accrued pension liability decreased \$98,605 or 26% percent for an ending balance of \$284,901. Additional information on GASB #68 pension liability at September 30, 2019 can be found in Notes 14 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$3,860,954 as compared to \$3,730,352 from the prior year for an increase of \$130,602 or 4% percent. The Authority had total operating expenses of \$3,646,264 as compared to \$3,707,833 from the previous year for a decrease of \$61,569 or 2% percent, resulting in excess revenue from operations in the amount of \$214,690 for the current year as compared to excess revenue from operations in the amount of \$22,519 for an increase of \$192,171 from the previous year.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL HIGHLIGHTS - CONTINUED

The Authority's Expenditures of Federal Awards amounted to \$2,970,169 for the fiscal year 2019 as compared to \$2,619,404 for the previous fiscal year 2018 for an increase of \$350,765 or 13% percent.

USING THIS ANNUAL REPORT

The Housing Authority's annual report consists of financial statements that show combined information about the Housing Authority's most significant program:

1. Section 8 Housing Choice Vouchers

The Housing Authority's auditors provided assurance in their independent auditors' report with which this MD&A is included, that the basic financial statements are fairly stated. The auditors provide varying degrees of assurance regarding the other information included in this report. A user of this report should read the independent auditors' report carefully to determine the level of assurance provided for each of the other parts of this report.

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION

This discussion and analysis are intended to serve as an introduction to the Housing Authority's basic financial statements. The basic financial statements are prepared on an entity wide basis and consist of:

- 1) Statement of Net Position
- 2) Statement of Revenue, Expenses, and Changes in Net Position
- 3) Statement of Cash Flows
- 4) Notes to the Financial Statements

The Authority's financial statements and notes to financial statements included in this Report were prepared in accordance with generally accepted accounting principles (GAAP) applicable to governmental entities in the United States of America for the Enterprise Fund types. The Authority's 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 16 through 20.

Statement of Net Position – This statement presents information on the Authority's total of assets and deferred outflow of resources, and total of liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position will serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED

Statement of Revenue, Expenses and Changes in Net Position – This statement presents information showing how the Authority's net position increased or decreased during the current 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 inflows and cash outflows in the future periods.

Statement of Cash Flows– This statement presents information showing the total cash receipts and cash disbursements of the Housing Authority during the current fiscal year. The statement reflects the net changes in cash resulting from operations plus any other cash requirements during the current year (i.e. capital additions, debt payments, prior period obligations, etc.). In addition, the statement reflects the receipt of cash that was obligated to the Housing Authority in prior periods and subsequently received during the current fiscal year (i.e. accounts receivable, notes receivable, etc.).

Notes to the Financial Statements - Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided. These notes give greater understanding on the overall activity of the Housing Authority and how values are assigned to certain assets and liabilities and the longevity of these values. In addition, notes reflect the impact (if any) of any uncertainties the Housing Authority may face. The Notes to Financial Statements can be found in this Report beginning on page 21 through 48.

In addition to the basic financial statements listed above, our report includes supplemental information. This information is to provide more detail on the Housing Authority's various programs and the required information mandated by regulatory bodies that fund the Housing Authority's various programs.

The Schedule of Expenditures of Federal Awards is presented for purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), Audits of States, Local Governments and Non-profit Organizations. The schedule of Expenditures of Federal Awards can be found on pages 51-52 of this report.

- 1. Federal Awards** - Pursuant to the Single Audit Act Amendments of 1996 (Public Law 104-156) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), federal award is defined as federal financial assistance and federal cost reimbursement contracts that non-federal agencies receive directly or indirectly from federal agencies or pass-through entities. Federal financial assistance is defined as assistance that nonfederal entities receive or administer in the form of grants, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, direct appropriations and other assistance.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

OVERVIEW OF THE FINANCIAL STATEMENT PRESENTATION – CONTINUED

2. Type A and Type B Programs - The Single Audit Act Amendments of 1996 and the Uniform Guidance establish the levels of expenditures or expenses to be used in defining Type A and Type B Federal financial assistance programs. Type A programs for the Housing Authority of the Township of Franklin are those which equal or exceeded \$750,000 in expenditures for the fiscal year ended September 30, 2019. Type B programs for the Housing Authority of the Township of Franklin are those which are less than \$750,000 in expenditures for the fiscal year ended September 30, 2019.

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

The following summarizes the computation of Net Position between September 30, 2019 and September 30, 2018:

	Year Ended		Increase
	September-19	September-18	(Decrease)
Cash	\$ 1,507,872	\$ 2,040,106	\$ (532,234)
Other Current Assets	1,981	16,935	(14,954)
Fixed Assets	12,636	-	12,636
Other Assets	1,541,596	641,596	900,000
Deferred Outflows	171,783	255,291	(83,508)
Total Assets	3,235,868	2,953,928	281,940
Less: Current Liabilities	(689,209)	(583,744)	(105,465)
Less: Non Current Liabilities	(329,103)	(427,800)	98,697
Deferred Inflows	(171,775)	(128,281)	(43,494)
Total Net Position	\$ 2,045,781	\$ 1,814,103	\$ 231,678
Investment in Fixed Assets	\$ 12,636	\$ -	\$ 12,636
Restricted Net Position	723,057	671,755	51,302
Unrestricted Net Position	1,310,088	1,142,348	167,740
Total Net Position	\$ 2,045,781	\$ 1,814,103	\$ 231,678

Total cash decrease by \$532,234 or 26% percent. Net cash provided by operating activities was \$336,686, net cash provided by capital and related financing activities was \$14,092, and net cash used by investing activities was \$883,012. The full detail of this amount can be found in the Statement of Cash Flows on pages 19-20 of this audit report.

Other current assets decreased \$14,954. Account receivable decreased \$15,300 and prepaid expenses increased \$346

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)

Capital assets reported an increase in the net book value of the capital assets in the amount of \$12,636 or 100% percent. The major factor that contributed for the increase was the purchase of fixed assets in the amount of \$14,305, less the recording of depreciation expense in the amount of \$1,669. A full detail of capital assets can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority reported an increase in investment in leased property in the amount of \$900,000 for an ending balance of \$1,541,596. In October 2018, the Authority made an investment in Building Better Futures, Inc. for the purchase of land to promote affordable housing.

The Authority reported a decrease in the deferred outflow for the pension cost in the amount of \$83,508 for an ending balance of \$171,783. The Authority reported an increase in the deferred inflow for the pension cost in the amount of \$43,494 for an ending balance of \$171,775. A full detail of the pension reporting requirement can be found in the Notes to the Financial Statements Section Note – 9 Deferred Outflows/Inflows of Resources.

Total current liabilities increased from the previous year by \$105,465 or 18% percent. Accounts payables increased by \$34,809, accrued liabilities decreased by \$511, and unearned revenue increased \$71,167.

Total noncurrent liabilities decreased by \$98,697 or 23% percent. Long-term obligations for compensated absences decreased in the amount of \$92 for an ending balance of \$44,202.

Accrued pension liability decreased \$98,605 or 26% percent for an ending balance of \$284,901. Additional information on GASB #68 pension liability at September 30, 2019 can be found in Notes 14 to the financial statements, which is included in this report.

The Authority's reported net position of \$2,045,781 is made up of three categories. The Authority restricted net position of \$723,057, reported an increase of \$51,302 from the prior year. This balance represents available resources that may be used only for specific purposes stipulated by the grantor. The account balance consists of the amount of cash that is restricted for the capital fund leveraging program. Additional information on these funds can be found in Note 4 Restricted Cash and Note 15 Restricted Net Position.

The net investment in capital assets increased \$12,636 or 100% percent for an ending balance of \$12,636.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Housing Authority of the Township of Franklin operating results for September 30, 2019 reported an increase in unrestricted position of \$167,740 for an ending balance of \$1,310,088. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 16 Unrestricted Net Position.

The following summarizes the changes in Net Position between September 30, 2019 and September 30, 2018:

	Year Ended		Increase (Decrease)
	September-19	September-18	
HUD Subsidies	\$ 2,970,169	\$ 2,619,404	\$ 350,765
Other Revenues	890,785	1,110,948	(220,163)
Total Operating Income	<u>3,860,954</u>	<u>3,730,352</u>	<u>130,602</u>
Expenses			
Operating Expenses	594,328	547,168	47,160
Housing Assistance Payments Expense	3,051,936	3,160,665	(108,729)
Depreciation Expense	1,669	-	1,669
Total Operating Expenses	<u>3,646,264</u>	<u>3,707,833</u>	<u>(61,569)</u>
Operating Deficit before Non Operating Income (Expenses)	214,690	22,519	192,171
Interest Income	<u>16,988</u>	<u>12,378</u>	<u>(1,003)</u>
Change in Net Position	231,678	34,897	196,781
Net Position Prior Year	1,814,103	1,779,206	34,897
Net Position End of Year	<u>\$ 2,045,781</u>	<u>\$ 1,814,103</u>	<u>\$ 231,678</u>

Approximately 77% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 23% percent resulted from other revenue.

The Authority's operating expenses cover a range of expenses. The largest expense was for housing assistance payment expenses accounted 84% percent of total operating expenses. Administrative expenses accounted for 13% percent, utilities accounted for less than 1% percent, other operating expenses accounted for less than 1% percent, and insurance and depreciation accounted for less than 1% percent of the total operating expenses.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED

The Authority operating revenue exceeded its operating expenses resulting in excess revenue from operations in the amount of \$214,690 from operations as compared to excess revenue from operations of \$22,519 for the previous year. The key elements for the increase of \$192,171 in the excess revenue in comparison to the prior year are as follow:

- The Authority experienced an increase in Housing and Urban Development funded Operating Grants in the amount of \$350,765 or 13% percent
- The Authority experienced a decrease in other revenue in the amount of \$220,163 or 14% percent.

The Authority experienced increase expenses as listed below:

- Administrative expense increased \$213,381 or 3% percent
- Insurance expense increased \$1,546 or 26% percent

The Authority experienced decrease expenses as listed below:

- Other operating expenses decreased \$169,830 or 99% percent
- Housing Assistance Payments decreased \$108,729 or 3% percent

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

The following are financial highlights of significant items for a four-year period of time ending on September 30, 2019:

	September-19	September-18	September-17	September-16
Significant Income				
HUD Operating Grants	\$ 2,970,169	\$ 2,619,404	\$ 2,589,203	\$ 2,684,157
Investment Income	16,988	12,378	7,334	3,778
Other Income	890,785	1,110,948	1,287,998	1,368,564
Total	\$ 3,877,942	\$ 3,742,730	\$ 3,884,535	\$ 4,056,499
Payroll Expense				
Administrative Salaries	\$ 128,583	\$ 112,021	\$ 130,956	\$ 99,116
Employee Benefits Expense	64,988	117,800	114,174	81,976
Total Payroll Expense	\$ 193,571	\$ 229,821	\$ 245,130	\$ 181,092
Other Significant Expenses				
Other Administrative Expenses	\$ 387,405	\$ 137,643	\$ 112,691	\$ 150,392
Utilities Expense	2,162	1,768	1,949	2,335
Insurance Premiums	7,578	6,032	3,120	2,012
Housing Assistance Payments	3,051,936	3,160,665	3,276,816	3,442,882
Total	\$ 3,449,081	\$ 3,306,108	\$ 3,394,576	\$ 3,597,621
Total Operating Expenses	\$ 3,646,264	\$ 3,707,833	\$ 3,771,937	\$ 3,962,694
Total of Federal Awards	\$ 2,970,169	\$ 2,619,404	\$ 2,589,203	\$ 2,684,157

BUDGETARY HIGHLIGHTS

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority's Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund's budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

THE AUTHORITY AS A WHOLE

The Authority's revenues consist primarily of rents and 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.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN PROGRAMS

Public and Indian Housing Program:

The Public and Indian Housing Program is designed to provide low-cost housing. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants.

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 redevelopment objectives. Under the 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 this agreement with HUD, the Authority continues to receive operating subsidy on the Public and Indian Housing Program units and remits a majority of the subsidy to Parkside thru a management fee for the units leased.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

As part of this agreement with HUD, the Authority continues to receive capital fund subsidy on the Public Housing Capital Fund Program and remits a majority of the subsidy to Parkside thru a management fee.

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

NEW INITIATIVES

For the fiscal year 2019 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 77% percent of its revenue from the Department of Housing and Urban Development, (2018 fiscal year was 70% percent), the Authority is constantly monitoring for any appropriation changes, especially since it appears the nation is continuing an era of need for additional public assistance to help families meet the challenges of a very tumultuous economy.

The current administration of the Authority is determined to improve the financial results of the Authority's operations. The Authority has made steady progress in various phases of our operations, all the while maintaining a strong occupancy percentage in the public housing units and a high utilization rate in Housing Assistance Programs. Interactions with the residents are a constant reminder of the need of the services.

Regardless of the constraints (financial or regulatory) placed on this Housing Authority, the Authority will continuously look for ways to better provide or expand housing and housing assistance to qualified residents of the Township of Franklin all the while being mindful of their responsibility to be good stewards of the public's tax dollars.

CAPITAL ASSETS AND DEBT ADMINISTRATION

1 – Capital Assets

The Authority's investment in capital assets as of September 30, 2019 was \$12,636 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and construction in progress.

Additional information on the Authority's capital assets can be found in Note 7 to the financial statements, which is included in this report.

2 – Debt Administration

The Authority does not have any long-term debt at this time.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Housing Authority of the Township of Franklin is primarily dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected more by Federal budget than by local economic conditions. Pressure on the federal budget will remain in the form of both record deficits and competing funding needs. We do not expect this consistent trend to change.

The capital budgets for the 2020 fiscal year have already been submitted to HUD for approval and no major changes are expected. Capital Funds are used for the modernization of public housing property including administrative fees involved in the modernization.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
AT SEPTEMBER 30, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - CONTINUED

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2020.

- State of New Jersey economy including the impact on tenant income. Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income. Tenant rental payments are based on tenant income.
- The need for Congress to fund the war on terrorism and other impending military activities, and the impact these activities may have on federal funds available for HUD subsidies and grants.
- Continued increases in health care insurance are expected to impact employee benefits cost over the next several years.
- Trends in the housing market which affect rental housing available for the Section 8 tenants, along with the amount of the rents charged by the private landlords, are expected to have a continued impact on Section 8 HAP payments.

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 Mr. John A. H. Clarke, Executive Director, Housing Authority of the Township of Franklin, 1 Parkside Street, Somerset, New Jersey 08873, phone number (732)545-9430.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
STATEMENT OF NET POSITION - 1
AS OF SEPTEMBER 30, 2019

	2019
Assets	
Current Assets:	
Cash and Cash Equivalents - Unrestricted	\$ 1,426,411
Prepaid Expenses	1,981
Total Current Assets	1,428,392
Restricted Cash	
HCV HAP Reserves	81,461
Noncurrent Assets	
Capital Assets	
Furniture, Equipment - Administration	14,305
Total Capital Assets	14,305
Less: Accumulated Depreciation	(1,669)
Net Book Value	12,636
Other Assets	
Investment in Leased Property	1,541,596
Total Assets	3,064,085
Deferred Outflow of Resources	
State of New Jersey P.E.R.S.	171,783
Total Assets and Deferred Outflow of Resources	\$ 3,235,868

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
STATEMENT OF NET POSITION - 2
AS OF SEPTEMBER 30, 2019

	2019
Liabilities	
Current Liabilities:	
Accounts Payable	\$ 45,910
Accrued Liabilities	6,657
Unearned Revenue	636,642
Total Current Liabilities	689,209
Noncurrent Liabilities	
Accrued Compensated Absences - Long-Term	44,202
Accrued Pension Liability	284,901
Total Noncurrent Liabilities	329,103
Total Liabilities	1,018,312
Deferred Inflow of Resources	
State of New Jersey P.E.R.S.	171,775
Net Position:	
Net Investment in Capital Assets	12,636
Restricted Net Position	723,057
Unrestricted Net Position	1,310,088
Total Net Position	2,045,781
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 3,235,868

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN NET POSITION
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019**

	2019
Revenue:	
HUD PHA Operating Grants	\$ 2,970,169
Other Revenue	890,785
Total Revenue	3,860,954
 Operating Expenses:	
Administrative Expense	580,845
Utilities Expense	2,162
Insurance Expense	7,578
Other Operating Expenses	2,074
Housing Assistance Payments	3,051,936
Depreciation Expense	1,669
Total Operating Expenses	3,646,264
 Excess Revenue From Operations	 214,690
 Non Operating Income:	
Investment Income	16,988
 Change in Net Position	 231,678
 Beginning Net Position	1,814,103
 Ending Net Assets	\$ 2,045,781

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
STATEMENT OF CASH FLOWS - 1
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019

	2019
Cash Flow From Operating Activities	
Receipts from Federal Grants	\$ 2,970,169
Receipts from Misc. Sources	875,485
Payments to Vendors and Suppliers	(221,997)
Payments for Housing Assistance Payments	(3,051,936)
Payments to Employees	(128,452)
Payment of Employee Benefits	(106,583)
Net Cash Provided by Operating Activities	336,686
Cash Flow From Capital and Related Financing Activities	
Change in Accrued Pension and OPEB Liabilities	(98,605)
Acquisitions of Fixed Assets	(14,305)
Net Effect of Deferred Inflows and Outflows	127,002
Net Cash Provided by Capital and Related Financing Activities	14,092
Cash Flow From Investing Activities	
Interest Income	16,988
Investment in Property Acquisition	(900,000)
Net Cash Used by Investing Activities	(883,012)
Net Decrease in Cash and Cash Equivalents	(532,234)
Beginning Cash	2,040,106
Ending Cash	\$ 1,507,872
<u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 1,426,411
HAP Restricted Reserves	81,461
Total Ending Cash	\$ 1,507,872

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
STATEMENT OF CASH FLOWS - 2
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019**

	2019
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities	
Excess of Revenue Over Expense - Operations	\$ 214,690
Adjustments to reconcile excess revenue over expenses to net cash provided by operating activities:	
Depreciation Expense	1,669
(Increase) Decrease in:	
Accounts Receivables	15,300
Prepaid Expenses	(346)
Increase (Decrease) in:	
Accounts Payable	34,809
Accrued Liabilities	(511)
Unearned Revenue	71,167
Accrued Compensated Absences - Long Term	(92)
Net Cash Provided by Operating Activities	\$ 336,686

See accompanying notes to the financial statements.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 1 - SUMMARY OF ORGANIZATION, ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

1. Organization - The Authority is a governmental, public corporation which was organized under the laws public corporation created under federal and state housing laws as defined by State statute (N.J., S.A. 40A:12A-1 et al the Housing Authority Act) 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 the Township of Franklin in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD).

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 and the State of New Jersey Department of Community Affairs. An Executive Director is appointed by the Housing Authority's Board to manage the day-to-day operations of the Authority. The Authority is responsible for the development, maintenance, and management of public housing for low and moderate income families residing in Township of Franklin. Operating and modernization subsidies are provided to the Authority by the federal government.

The financial statements include all the accounts of the Authority. The Authority is the lowest level of government over which the Authority's Board of Commissioners and Executive Director exercise oversight responsibility. The Authority is not included in any governmental "reporting entity" since its board members; while they are appointed primarily by the Mayor of the Township of Franklin and Town Council, the Board of Commissioners have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary responsibility for accounting and fiscal matters. The Authority has also concluded that it is excluded from the Township of Franklin reporting entity.

Based on the following criteria, the Authority has not identified any entity which should be subject to evaluation for inclusion in the Authority's reporting entity. The criteria for including or excluding a component unit relationship as set forth in GASB's #61 *The financial Reporting Entity* and Financial Reporting Standards, include whether:

- A. The organization is legally separate.
- B. The organization is fiscal dependency on the primary government.
- C. The organization has potential to impose a financial benefit or burden on the primary government.
- D. The organization meets the financial accountability criteria for inclusion as a component unit of the primary government.
- E. The primary government is able to impose its will on the organization.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

2. Significant Accounting Policies

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources. The Authority has determined that the applicable measurement focus (flow of economic resources) and accounting basis (accrual) is similar to that of a commercial enterprise. As such, the use of proprietary funds best reflects the activities of the Authority.

The Authority has adopted GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The Statement establishes accounting and financial reporting standards for non-exchange transactions including financial or capital resources. The Authority's primary source of non-exchange revenue relates to grants and subsidies. 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 among other things requires that unused housing assistance payments ("HAP") under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule ("FDS") as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fees 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 fees and HAP revenue in the reporting period as revenue for financial statement reporting.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

Significant Accounting Policies -Continued

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.

Basis of Accounting –

In proprietary fund, activities are recorded using the accrual basis of accounting. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. This requires the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

The major sources of revenue are HUD operating subsidy, and other revenue. The Authority provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe and sanitary housing for extremely low and very low income families.

Other revenue composed primarily of miscellaneous services fees and residents portability income charges. The revenue is recorded as earned since it is measurable and available. Non-operating revenue and expenses consist of revenues and expenses that are related to financing and investing activities and result from non-exchange transactions or ancillary activities.

Administrative fee paid by HUD to the Authority in excess of administrative expenses are a part of the undesignated fund balance and are considered to be administrative fee reserves.

HUD Section 8 Housing Choice Voucher Assistance Program receives from HUD an Annual Budget Amount (ABA) during the year in accordance with applicable HUD program guidelines. As of January 1, 2005 excess funds disbursed by HUD to the Authority for the payment of HAP's that are not utilized are not returned to HUD, but become part of the undesignated fund balance and may only be used to assist additional families up to the number of units under contract.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

Basis of Accounting – Continued

Financial transactions are recorded and organized in accordance with the purpose of the transaction. Each program is an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. All material inter-program accounts and transactions are eliminated in the preparation of the basic financial statements. Because the Authority's activity is considered self-financing and does not rely on specific taxes or fines (i.e. property taxes, sales and use tax etc.) no activity will be maintained as governmental funds but will be recorded as proprietary funds under the Enterprise Fund.

Report Presentation -

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The Authority's financial statements are prepared in accordance with GASB Statement No. 34 (as amended), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments* ("Statement"). The Statement 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 a Statement of Cash Flows. The Statement also requires the Authority to include Management's Discussion and Analysis as part of Required Supplementary Information.

The federally funded programs administered by the Authority are detailed in the Financial Data Schedule and the Schedule of Expenditures of Federal Awards; both are which are included as Supplemental information.

Other accounting policies are as follows

1 – Cash and cash equivalents are stated at cost, which approximates market. The Authority considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

2 – Collection losses on accounts receivable are charged against an allowance for doubtful accounts.

3 – Buildings and equipment are recorded at cost for all programs and depreciation is computed on the straight line basis.

4 – Operating subsidies received from HUD are recorded as income when earned.

5 – The cost of accumulated unpaid compensated absences, including fringe benefits, is reported in the period earned rather than in the period paid.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

Other accounting policies - continued

6 - Prepaid expenses represent payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

7 - The Authority does not have any infrastructure assets for its Enterprise Fund.

8 - Inter-fund receivable and payables arise from inter-fund transactions and are recorded by all funds in the period in which the transactions are executed.

9- Advertising cost is charged to expense when incurred.

10- When expenses are incurred where both restricted and unrestricted net positions are available the Authority will first use the restricted funds until they are exhausted and then the unrestricted net position will be used.

11- Taxes

The Authority operates as defined by the Internal Revenue Code Section 115 and is exempt from income taxes under Section 115. Under federal, state, and local law, the Authority's program is exempt from income, property and excise taxes.

12- Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein. If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability can be estimated, then the estimated liability would be accrued in the Authority's financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, then the nature of the contingent liability, together with an estimate of the range of possible loss if determinable and material, would be disclosed. Loss contingencies considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee would be disclosed.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

Other accounting policies - continued

13 - Net Position

In accordance with the provisions of Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*", the Authority has classified its net position into three components - net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - This component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather that portion of the debt is included in the same net position component as the unspent proceeds.

Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), granters, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This component of net position consists of net position that do not meet the definitions of "restricted" or "net investment in capital assets."

14 - Operating and non-operating revenues and expenses

The major sources of revenue for the Authority are various subsidies from the U.S. Department of Housing and Urban Development, management contract revenue, HAP payments for the tenants and various charges to tenants.

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Non-operating revenues and expense consist of those revenues and expenses that are related to financing and investing types of activities and result from nonexchange transactions or ancillary activities.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

Other accounting policies - continued

15-Impairment Losses

The Authority reviews its investment in real estate for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the real estate to the future net undiscounted cash flow expected to be generated by the rental property including any estimated proceeds from the eventual disposition of the real estate. If the real estate is considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the real estate exceeds the fair value of such property. No impairment losses were recognized in 2019.

16- Recent Accounting Pronouncements

The Authority has implemented all new accounting pronouncements that are in effect and that may impact its financial statements. The Authority does not believe that there are any new accounting pronouncements that have been issued that might have a material impact on its financial position or results of operations.

Budgetary and Policy Control –

The Authority submits its annual operating budgets and capital budgets to HUD. The Authority also submits its annual operating and capital budgets to the State of New Jersey Department of Community Affairs in accordance with New Jersey statute. After the New Jersey Department of Community Affairs approves the budget, it is formally adopted by resolution of the Housing Authority’s Board of Commissioners. Once adopted, the Board of Commissioners may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenses. Each fund’s budget is prepared on a detailed line item basis. Revenues are budgeted by source and expenditures are budgeted by expense classification within each revenue source.

Activities - The programs or activities administered by the Authority were:

<u>Program</u>	<u>CFDA #</u>	<u>Project #</u>	<u>Units Authorized</u>
<u>Public Housing</u>			
Public and Indian Housing	14.850	NJ-42	140
Capital Fund	14.872		
<u>Section 8 Housing</u>			
Housing Choice Vouchers	14.871	NJ-42	230

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

Activities - Continued

Public and Indian Housing Program:

The Public and Indian Housing Program is designed to provide low-cost housing. This program is operated under an Annual Contributions Contract (ACC) with HUD. HUD's rent subsidy program provides housing assistance to low income families so that they are able to lease "decent, safe, and sanitary" housing for specific eligible tenants.

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 redevelopment objectives. Under the 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 this agreement with HUD, the Authority continues to receive operating subsidy on the Public and Indian Housing Program units and remits a majority of the subsidy to Parkside thru a management fee for the units leased.

Public Housing Capital Fund Program:

The Public Housing Capital Fund was established under the Quality Housing & Work Responsibility Act of 1998 (QHWRA). Substantially all additions to land, structures and equipment are accomplished through these programs (included in the financial statements under PHA Owned Housing). These funds replace or materially upgrade deteriorated portions of existing Authority property. This fund is used for repairs, major replacements, upgrading and other non-routine maintenance work that needs to be done on the Authority's apartments to keep them clean, safe and in good condition.

As part of this agreement with HUD, the Authority continues to receive capital fund subsidy on the Public Housing Capital Fund Program and remits a majority of the subsidy to Parkside thru a management fee.

Section 8 Housing Choice Voucher Program

Under the Section 8 Housing Choice Voucher Program, the Authority administers contracts with independent landlords to provide housing to Section 8 tenants. The Authority subsidizes the tenant's rent through Housing Assistance Payment made to the landlord. This program is also administered under an Annual Contributions Contract (ACC) with HUD. HUD provides annual contributions funding to enable the Authority to structure a contract that sets the participants' rent at approximately 30% of household income subject to certain restrictions.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

Board of Commissioners - The criteria used in determining the scope of the entity for financial reporting purposes are as follows:

1. The ability of the Board to exercise supervision of a component unit's financial independence.
2. The Board's governing authority extends to financial decision making authority and is held primarily accountable for decisions.
3. The Board appoints the management of the Authority who is responsible for the day-to-day operations and this management are directly accountable to the Board.
4. The ability of the Board to significantly influence operations through budgetary approvals, signing and authorizing contracts, exercising control over facilities, and approving the hiring or retention of key managerial personnel.
5. The ability of the Board to have absolute authority over all funds of the Authority and have accountability in fiscal matters.

NOTE 2 - ESTIMATES

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use, and recoverability of inventory, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

NOTE 3 - PENSION PLAN

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. It is a cost sharing, multiple-employer defined benefit pension plan. PERS was established in January 1955 under the provision of NJ SA 43:15A to provide coverage, including post-retirement health care, for substantially all full time employees of the state, its counties, municipalities, school districts or public agencies, provided the employee is not a member of another state administered retirement system.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

NOTE 3 - PENSION PLAN -CONTINUED

Membership is mandatory for such employees. Contributions to the plan are made by both the employee and the Authority. Required employee contributions to the system are based on a flat rate determined by the New Jersey Division of Pensions for active plan members. Benefits paid to retired employees are based on length of service, latest earnings, and veteran status. Authority contributions to the system are determined by PERS and are billed annually to the Authority.

The State of New Jersey, Department of Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0925.

On the web:

<http://www.state.nj.us/treasury/pensions/pdf/financial/2019divisioncombined.pdf>

Funding Policy

The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994 and Chapter 115, P.L. of 1998, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. Employer's contributions are actuarially determined annually by the Division of Pensions. Employee contributions are currently 6.64% of base wages. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, the cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits. The Authority's contribution for 2019 amounted to \$15,380.

Post Employment Retirement Benefits

The Authority provides post employment health care benefits and life insurance for its eligible retirees. Eligibility requires that employees be 55 years or older with various years of service.

Further information on the Pension Plan and its effects do to the adoption of GASB# 68 can be found in Note 14- Accrued Pension Liability.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 4 – CASH, CASH EQUIVALENTS

The Authority's cash, cash equivalents are stated at cost, which approximates market. Cash, cash equivalents and investment includes cash in banks, petty cash and a money market checking account and certificates of deposit, and other investments with original maturities of less than three months from the date of purchase. 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.

Concentration of Credit Risk

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/FSLIC 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. These funds at various banks are collateral pledge under the New Jersey Government Code of the Banking Law.

Risk Disclosures

Collateral for Deposits

New Jersey Authorities are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or State of New Jersey or the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Interest Rate Risk

As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority's investment policy limits the Authority's investment portfolio to maturities not to exceed two years at time of purchase. At September 30, 2019, the Authority's deposits and investments were not limited and all of which are either available on demand or have maturities of less than two years.

Credit Risk

This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The Authority's investment policy is that none of its total portfolio may be invested in securities of any single issuer, other than the US Government, its agencies and instrumentalities.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements
September 30, 2019

NOTE 4 - CASH, CASH EQUIVALENTS - CONTINUED

The Authority's checking accounts and investments are categorized to give indication of the level of credit risk assumed by the Authority. Custodial credit risk is the risk in the event of a bank failure, the Authority's deposits may not be returned to it. The custodial credit risk categories are described as follows:

<u>Depository Accounts</u>	<u>September-19</u>
Insured	\$ 500,125
Collateralized held by pledging bank's trust department in the Authority's name	1,007,747
Total Cash and Cash Equivalents	<u>\$ 1,507,872</u>

Restricted Deposits

The restricted cash in the amount of \$81,461 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD's PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

NOTE 5 - ACCOUNTS RECEIVABLE

Housing Authority of the Township of Franklin policy is to carry its accounts receivable at cost less an allowance for doubtful accounts. Accounts are written off as uncollectible when management determines that a sufficient period of time has elapsed without receiving payment and the individual do not exhibit the ability to meet their obligations. Management continually monitors payment patterns of the tenants, investigates past-due accounts to assess likelihood of collections, and monitors the industry and economic trends to estimate required allowances.

NOTE 6 - INTERFUND ACTIVITY

Interfund activity is reported as short term loans, services provided during the course of operations, reimbursements, or transfers. Short term loans are reported as interfund short term receivables and payable as appropriate. The amounts between the various programs administered by the Authority at September 30, 2019 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements
September 30, 2019

NOTE 7 - FIXED ASSETS

Fixed assets consist primarily of expenditures to acquire, construct, place in operations, and improve the facilities of the Authority and are stated at cost. Expenditures for repairs, maintenance and minor renewals are charged against income in the year they are incurred. Major renewals and betterment are capitalized. Expenditures are capitalized when they meet the Capitalization Policy requirements. Under the policy, assets purchased or constructed at a cost not exceeding \$5,000 are expensed when incurred. Property and equipment are stated at cost. Donated fixed assets are stated at their fair value on the date donated.

Depreciation Expense

Depreciation expense for the primary government at September 30, 2019 was \$1,669. Depreciation is provided using the straight line method over the estimated useful lives of the assets.

- 1.) Building and Structure 40 Years
- 2.) Furniture & Equipment 15 Years

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2019

	Balance September-18	Additions	Deletion	Balance September-19
Furniture & Equipment - Administration	\$ 18,699	\$ 14,305	\$ (18,699)	\$ 14,305
Accumulated Depreciation	(18,699)	(1,669)	18,699	(1,669)
Net Book Value	\$ -	\$ 12,636	\$ -	\$ 12,636

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 8 - INVESTMENT IN LEASED PROPERTY

On November 29, 2010, the Authority entered into a 65-year ground lease with 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 Parkside owns the improvements built on the land. In accordance with GAAP, this lease is classified as an operating lease which is accounted for as follows:

1. 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.
2. Rent is reported as income over the lease term as it becomes receivable according to the provisions of the lease. Rental income for the year ended September 30, 2019 was \$-0- and \$9,871 for 2018 year and is included in the Authority's Statement of Revenues, Expenses and Changes in Net Position.

As of November 29, 2010, the inception of the lease, the fair value of the property was \$641,596.

In October 2018, the utilized the Authority development proceeds it received as a result of Parkside Village Redevelopment project for the development and management of additional affordable housing in the greater Somerset Area. The Authority made an investment in Building Better Futures, Inc, a non-profit entity for the purpose of developing and managing affordable housing in the amount of \$900,000. The investment is included as a non-current asset since to development of the property could be for several years.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 9 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

A deferred outflow is an outflow of resources, which is a consumption of net assets by the government that is applicable to the reporting period. A deferred inflow is an inflow of resources, which is an acquisition of net assets by the government that is applicable to the reporting period.

The Pension Liability discussed in Note 14 resulted in the Authority incurring deferred outflows and inflows. The difference between expected and actual experience with regard to economic and demographic factors, when the actuary calculated the net pension liability, is amortized over a five-year closed period for PERS, reflecting the average remaining service life of members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The Authority's deferred outflows and inflows are as follows:

	Deferred Outflows of Resources		Deferred Inflows of Resources
	<u> </u>		<u> </u>
Differences Between Expected and Actual Experiences	\$ 5,114	\$	1,259
Changes in Assumptions	28,448		98,888
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-		4,497
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	138,221		67,131
Total	<u>\$ 171,783</u>	\$	<u>171,775</u>

Difference in Expected and Actual Experience

The difference between expected and actual experience with regard to economic and demographic factors is amortized over a five year closed period reflecting the average remaining service life of the plan members (active and inactive), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$5,114 and \$1,259.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 9 - DEFERRED OUTFLOWS/INFLOWS OF RESOURCES - CONTINUED

Changes in Assumptions

The change in assumptions about future economic or demographic factors or other inputs is amortized over a five year closed period, reflecting the average remaining service life of the plan members (active and inactive members), respectively. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$28,448 and \$98,888.

Net Difference between Projected and Actual Investments Earnings on Pension Plan Investments

The difference between the System's expected rate of return of 7.5% and the actual investment earnings on pension plan investments is amortized over a five year closed period in accordance with GASB 68. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or a deferred inflow of resources. The collective amount of the difference between expected and actual experience for the fiscal year is \$-0- and \$4,497.

Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions

The change in employer proportionate share is the amount of difference between the employer proportionate shares of net pension liability in the prior year compared to the current year. The difference between employer contributions and proportionate share of contributions is the difference between the total amount of employer contributions and the amount of the proportionate share of employer contributions. The change in proportionate share and the difference between employer contributions and proportionate share of contributions is amortized over a six-year closed period for PERS, reflecting the average remaining service life of ERS members (active and inactive members), respectively. The changes in proportion and differences between employer contributions and proportionate share of contributions for the fiscal year are \$138,221 and \$67,131.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 10 – ACCOUNTS PAYABLE

The Authority reported accounts payable on its Statement of Net Position as of September 30, 2019. Accounts payable vendors are amount owed to creditors as a result of delivered goods and completed services. Accounts payable at September 30, 2019 consist of amounts owed to vendors in the amount of \$45,910.

NOTE 11 – ACCRUED EXPENSES

The Authority reported accrued expenses on its Statement of Net Position. Accrued expenses are liabilities incurred on or before September 30. Accrued liabilities at September 30, 2019 consist of the following:

	<u>September-19</u>
Accrued Wages and Payroll Taxes	\$ 1,745
Compensated Absences - Current Portion	<u>4,912</u>
Total Accrued Liabilities	<u>\$ 6,657</u>

NOTE 12 – UNEARNED REVENUE

The Authority reported unearned revenues on its Statement of Net Position. Unearned revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for unearned revenue is removed from the Statement of Net Position and the revenue is recognized. The Authority unearned revenue consist of the land lease and it is amortized over the life of the lease on straight line method.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 13 - ACCRUED COMPENSATED ABSENCES

Compensated absences are those for which employees will be paid, such as vacation and sick leave. A liability for compensated absences that is attributable to services already rendered and that is not contingent on a specific event that is outside the control of the Authority will be accounted for in the period in which such services were rendered.

Accrued compensated absences represents amounts to which employees are entitled to base on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation leave in the event of retirement or termination from service. Employees may be compensated for sick leave at retirement, to a maximum of \$15,000.

The Authority has determined that the potential liability for accumulated vacation and sick time at September 30, 2019 as follows:

	<u>September-19</u>
Accumulated Sick Time	\$ 18,855
Accumulated Vacation Time	26,769
Accrued Payroll Taxes	<u>3,499</u>
Total	49,123
Compensated Absences - Current Portion	<u>(4,921)</u>
Total Compensated Absences - Noncurrent	<u>\$ 44,202</u>

NOTE 14 - ACCRUED PENSION LIABILITY

Net Pension Liability Information

The Authority as of September 30, 2019 reported a net pension liability in the amount of \$284,901 due to GASB# 68. The component of the current year net pension liability of the Authority as of June 30, 2019, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 656,045
Plan Net Position	<u>(371,144)</u>
Employer Net Pension Liability	<u>\$ 284,901</u>

The Authority allocation percentage is 0.0015811570% as of June 30, 2019.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

NOTE 14 - ACCRUED PENSION LIABILITY - CONTINUED

Plan Description

The Authority participates in the State of New Jersey Public Employees Retirement System (PERS), which is sponsored and administered by the New Jersey Division of Pensions and Benefits. 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 Division's Comprehensive Annual Financial Report (CAFR) which can be found at www.state.nj.gov/treasury/pensions/financial-reports.shtml.

Net Pension Liability Information

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 Authority participates in the State of New Jersey, Public Employees' Retirement System (PERS).

The following represents the membership tiers for PERS:

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

Allocation Percentage Methodology

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer allocations are applied to amounts presented in the schedules of pension amounts by employer.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 14 – ACCRUED PENSION LIABILITY - CONTINUED

Allocation Percentage Methodology -Continued

The allocation percentages for each group as of June 30, 2019 are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2019.

The contribution for PERS is set by NJSA 43:15A and requires contributions by 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 include 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. For fiscal year 2019 the State's pension contribution was less than the actuarial determined amount.

Net Pension Liability Information

The local employers' contribution amounts are based on an 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 the 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 assets.

Actuarial Assumptions

The total pension liability for June 30, 2019 measurement dates were determined by using an actuarial valuation as of July 1, 2018, with update procedures used to roll forward the total pension liability to June 30, 2018. The actuarial valuations used the following actuarial assumptions:

Inflation	2.75%
Salary Increases:	
Through 2026	2.00-6.00%, based on age
Thereafter	3.00-7.00%, based on age
Investment Rate of Return	7.00%

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

NOTE 14 – ACCRUED PENSION LIABILITY - CONTINUED

Actuarial Assumptions – Continued

Pre-retirement mortality rates were based on the Pub-2010 Employee Preretirement Mortality Table for male and female active participants. 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 2010 using a generational approach based on the plan actuary's modified MP-2014 projection scale. Post-mortality rates were based on the Pub-2010 Combined Healthy Male and Female Mortality Tables (setback 1 year for males and females) for service retirements and beneficiaries of former members and a 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 2010 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 Pub-2010 Disabled Mortality Table (set back 3 years for males and set forward 1 year for females).

The actuarial assumptions used in the July 1, 2018 evaluation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities were higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2019) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements
September 30, 2019

NOTE 14 – ACCRUED PENSION LIABILITY - CONTINUED

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2019 as summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
U.S. Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%
	100%	

Discount Rate

The discount rate used to measure the total pension liability was 6.28% as of June 30, 2019. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00%, and a municipal bond rate of 3.50% as of June 30, 2019, 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 plan members will be made at the current member contribution rates and that contributions from employers will be made based on the most recent fiscal year.

The State employer contributed 70% 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 June 30, 2057. Therefore, the long-term expected rate of return on plan investments was applied to projected benefit payments after that date in determining the total pension liability.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 14 – ACCRUED PENSION LIABILITY - CONTINUED

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the current-period net pension liability of the employers calculated using the current-period discount rate assumption of 6.28% percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.28% percent) or 1 percentage-point higher (7.28% percent) than the current assumption (in thousands). Sensitivity of the Authority's proportionate share of the Net Pension Liability due to change in the Discount Rate:

	1% Decrease (5.28%)	Current Discount (6.28%)	1% Increase (7.28%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 362,379	\$ 284,901	\$ 223,266

Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

Year Ending June 30, 2019	\$ (8,227)
Year Ending June 30, 2020	(26,687)
Year Ending June 30, 2021	(23,830)
Year Ending June 30, 2022	(11,189)
Year Ending June 30, 2023	(1,149)
Total	<u>\$ (71,082)</u>

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements
September 30, 2019

NOTE 14 – ACCRUED PENSION LIABILITY – CONTINUED

Pension Expense

The components of allocable pension expense, which exclude pension expense related to specific liabilities of individual employers, for the plan fiscal year ending June 30, 2019, are as follows:

Service Cost	\$	13
Interest on the Total Pension Liability		37,667
Member Contributions		(8,753)
Administrative Expenses		232
Expected Investment Return Net of Investment Expenses		(23,372)
Pension Expense Related to Specific Liabilities of Individual Employers		(109)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience Changes of Assumptions		2,836 (8,668)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		2,757
Total	\$	<u>2,603</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements
September 30, 2019

NOTE 15 – RESTRICTED NET ASSETS

The Authority restricted net position account balance at September 30, 2019 is \$723,057. The detail of the restricted reserve account balances is as follows:

	<u>September-19</u>
Section 8 HCV HAP Reserves	\$ 81,461
Investment in Leased Property	641,596
Total Accounts Payable	<u>\$ 723,057</u>

The restricted cash in the amount of \$81,461 was reported under the Housing Choice Voucher Program as a HAP reserve for future use. In accordance with HUD’s PIH Notice 2007-03, the reserve fund balance may only be used to assist additional families up to the number of units under contract.

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.

Housing Choice Voucher Program HUD Held Reserves Funds

Effective January 1, 2012, HUD was required to control the disbursement of funds in such a way that the Authority does not receive funds before they are needed, resulting in the re-establishment of HUD held program reserves to comply with the Treasury requirements. HUD held reserve is a holding account at the HUD level that maintains the excess of HAP funds that have been obligated (ABA) but undisbursed to the Authority. The excess HAP funds will remain obligated but not disbursed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority at September 30, 2019 was \$95,131.

NOTE 16 – UNRESTRICTED NET POSITION

The Authority’s unrestricted net position account balance at September 30, 2019 is \$1,310,088. The detail of the account balance is as follows:

	PIH Program Reserves	HCV Program Adm Reserves	Business Activities	Total
Balance September 30, 2018	\$ 542,730	\$ 152,426	\$ 447,192	\$ 1,142,348
Increase During the Year	179,516	-	12,118	191,634
Decrease During the Year	-	(23,894)	-	(23,894)
Balance September 30, 2019	<u>\$ 722,246</u>	<u>\$ 128,532</u>	<u>\$ 459,310</u>	<u>\$ 1,310,088</u>

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements

September 30, 2019

NOTE 17 - 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 for which the Authority purchases commercial insurance. During the year ended September 30, 2019, the Authority's risk management program, in order to deal with the above potential liabilities, purchased various insurance policies for fire, general liability, crime, employee bond, worker's compensation, and public-officials errors omissions. Periodically, but not less than once annually, the Authority conducts a physical inspection of its office for the purpose of determining potential liability issues.

NOTE 18 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

HUD contributes operating subsidy for the Public and Indian program approved in the operating budget under the Annual Contribution Contract. The operating subsidy contributions for the year ended September 30, 2019 were \$158,238.

Annual Contributions Contracts for the Section 8 Housing Choice Voucher Program to provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low income families. The program provides for such payment with respect to existing housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by the participating family and related administrative expense. HUD contributions for the Housing Choice Voucher for September 30, 2019 was in the amount of \$2,542,783.

NOTE 19 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority operations are concentrated in the low income housing real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state, and local regulatory agencies, including, but not limited to HUD. Such administrative directives, rules, and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Total financial support by HUD was \$2,970,169 to the Authority which represents approximately 77% percent of the Authority's total revenue for the fiscal year September 30, 2019.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements September 30, 2019

NOTE 20 – GROUND LEASE

On November 29, 2010, the Authority entered into a 65-year ground lease with 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 Parkside owns the improvements built on the land.

NOTE 21 – POST- RETIREMENT BENEFITS

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

NOTE 22 - CONTINGENCIES

Litigation – At September 30, 2019, the Authority was not involved in any threatening litigation.

Grants Disallowances – The Authority participates in federally assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits performed by the federal government could lead to adjustments for disallowed claims, including amounts already collected, and reimbursement by the Authority for expenditures disallowed under the terms of the grant. The Authority's management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Notes to Financial Statements
September 30, 2019

NOTE 23 – SUBSEQUENT EVENTS

Coronavirus Pandemic:

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on our employees' ability to work or the tenant's ability to pay the required monthly rent. Operating functions that may be changed include intake, recertification's and maintenance. Changes to the operating environment may increase operating costs. Additional impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

Events that occur after the Statement of Net Position date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events that provide evidence about conditions that existed after the Statement of Net Position's date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru July 27, 2020; the date which the financial statements were available for issue 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.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Required Supplementary Information
September 30, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

GASB #68 requires supplementary information which includes the Authority's share of the net pension liability along with related ratios as listed below.

The schedule below displays the Authority's proportionate share of Net Pension Liability.

	2019	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.001581157%	0.19477700%	0.00137695%	0.00087788%	0.00077210%
Housing Authority's proportionate share of the net pension liability	\$ 284,901	\$ 382,506	\$ 320,533	\$ 260,004	\$ 173,321
Housing Authority's covered employee payroll	\$ 128,452	\$ 112,021	\$ 130,956	\$ 99,116	\$ 71,009
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	221.80%	341.46%	244.76%	262.32%	244.08%
Plan fiduciary net position as a percentage of the total pension liability	43.42%	53.60%	59.86%	52.07%	52.08%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

Required Supplementary Information
September 30, 2019

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY OF THE PUBLIC EMPLOYEE RETIREMENT SYSTEM

The schedule below displays the Authority's contractually required contributions along with related ratios.

	2019	2017	2017	2016	2015
Contractually required contribution	\$ 15,380	\$ 19,374	\$ 12,756	\$ 7,799	\$ 6,638
Contribution in relation to the contractually required contribution	(15,380)	(19,374)	(12,756)	(7,799)	(6,638)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 128,452	\$ 112,021	\$ 130,956	\$ 99,116	\$ 71,009
Contribution as a percentage of covered employee payroll	11.97%	17.29%	9.74%	7.87%	9.35%

**The amounts determined for each fiscal year were determined as of June 30.*

Schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019**

U.S. Department of Housing and Urban Development

CFDA #'s	Grant Period		Grant Award	Fiscal Year	Fiscal Year	Cumulative Expenditures
	From	To		Cash Receipts	Expenditures	
Public and Indian Housing Program						
NJ042-00000217D	14.850	1/1/2017	12/31/2017	66,871	67	66,871
NJ042-00000218D	14.850	1/1/2018	12/31/2018	67,016	17,414	67,016
NJ042-00000219D	14.850	1/1/2019	12/31/2019	73,405	54,722	54,722
NJ042-00000317D	14.850	1/1/2017	12/31/2017	29,610	29	29,610
NJ042-00000318D	14.850	1/1/2018	12/31/2018	30,608	7,953	30,608
NJ042-00000319D	14.850	1/1/2019	12/31/2019	21,668	16,153	16,153
NJ042-00000417D	14.850	1/1/2017	12/31/2017	56,474	57	56,474
NJ042-00000418D	14.850	1/1/2018	12/31/2018	73,189	19,018	73,189
NJ042-00000419D	14.850	1/1/2019	12/31/2019	57,447	42,825	57,447
Grant Subtotal				476,288	158,238	452,090
Public Housing Capital Fund Program						
NJ39P042501-18	14.872	5/22/2018	5/28/2022	272,243	269,148	269,148
Grant Subtotal				272,243	269,148	269,148
Section 8 Housing Choice Voucher Program						
NJ39P042	14.871	10/1/2018	9/30/2019	2,542,783	2,542,783	2,542,783
Grant Subtotal				2,542,783	2,542,783	2,542,783
Total Expenditures of Federal Awards				\$ 3,291,314	\$ 2,970,169	\$ 3,264,021

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2019**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of the Housing Authority of the Township of Franklin is under programs of the federal government for the year ended September 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the Township of Franklin, it is not intended to and does not present the financial position, change in net position, or cash flows of the Housing Authority of the Township of Franklin.

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 Housing Authority of the Township of Franklin has not elected to use the 10 percent de minimis indirect cost rate as allowable under the Uniform Guidance.

Note 4. Loans Outstanding:

Housing Authority Township of Franklin had no loans outstanding at September 30, 2019.

Note 5. Non- Cash Federal Assistance:

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2019.

Note 6. Sub recipients:

Of the federal expenditures presented in the schedule above, the Housing Authority of the Township of Franklin did not provide federal awards to any sub recipients.

Franklin Housing Authority (NJ042)
SOMERSET, NJ
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$696,187	\$438,774	\$291,450	\$1,426,411		\$1,426,411
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$81,461		\$81,461		\$81,461
114 Cash - Tenant Security Deposits						
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$696,187	\$520,235	\$291,450	\$1,507,872	\$0	\$1,507,872
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants						
126.1 Allowance for Doubtful Accounts - Tenants						
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$0	\$0	\$0	\$0	\$0
131 Investments - Unrestricted			\$0	\$0		\$0
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$1,981			\$1,981		\$1,981
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From	\$732,140			\$732,140	-\$732,140	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$1,430,308	\$520,235	\$291,450	\$2,241,993	-\$732,140	\$1,509,853
161 Land						
162 Buildings						
163 Furniture, Equipment & Machinery - Dwellings						
164 Furniture, Equipment & Machinery - Administration	\$14,305			\$14,305		\$14,305
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$1,669			-\$1,669		-\$1,669
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$12,636	\$0	\$0	\$12,636	\$0	\$12,636
171 Notes, Loans and Mortgages Receivable - Non-Current						
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due						
173 Grants Receivable - Non Current						
174 Other Assets	\$641,596		\$900,000	\$1,541,596		\$1,541,596
176 Investments in Joint Ventures						
180 Total Non-Current Assets	\$654,232	\$0	\$900,000	\$1,554,232	\$0	\$1,554,232
200 Deferred Outflow of Resources	\$47,675	\$124,108		\$171,783		\$171,783
290 Total Assets and Deferred Outflow of Resources	\$2,132,215	\$644,343	\$1,191,450	\$3,968,008	-\$732,140	\$3,235,868
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$7,292	\$38,618		\$45,910		\$45,910
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$1,745			\$1,745		\$1,745
322 Accrued Compensated Absences - Current Portion	\$1,228	\$3,684		\$4,912		\$4,912
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs						
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government						
341 Tenant Security Deposits						
342 Unearned Revenue	\$636,642			\$636,642		\$636,642
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						

346	Accrued Liabilities - Other						
347	Inter Program - Due To			\$732,140	\$732,140	-\$732,140	\$0
348	Loan Liability - Current						
310	Total Current Liabilities	\$646,907	\$42,302	\$732,140	\$1,421,349	-\$732,140	\$689,209
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue						
352	Long-term Debt, Net of Current - Operating Borrowings						
353	Non-current Liabilities - Other						
354	Accrued Compensated Absences - Non Current	\$11,050	\$33,152		\$44,202		\$44,202
355	Loan Liability - Non Current						
356	FASB 5 Liabilities						
357	Accrued Pension and OPEB Liabilities	\$75,778	\$209,123		\$284,901		\$284,901
350	Total Non-Current Liabilities	\$86,828	\$242,275	\$0	\$329,103	\$0	\$329,103
300	Total Liabilities	\$733,735	\$284,577	\$732,140	\$1,750,452	-\$732,140	\$1,018,312
400	Deferred Inflow of Resources	\$22,002	\$149,773		\$171,775		\$171,775
508.4	Net Investment in Capital Assets	\$12,636	\$0	\$0	\$12,636		\$12,636
511.4	Restricted Net Position	\$641,596	\$81,461	\$0	\$723,057		\$723,057
512.4	Unrestricted Net Position	\$722,246	\$128,532	\$459,310	\$1,310,088		\$1,310,088
513	Total Equity - Net Assets / Position	\$1,376,478	\$209,993	\$459,310	\$2,045,781	\$0	\$2,045,781
500	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,132,215	\$644,343	\$1,191,450	\$3,968,008	-\$732,140	\$3,235,868

Franklin Housing Authority (NJ042)
SOMERSET, NJ
Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2019

	Project Total	14,871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue						
70400 Tenant Revenue - Other						
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0		\$0
70600 HUD PHA Operating Grants	\$427,386	\$2,542,783		\$2,970,169		\$2,970,169
70610 Capital Grants						
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$8,265	\$7,974	\$749	\$16,988		\$16,988
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery		\$10,690		\$10,690		\$10,690
71500 Other Revenue	\$5,804	\$862,922	\$11,369	\$880,095		\$880,095
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$441,455	\$3,424,369	\$12,118	\$3,877,942		\$3,877,942
91100 Administrative Salaries	\$28,112	\$100,340		\$128,452		\$128,452
91200 Auditing Fees	\$4,523	\$4,523		\$9,046		\$9,046
91300 Management Fee	\$164,389	\$53,312		\$217,701		\$217,701
91310 Book-keeping Fee						
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$17,005	\$89,578		\$106,583		\$106,583
91600 Office Expenses	\$14,135	\$50,853		\$64,988		\$64,988
91700 Legal Expense	\$8,206	\$24,617		\$32,823		\$32,823
91800 Travel	\$307	\$920		\$1,227		\$1,227
91810 Allocated Overhead						
91900 Other	\$5,006	\$15,019		\$20,025		\$20,025
91000 Total Operating - Administrative	\$241,683	\$339,162	\$0	\$580,845		\$580,845
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other						
92500 Total Tenant Services	\$0	\$0	\$0	\$0		\$0
93100 Water						
93200 Electricity	\$2,162			\$2,162		\$2,162
93300 Gas						
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$2,162	\$0	\$0	\$2,162		\$2,162
94100 Ordinary Maintenance and Operations - Labor						
94200 Ordinary Maintenance and Operations - Materials and Other						
94300 Ordinary Maintenance and Operations Contracts						
94500 Employee Benefit Contributions - Ordinary Maintenance						
94000 Total Maintenance	\$0	\$0	\$0	\$0		\$0
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0		\$0
96110 Property Insurance						

96120	Liability Insurance					
96130	Workmen's Compensation					
96140	All Other Insurance	\$3,789	\$3,789		\$7,578	\$7,578
96100	Total Insurance Premiums	\$3,789	\$3,789	\$0	\$7,578	\$7,578
96200	Other General Expenses		\$2,074		\$2,074	\$2,074
96210	Compensated Absences					
96300	Payments in Lieu of Taxes					
96400	Bad debt - Tenant Rents					
96500	Bad debt - Mortgages					
96600	Bad debt - Other					
96800	Severance Expense					
96000	Total Other General Expenses	\$0	\$2,074	\$0	\$2,074	\$2,074
96710	Interest of Mortgage (or Bonds) Payable					
96720	Interest on Notes Payable (Short and Long Term)					
96730	Amortization of Bond Issue Costs					
96700	Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900	Total Operating Expenses	\$247,634	\$345,025	\$0	\$592,659	\$592,659
97000	Excess of Operating Revenue over Operating Expenses	\$193,821	\$3,079,344	\$12,118	\$3,285,283	\$3,285,283
97100	Extraordinary Maintenance					
97200	Casualty Losses - Non-capitalized					
97300	Housing Assistance Payments		\$2,256,620		\$2,256,620	\$2,256,620
97350	HAP Portability-In		\$795,316		\$795,316	\$795,316
97400	Depreciation Expense	\$1,669			\$1,669	\$1,669
97500	Fraud Losses					
97600	Capital Outlays - Governmental Funds					
97700	Debt Principal Payment - Governmental Funds					
97800	Dwelling Units Rent Expense					
90000	Total Expenses	\$249,303	\$3,396,961	\$0	\$3,646,264	\$3,646,264
10010	Operating Transfer In	\$269,148			\$269,148	\$269,148
10020	Operating transfer Out	-\$269,148			-\$269,148	-\$269,148
10030	Operating Transfers from/to Primary Government					
10040	Operating Transfers from/to Component Unit					
10050	Proceeds from Notes, Loans and Bonds					
10060	Proceeds from Property Sales					
10070	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 Project and Program - Out					
10100	Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$192,152	\$27,408	\$12,118	\$231,678	\$231,678
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030	Beginning Equity	\$1,184,326	\$182,585	\$447,192	\$1,814,103	\$1,814,103
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors					
11050	Changes in Compensated Absence Balance					
11060	Changes in Contingent Liability Balance					
11070	Changes in Unrecognized Pension Transition Liability					
11080	Changes in Special Term/Severance Benefits Liability					
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100	Changes in Allowance for Doubtful Accounts - Other					
11170	Administrative Fee Equity		\$128,532		\$128,532	\$128,532
11180	Housing Assistance Payments Equity		\$81,461		\$81,461	\$81,461
11190	Unit Months Available	600	2760		3360	3360
11210	Number of Unit Months Leased	588	2470		3058	3058
11270	Excess Cash	\$781,420			\$781,420	\$781,420
11610	Land Purchases	\$0			\$0	\$0
11620	Building Purchases	\$0			\$0	\$0
11630	Furniture & Equipment - Dwelling Purchases	\$0			\$0	\$0
11640	Furniture & Equipment - Administrative Purchases	\$14,305			\$14,305	\$14,305
11650	Leasehold Improvements Purchases	\$0			\$0	\$0
11660	Infrastructure Purchases	\$0			\$0	\$0
13510	CFFP Debt Service Payments	\$0			\$0	\$0
13901	Replacement Housing Factor Funds	\$0			\$0	\$0



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550

467 Middletown-Lincroft Rd.

fax: 732-842-4551

Lincroft, NJ 07738

**INDEPENDENT AUDITOR'S REPORT
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Board of Commissioners
Housing Authority of the Township of Franklin
1 Parkside Street
Somerset, New Jersey 08873

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Housing Authority of the Township of Franklin as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise Housing Authority of the Township of Franklin basic financial statements, and have issued our report thereon dated July 27, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Housing Authority of the Township of Franklin internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the Township of Franklin's internal control. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the Township of Franklin 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 Housing Authority of the Township of Franklin 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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: July 27, 2020



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550

fax: 732-842-4551

467 Middletown-Lincroft Rd.

Lincroft, NJ 07738

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE
UNIFORM GUIDANCE**

Board of Commissioners
Housing Authority of the Township of Franklin
1 Parkside Street
Somerset, New Jersey 08873

Report on Compliance for Each Major Federal Program

We have audited Housing Authority of the Township of Franklin compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Housing Authority of the Township of Franklin major federal programs for the year ended September 30, 2019. Housing Authority of the Township of Franklin 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Housing Authority of the Township of Franklin 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). 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 Housing Authority of the Township of Franklin compliance with those requirements and performing such other procedures as we consider 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 Housing Authority of the Township of Franklin compliance.

Opinion on Each Major Federal Program

In our opinion, Housing Authority of the Township of Franklin 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, 2019.

Report on Internal Control Over Compliance

Management of Housing Authority of the Township of Franklin 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 Housing Authority of the Township of Franklin'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 Housing Authority of the Township of Franklin 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.

Purpose of This Report

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.

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey

Date: July 27, 2020

HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN
 Schedule of Findings, Questioned Costs, and Recommendations
 Year Ended September 30, 2019

Prior Audit Findings

None reported

Summary of Auditor's Results

Financial Statements

Type of Auditor's Report Issued: Unmodified

Internal Control over Financial Reporting:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Noncompliance Material to Financial Statements Noted? _____ yes X no

Federal Awards

Internal Control over Major Programs:

Material Weakness (es) Identified? _____ yes X no

Significant Deficiency(ies) identified that are considered to be material weakness(es)? _____ yes X none reported

Type of audit report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, _____ yes X no

Identification of Major Programs

CFDA#	Name of Federal Program	Amount
14.871	Section 8 Housing Choice Voucher Program	\$ 2,542,783
14.872	Public Housing Capital Fund Program	\$ 269,148

Dollar threshold used to Distinguish between Type A and Type B Programs \$ 750,000

Auditee qualified as a low-risk auditee X yes _____ no

FINDINGS AND QUESTIONED COST – MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported



Hymanson, Parnes & Giampaolo

Certified Public Accountants

tele: 732-842-4550
fax: 732-842-4551

467 Middletown-Lincroft Rd.
Lincroft, NJ 07738

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Commissioners
Housing Authority of the Township of Franklin
1 Parkside Street
Somerset, New Jersey 08873

We have performed the procedure described in the second paragraph of this report, which was agreed to by Housing Authority of the Township of Franklin and the U.S. Department of Housing and Urban Development, Public Indian Housing-Real Estate Assessment Center (PIH-REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Uniform Guidance reporting package. Housing Authority of the Township of Franklin is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedure indicate agreement or non-agreement of the electronically submitted information and hard copy documents as shown in the attached chart.

We were engaged to perform an audit in accordance with the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), by Housing Authority of the Township of Franklin as of and for the year ended September 30, 2019, and have issued our reports thereon dated July 27, 2020. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product of that audit. Further, our opinion on the fair presentation of the supplementary information dated September 30, 2019, was expressed in relation to the basic financial statements of Housing Authority of the Township of Franklin taken as a whole.

A copy of the reporting package required by OMB Uniform Guidance, which includes the auditor's reports, is available in its entirety from Housing Authority of the Township of Franklin. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, PIH-REAC.

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

Hymanson, Parnes & Giampaolo

Lincroft, New Jersey
July 27, 2020

**ATTACHMENT TO INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON
PROCEDURE**

PROCEDURE	UFRS RULE INFORMATION	HARD COPY DOCUMENTS	AGREES	DOES NOT AGREE
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDAs	<input checked="" type="radio"/>	<input type="radio"/>
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	<input checked="" type="radio"/>	<input type="radio"/>
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	<input checked="" type="radio"/>	<input type="radio"/>
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	<input checked="" type="radio"/>	<input type="radio"/>
5	General information (data element series G2000,G2100,G2200,G9000,G9100)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs,Part 1 and OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form*	<input checked="" type="radio"/>	<input type="radio"/>
9	Basic financial statements and auditor's reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	<input checked="" type="radio"/>	<input type="radio"/>