

**Report On Audit**

**HOUSING AUTHORITY OF THE  
TOWNSHIP OF FRANKLIN**

**For the Year Ended  
September 30, 2022**

**Housing Authority of the Township of Franklin**  
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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, and business type activities of the Housing Authority of the Township of Franklin, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Housing Authority of the Township of Franklin basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and business type activities of the Housing Authority of the Township of Franklin as of September 30, 2022, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of the Township of Franklin and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Township of Franklin's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements. Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the Township of Franklin.
- Housing Authority of the Township of Franklin's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

***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 5 through 16 and pages 47-50 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the Township of Franklin's basic financial statements. The accompanying supplemental information on pages 51-60 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.

Such information is 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the Schedule of Expenditures of Federal Awards, and the Financial Data Schedule 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 our report dated April 28, 2023, in 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the Township of Franklin's 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.

***Giampaolo & Associates***

Lincroft, New Jersey

Date: April 28, 2023

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

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's 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 17 of this report. 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 \$2,655,565 an increase in the financial position of \$45,966 or 2% as compared to the prior year.

As noted above, the net position of the Authority was \$2,655,565 as of September 30, 2022. Of this amount, the unrestricted net position is \$1,894,584 representing a decrease of \$54,688 or 3% percent from the previous year. Additional information on the Authority's unrestricted net positions can be found in Note 15 the financial statements, which is included in this report.

The restricted net position increased \$103,515 or 16% percent from the prior year for and ending balance of \$756,928. Additional information on the Authority's restricted net position can be found in Notes 14 to the financial statements, which is included in this report.

The net investment in capital assets decreased \$2,861 or 41% percent for an ending balance of \$4,053.

The Authority's total cash and cash equivalents on September 30, 2022, is \$1,888,932 representing a decrease of \$207,516 or 10% percent from the prior fiscal year. Operating cash decreased \$311,031 or 15% for an ending balance of 1,773,600. Total restricted deposits and funded reserves increased \$103,515 or 876% percent for an ending balance of \$115,332. The full detail of this amount can be found in the Statement of Cash Flows on pages 20-21 of this report.

The Authority's total assets and deferred outflows are \$3,762,158 of which capital assets net book value is \$4,053; deferred outflow amount is \$63,844, other assets in the amount of \$1,541,596, leaving total current assets at \$2,152,665.

As previously stated, total current assets increased from the previous year by \$54,471 or 3% percent. Total cash and cash equivalents decreased by \$207,516 or 10% percent, accounts receivables increased by \$262,743, and prepaid expenses decreased by \$756 or 43% percent.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

**FINANCIAL HIGHLIGHTS - CONTINUED**

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$2,861 or 41% percent. The major factor that contributed for the decrease was the recording of depreciation expense in the amount of \$2,861. A full detail of capital assets can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority reported no change in the investment in leased property for an ending balance of \$1,541,596.

The Authority reported a decrease of \$68,026 or 52% percent in the deferred outflow for the pension cost for an ending balance of \$63,844. The Authority reported a decrease of \$4,799 or 3% percent in the deferred inflow for the pension cost for an ending balance of \$161,698. 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 \$944,895 of which current liabilities are stated at \$743,754, and noncurrent liabilities are stated at \$201,141. Total liabilities decreased during the year as compared to the prior year in the amount of \$57,583 or 6% percent. Total current liabilities increased during the year by \$47,300, leaving non-current liabilities for a decrease of \$104,883 as compared to the previous fiscal year.

As previously stated, total current liabilities increased from the previous year by \$47,300 or 7% percent. Accounts payables increased by \$18,968 or 70% percent, accrued liabilities decreased by \$4,374 or 91% percent, and unearned revenue increased by \$32,706 or 5% percent.

Total noncurrent liabilities decreased by \$104,883 or 34% percent. Long-term obligations for compensated absences decreased in the amount of \$27,663 or 84% percent for an ending balance of \$5,222.

Accrued pension liability decreased by \$77,220 or 28% percent. Additional information on GASB #68 pension liability on September 30, 2022, can be found in Notes 12 to the financial statements, which is included in this report.

The Authority had total operating revenue of \$4,257,491 as compared to \$3,984,156 from the prior year for an increase of \$273,335 or 7% percent. The Authority had total operating expenses of \$4,214,689 as compared to \$3,876,784 from the previous year for an increase of \$337,905 or 9% percent, resulting in excess revenue from operations in the amount of \$42,802 for the current year as compared to excess revenue from operations in the amount of \$107,372 for a decrease of \$64,570 from the previous year.



**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

**FINANCIAL HIGHLIGHTS - CONTINUED**

The Authority's Expenditures of Federal Awards amounted to \$3,446,614 for the fiscal year 2022 as compared to \$3,149,578 for the previous fiscal year 2021 for an increase of \$297,036 or 9% 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 auditor's 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 auditor's 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 17 through 21.

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  
ON SEPTEMBER 30, 2022**

**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 22 through 46.

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  
ON SEPTEMBER 30, 2022**

**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, 2022. 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, 2022.

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

The following summarizes the computation of Net Position between September 30, 2022, and September 30, 2021:

Computations of Net Position are as follows:

	Year Ended		Increase (Decrease)
	September-22	September-21	
Cash	\$ 1,888,932	\$ 2,096,448	\$ (207,516)
Other Current Assets	263,733	1,746	261,987
Fixed Assets	4,053	6,914	(2,861)
Other Assets	1,541,596	1,541,596	-
Deferred Outflows	63,844	131,870	(68,026)
<b>Total Assets</b>	<b>3,762,158</b>	<b>3,778,574</b>	<b>(16,416)</b>
Less: Current Liabilities	(743,754)	(696,454)	(47,300)
Less: Non Current Liabilities	(201,141)	(306,024)	104,883
Deferred Inflows	(161,698)	(166,497)	4,799
<b>Total Net Position</b>	<b>\$ 2,655,565</b>	<b>\$ 2,609,599</b>	<b>\$ 45,966</b>
Investment in Fixed Assets	\$ 4,053	\$ 6,914	\$ (2,861)
Restricted Net Position	756,928	653,413	103,515
Unrestricted Net Position	1,894,584	1,949,272	(54,688)
<b>Total Net Position</b>	<b>\$ 2,655,565</b>	<b>\$ 2,609,599</b>	<b>\$ 45,966</b>

Total cash decreased by \$207,516 or 10% percent. Net cash used by operating activities was \$196,687, net cash used by capital and related financing activities was \$13,993, and net cash provided by investing activities was \$3,164. The full detail of this amount can be found in the Statement of Cash Flows on pages 20-21 of this audit report.

Other current assets increased by \$261,987 mainly due to an increase in HUD receivables. Prepaid expenses decreased by \$756 or 43% percent.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE)**

Capital assets reported a decrease in the net book value of the capital assets in the amount of \$2,861 or 41% percent. The major factor that contributed to the decrease was the recording of depreciation expense in the amount of \$2,861. A full detail of capital assets can be found in the Notes to the Financial Statements Section Note – 7 Fixed Assets.

The Authority reported no change in investment in leased property for an ending balance of \$1,541,596.

The Authority reported a decrease of \$68,026 or 52% percent in the deferred outflow for the pension for an ending balance of \$63,844. The Authority reported a decrease of \$4,799 or 3% percent in the deferred inflow for the pension cost for an ending balance of \$161,698. 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 \$47,300 or 7% percent. Accounts payables increased by \$18,968, accrued liabilities decreased by \$4,374 and unearned revenue increased \$32,706.

Total noncurrent liabilities decreased by \$104,883 or 34% percent. Long-term obligations for compensated absences decreased in the amount of \$27,663 for an ending balance of \$5,222.

Accrued pension liability decreased by \$77,220 or 28% percent for an ending balance of \$195,919. Additional information on GASB #68 pension liability on September 30, 2022, can be found in Notes 12 to the financial statements, which is included in this report.

The Authority's reported net position of \$2,655,565 is made up of three categories. The Authority's restricted net position of \$756,928 reported an increase of \$103,515 or 16% percent 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 14 – Restricted Net Position.

The net investment in capital assets decreased \$2,861 or 41% percent for an ending balance of \$4,053.

The Housing Authority of the Township of Franklin operating results for September 30, 2022, reported a decrease in the unrestricted position of \$54,688 or 3% percent for an ending balance of \$1,894,584. A full detail of this account can be found in the Notes to the Financial Statements Section Note – 15 Unrestricted Net Position.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following summarizes the changes in Net Position between September 30, 2022, and September 30, 2021:

Computation of Changes in Net Position are as follows:

	Year Ended		Increase
	September-22	September-21	(Decrease)
HUD Subsidies	\$ 3,446,614	\$ 3,149,578	\$ 297,036
Other Revenues	810,877	834,578	(23,701)
Total Operating Income	<u>4,257,491</u>	<u>3,984,156</u>	<u>273,335</u>
<b>Expenses</b>			
Operating Expenses	888,764	607,889	280,875
Housing Assistance Payments Expense	3,323,064	3,266,034	57,030
Depreciation Expense	2,861	2,861	-
Total Operating Expenses	<u>4,214,689</u>	<u>3,876,784</u>	<u>337,905</u>
Operating Deficit before Non Operating Income (Expenses)	42,802	107,372	(64,570)
Interest Income	<u>3,164</u>	<u>2,903</u>	<u>-</u>
Change in Net Position	45,966	110,275	(64,309)
Net Position Prior Year	2,609,599	2,499,324	110,275
Net Position End of Year	<u>\$ 2,655,565</u>	<u>\$ 2,609,599</u>	<u>\$ 45,966</u>

Approximately 81% percent of the Authority's total operating revenue was provided by HUD operating subsidy, while 19% 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 for 77% percent of total operating expenses. Administrative expenses accounted for 12% percent, utilities accounted for less than 1% percent, other operating expenses accounted for less than 1% percent, developer fee expenses accounted for 7% percent, insurance expense accounted for less than 1% percent, and depreciation expense accounted for less than 1% percent of the Authority's total operating expenses.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

**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 \$42,802 from operations as compared to excess revenue from operations of \$107,372 for the previous year. The key elements for the decrease of \$64,570 in the excess revenue in comparison to the prior year are as follows:

- The Authority experienced an increase in Housing and Urban Development funded Operating Grants in the amount of \$297,036 or 9% percent.
- The Authority experienced an increase in fraud revenue in the amount of \$8,552 or 100% percent.
- The Authority experienced a decrease in other revenue in the amount of \$32,253 or 4% percent.
- The Authority experienced an increase in the following expense accounts:
  - Utilities expenses increased \$414 or 16% percent.
  - Other operating expenses increased \$9,549 or 65% percent.
  - Developer fee expense increased \$320,000 or 100% percent.
  - Housing Assistance Payments increased \$57,030 or 2% percent.
- The Authority experienced a decrease in the following expense accounts:
  - Administrative expenses decreased \$23,785 or 4% percent.
  - Tenant services expense decreased \$22,737 or 100% percent.
  - Insurance expenses decreased \$2,566 or 35% percent.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE AUTHORITY (ENTITY WIDE) - CONTINUED**

The following are financial highlights of significant items for a four-year period ending on September 30, 2022:

	September-22	September-21	September-20	September-19
<b>Significant Income</b>				
HUD Operating Grants	\$ 3,446,614	\$ 3,149,578	\$ 3,347,526	\$ 2,970,169
Investment Income	3,164	2,903	8,692	16,988
Other Income	810,877	834,578	836,152	890,785
<b>Total</b>	<b>\$ 4,260,655</b>	<b>\$ 3,987,059</b>	<b>\$ 4,192,370</b>	<b>\$ 3,877,942</b>
<b>Payroll Expense</b>				
Administrative Salaries	\$ 50,707	\$ 142,485	\$ 134,004	\$ 128,452
Employee Benefits Expense	25,508	75,574	80,691	106,583
<b>Total Payroll Expense</b>	<b>\$ 76,215</b>	<b>\$ 218,059</b>	<b>\$ 214,695</b>	<b>\$ 235,035</b>
<b>Other Significant Expenses</b>				
Other Administrative Expenses	\$ 474,649	\$ 347,334	\$ 315,105	\$ 345,810
Utilities Expense	3,016	2,602	2,175	2,162
Insurance Premiums	4,716	7,282	8,114	7,578
Housing Assistance Payments	3,323,064	3,266,034	3,193,238	3,051,936
<b>Total</b>	<b>\$ 3,805,445</b>	<b>\$ 3,623,252</b>	<b>\$ 3,518,632</b>	<b>\$ 3,407,486</b>
<b>Total Operating Expenses</b>	<b>\$ 4,214,689</b>	<b>\$ 3,876,784</b>	<b>\$ 3,767,224</b>	<b>\$ 3,617,867</b>
<b>Total of Federal Awards</b>	<b>\$ 3,446,614</b>	<b>\$ 3,149,578</b>	<b>\$ 3,347,526</b>	<b>\$ 2,970,169</b>

**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  
ON SEPTEMBER 30, 2022**

**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 through 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  
ON SEPTEMBER 30, 2022**

**NEW INITIATIVES**

For the fiscal year 2022 the Housing Authority's primary focus has been on funding and accountability. As a public entity that derives approximately 81% percent of its revenue from the Department of Housing and Urban Development, (2021 fiscal year was 79% 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 for these services.

Regardless of the constraints (whether 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, 2022, was \$4,053 (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.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
ON SEPTEMBER 30, 2022**

**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 2023 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.

The following factors were considered in preparing the Authority's budget for the fiscal year ending September 30, 2023.

- 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.
- 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. Dan Toto, Acting 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, 2022**

	2022
<b>Assets</b>	
<b>Current Assets:</b>	
Cash and Cash Equivalents	\$ 1,773,600
Operating	115,332
Restricted	1,888,932
Total Cash and Cash Equivalents	
Accounts Receivable	262,743
Prepaid Expenses	990
Total Current Assets	2,152,665
<b>Noncurrent Assets</b>	
Capital Assets	
Furniture, Equipment - Administration	14,305
Total Capital Assets	14,305
Less: Accumulated Depreciation	(10,252)
Net Book Value	4,053
<b>Other Assets</b>	
Investment in Leased Property	1,541,596
Total Noncurrent Assets	1,545,649
Total Assets	3,698,314
<b>Deferred Outflow of Resources</b>	
State of New Jersey P.E.R.S.	63,844
Total Assets and Deferred Outflow of Resources	\$ 3,762,158

See accompanying notes to the financial statements.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**  
**STATEMENT OF NET POSITION - 2**  
**AS OF SEPTEMBER 30, 2022**

	2022
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accounts Payable	\$ 45,889
Accrued Liabilities	423
Unearned Revenue	697,442
Total Current Liabilities	743,754
 <b>Noncurrent Liabilities</b>	
Accrued Compensated Absences - Long-Term	5,222
Accrued Pension Liability	195,919
Total Noncurrent Liabilities	201,141
 Total Liabilities	 944,895
 <b>Deferred Inflow of Resources</b>	
State of New Jersey P.E.R.S.	161,698
 <b>Net Position:</b>	
Net Investment in Capital Assets	4,053
Restricted Net Position	756,928
Unrestricted Net Position	1,894,584
Total Net Position	2,655,565
 Total Liabilities, Deferred Inflow of Resources, and Net Position	 \$ 3,762,158

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, 2022**

	2022
<b>Revenue:</b>	
HUD PHA Operating Grants	\$ 3,446,614
Fraud Revenue	8,552
Other Revenue	802,325
Total Revenue	4,257,491
 <b>Operating Expenses:</b>	
Administrative Expense	536,871
Utilities Expense	3,016
Insurance Expense	4,716
Other Operating Expenses	24,161
Developer Fee	320,000
Housing Assistance Payments	3,323,064
Depreciation Expense	2,861
Total Operating Expenses	4,214,689
 Excess Revenue From Operations	 42,802
 <b>Non Operating Income:</b>	
Investment Income	3,164
 <b>Change in Net Position</b>	 45,966
 Beginning Net Position	 2,609,599
 <b>Ending Net Assets</b>	 \$ 2,655,565

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, 2022**

	2022
<b>Cash Flow From Operating Activities</b>	
Receipts from Federal Grants	\$ 3,183,871
Receipts from Misc. Sources	810,877
Payments to Vendors and Suppliers	(441,113)
Payment of Developer Fee	(320,000)
Payments for Housing Assistance Payments	(3,323,064)
Payments to Employees	(81,750)
Payment of Employee Benefits	(25,508)
Net Cash Used by Operating Activities	(196,687)
 <b>Cash Flow From Capital and Related Financing Activities</b>	
Change in Accrued Pension and OPEB Liabilities	(77,220)
Net Effect of Deferred Inflows and Outflows	63,227
Net Cash Used by Capital and Related Financing Activities	(13,993)
 <b>Cash Flow From Investing Activities</b>	
Interest Income	3,164
Net Cash Provided by Investing Activities	3,164
 Net (Decrease) in Cash and Cash Equivalents	(207,516)
 <b>Beginning Cash, Cash Equivalents and Restricted Cash</b>	2,096,448
 <b>Ending Cash, Cash Equivalents and Restricted Cash</b>	\$ 1,888,932
 <u>Reconciliation of Cash Balances:</u>	
Cash and Cash Equivalents - Unrestricted	\$ 1,773,600
Cash and Cash Equivalents - Restricted	115,332
Total Ending Cash	\$ 1,888,932

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, 2022**

2022

**Reconciliation of Operating Income to Net Cash**

Provided by Operating Activities

Excess of Revenue From Operations	\$	42,802
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Adjustments to reconcile excess revenue from operations  
to net cash used by operating activities:

Depreciation Expense		2,861
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(Increase) Decrease in:

Accounts Receivable		(262,743)
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Prepaid Expenses		756
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Increase (Decrease) in:

Accounts Payable		18,968
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Accrued Liabilities		(4,374)
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Unearned Revenue		32,706
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Accrued Compensated Absences - Long Term		(27,663)
--	--	----------

Net Cash Used by Operating Activities	\$	<u>(196,687)</u>
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See accompanying notes to the financial statements.

# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements

September 30, 2022

### **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.

The Authority's financial statements include the accounts of all the Authority's operations. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the following criteria, the Authority has not identified any entities which should be subject to evaluation for inclusion in the Authority's reporting entity.



# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements

September 30, 2022

### **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.

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 employers 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.

### **Basis of Accounting –**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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.

# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements

September 30, 2022

### **Basis of Accounting - Continued**

#### Revenue Recognition

The major sources of income for the Authority are HUD operating subsidies, and other sources such as miscellaneous developer fee, and HAP portability payments. The Authority considers subsidies to be exempt from compliance with ASC 606 as they are covered under current and future lease standards. Additionally, the Authority also generates revenue from other sources such as miscellaneous developer fee, and HAP portability payments all of which are considered integral to the primary operations and are recognized as revenue at the time they are received.

The Authority provides housing assistance payments to participating owners on behalf of eligible tenants. The Authority also provides provide decent, safe, and sanitary housing for extremely low and very low-income families. 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.

### **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 focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. 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.

## HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

### Notes to Financial Statements September 30, 2022

**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.

**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. An allowance for doubtful accounts is established, as necessary, based on past experience and other factors which, in management's judgment, deserve current recognition in estimating bad debts.

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.

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.

# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements September 30, 2022

### **Other accounting policies - continued**

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- 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.

### **12- 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.

### **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:

# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements September 30, 2022

### **Other accounting policies - continued**

#### 13 - Net Position -continued

*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 -Unearned Revenue and Revenue Recognition

Grant awards accounted for as exchange transactions are recorded as revenue when expenses have been incurred in compliance with grant restrictions. Amounts unspent are recorded in the statement of net position as unearned revenue.

#### 15 Operating Revenue and Expenses

The major sources of revenue are HUD operating subsidies, and other revenue. Other revenue composed primarily of miscellaneous developer fee and HAP portability payments that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

Operating expenses include wages, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

#### Non-Operating Revenue and Expenses

Authority's nonoperating revenues relate primarily to capital grants provided by HUD and interest income. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with the Authority's primary housing operations and are reported as incurred.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**Other accounting policies - continued**

**16-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 2022.

**17- 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 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, 2022

### **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, 2022

### **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 those estimates, particularly given that the COVID-19 pandemic continues to create financial uncertainty throughout the economy. The most significant estimates included in the preparation of the financial statements are allowance for doubtful accounts and estimated fixed asset lives.

### **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.

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/2022divisioncombined.pdf>



# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements

September 30, 2022

### **NOTE 3 - PENSION PLAN -CONTINUED**

#### 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 7.50% 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 2022 amounted to \$19,368.

#### 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 due to the adoption of GASB# 68 can be found in Note 12- Accrued Pension Liability.

### **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.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**NOTE 4 – CASH, CASH EQUIVALENTS – CONTINUED**

**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. On September 30, 2022, 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.

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-22</u>
Insured	\$ 320,509
Collateralized held by pledging bank's trust department in the Authority's name	1,568,423
Total Cash and Cash Equivalents	<u>\$ 1,888,932</u>

**Restricted Deposit**

The restricted cash in the amount of \$115,332 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.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements

September 30, 2022

**NOTE 5 - ACCOUNTS RECEIVABLE**

Housing Authority of the Township of Franklin policy is to record its accounts receivable at cost minus an allowance for doubtful accounts, which is established as needed based on factors such as historical collection experience, the current state of accounts receivable, economic conditions, and other considerations. This process involves assessing the creditworthiness of individual tenants and the portfolio as a whole. The determination of the collectability of amounts due requires the Authority to make judgments about future events and trends. The increase in the allowance for doubtful accounts is mainly due to the economic impact of COVID-19, as reflected in bad debt expenses. Management continually monitors tenant payment patterns, investigates past-due accounts, and stays informed of industry and economic trends to estimate the necessary 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, 2022 are detailed on the Financial Data Schedule of this report. Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

**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 on September 30, 2022, was \$2,861. 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

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements

September 30, 2022

**NOTE 7 - FIXED ASSETS -CONTINUED**

Below is a schedule of changes in fixed assets for the twelve months ending September 30, 2022

	Balance September-21	Additions	Balance September-22
Furniture & Equipment - Administration	\$ 14,305	\$ -	\$ 14,305
Accumulated Depreciation	(7,391)	(2,861)	(10,252)
Net Book Value	\$ 6,914	\$ (2,861)	\$ 4,053

**NOTE 8 - INVESTMENT IN LEASED PROPERTY**

On November 29, 2010, the Authority entered 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, 2022, was \$-0- and \$-0- for 2020 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 because 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, 2022

**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 12 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	\$ 3,090	\$ 1,403
Changes in Assumptions	1,020	69,748
Net Difference Between Projected and Actual Earning on Pension Plan Investments	-	51,610
Changes in Proportion and Differences Between Contributions and Proportionate Share of Contributions	59,734	38,937
Total	<u>\$ 63,844</u>	<u>\$ 161,698</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 \$3,090 and \$1,403.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**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 \$1,020 and \$69,748.

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 \$51,610.

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 \$59,734 and \$38,937.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements

September 30, 2022

**NOTE 10 – ACCRUED EXPENSES**

Accrued expenses are Authority expenses that have been incurred but not yet paid. These expenses are recognized in the financial statements before payment has actually been made, and typically refer to items such as salaries, interest, and taxes. Accrued expenses on September 30, 2022, consisted of the following:

	<u>September-22</u>
Accrued Compensated Absences -Current Portion	<u>\$ 423</u>

**NOTE 11 – 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 on September 30, 2022, as follows:

Balance September-21	Additions	Deductions	Balance September-22	Current Portion
\$ 36,539	\$ 3,348	\$ (34,242)	\$ 5,645	\$ 423

**NOTE 12 – ACCRUED PENSION LIABILITY**

Net Pension Liability Information

The Authority as of September 30, 2022, reported a net pension liability in the amount of \$195,919 due to GASB #68. The component of the current year net pension liability of the Authority as of June 30, 2021, the last evaluation date, is as follows:

	<u>PERS</u>
Employer Total Pension Liability	\$ 667,469
Plan Net Position	<u>(471,550)</u>
Employer Net Pension Liability	<u>\$ 195,919</u>

The Authority allocation percentage is 0.001653807% as of June 30, 2021.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**NOTE 12 – 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](http://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.

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.



**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**NOTE 12 – ACCRUED PENSION LIABILITY – CONTINUED**

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. The allocation percentages for each group as of June 30, 2021, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2021.

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 2021 the State's pension contribution was less than the actuarial determined amount.

Actuarial Assumptions

The total pension liability for June 30, 2021, measurement dates were determined by using an actuarial valuation as of July 1, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. 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%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis.

# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements September 30, 2022

### **NOTE 12 - ACCRUED PENSION LIABILITY - CONTINUED**

#### Actuarial Assumptions - Continued

Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2021.

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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.

Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021, as summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements

September 30, 2022

**NOTE 12 – ACCRUED PENSION LIABILITY - CONTINUED**

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. 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 and the non-employer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

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 7.0% 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 (6.0% percent) or 1 percentage-point higher (8.0% 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 (6.0%)	Current Discount (7.0%)	1% Increase (8.0%)
Authority's Proportionate Share of the Net Pension Liability (Asset)	\$ 269,645	\$ 195,919	\$ 137,211

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, 2022	\$ (46,228)
Year Ending June 30, 2023	(33,007)
Year Ending June 30, 2024	(22,505)
Year Ending June 30, 2025	(16,917)
Year Ending June 30, 2026	7
Total	<u>\$ (118,650)</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements

September 30, 2022

**NOTE 12 – ACCRUED PENSION LIABILITY – CONTINUED**

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 5.13, 5.16, 5.21, 5.63, 5.48 and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

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, 2021, are as follows:

Service Cost	\$	11,458
Interest on the Total Pension Liability		45,027
Benefits Changes		-
Member Contributions		(9,322)
Administrative Expenses		163
Expected Investment Return Net of Investment Expenses		(24,565)
Pension Expense Related to Specific Liabilities of Individual Employers		(115)
Current Period Recognition (Amortization) of Deferred Outflows and Inflows of Resources:		
Difference Between Expected and Actual Experience		1,262
Changes of Assumptions		(34,179)
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments		(16,300)
Total	\$	<u>(26,570)</u>

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**NOTE 13 – NET INVESTMENT IN CAPITAL ASSETS**

This component consists of land, construction in process and depreciable assets, net of accumulation and net of related debt outstanding. If there are significant unspent related debt proceeds as of year-end, the portion of the debt related to the unspent proceeds is not included in the calculation of investment in Net Investment in Capital Assets. Rather, that portion of the debt is included in the same net asset component as the unspent proceeds.

Balance September 30, 2021	\$	6,914
Depreciation Expense		(2,861)
Balance September 30, 2022	\$	<u>4,053</u>

**NOTE 14 – RESTRICTED NET ASSETS**

The Authority restricted net position account balance on September 30, 2022, is \$756,928. The detail of the restricted reserve account balances is as follows:

		<u>September-22</u>
Section 8 HCV HAP Reserves	\$	115,332
Investment in Leased Property		641,596
Total Restricted Net Position	\$	<u>756,928</u>

The restricted cash in the amount of \$115,332 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 undistributed to the Authority. The excess HAP funds will remain obligated but not distributed to the Authority. HUD will hold these funds until needed by the Authority. The amount of HUD held reserves for the Authority on September 30, 2022, was \$203,022.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**NOTE 15 - UNRESTRICTED NET POSITION**

The Authority's unrestricted net position account balance on September 30, 2022, is \$1,894,584. The detail of the account balance is as follows:

	PIH Program Reserves	HCV Program Adm Reserves	Business Activities	Total
Balance September 30, 2021	\$ 1,188,097	\$ 277,007	\$ 484,168	\$ 1,949,272
Increase During the Year	206,831	45,232	-	252,063
Decrease During the Year	-	-	(306,751)	(306,751)
Balance September 30, 2022	<u>\$ 1,394,928</u>	<u>\$ 322,239</u>	<u>\$ 177,417</u>	<u>\$ 1,894,584</u>

**NOTE 16 - 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, 2022, were \$208,176.

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, 2022, was in the amount of \$2,975,695.

**NOTE 17 - 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 \$3,446,614 to the Authority which represents approximately 81% percent of the Authority's total revenue for the fiscal year September 30, 2022.

# HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN

## Notes to Financial Statements September 30, 2022

### **NOTE 18 – 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 19 – 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 20 – CONTINGENCIES AND COMMITMENTS**

Litigation – On September 30, 2022, the Authority, from time-to-time, may be involved with lawsuits arising in the ordinary course of business. In the opinion of the Authority's management, any liability resulting from such litigation would not be material in relation to the Authority's financial position and results of operations.

#### Contingencies

The Authority is subject to possible examinations made by federal and state authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended September 30, 2022.

#### Other Insurance

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; injuries to employees; errors and omissions; natural disasters; etc. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**

Notes to Financial Statements  
September 30, 2022

**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.

The severity of the impact of COVID-19 on the Authority operations will depend on several factors, including, but limited to, the duration and severity of the pandemic and the extent and severity of the impact on the Authority's tenants, employees and vendors, all of which are uncertain and cannot be predicted. The Authority's future results could be adversely impacted by delays in rent collections. Management is unable to predict with absolute certainty the impact of COVID-19 on its financial conditions, results of operations or cash flows.

Events that occur after the statement of net assets date but before the financial statements were available to be issued, must be evaluated for recognition or disclosed. The effects of subsequent events provide evidence about conditions that existed after the statement of net assets date required disclosure in the accompanying notes. Management has evaluated the activity of the Authority thru April 28 2023, 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, 2022

**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.

	2022	2021	2020	2019
Housing Authority's proportion of the net pension liability	0.001653807%	0.001674940%	0.001581157%	0.001581157%
Housing Authority's proportionate share of the net pension liability	\$ 195,919	\$ 273,139	\$ 284,901	\$ 284,901
Housing Authority's covered employee payroll	\$ 50,707	\$ 160,485	\$ 134,004	\$ 128,452
Housing Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	386.37%	170.20%	212.61%	221.80%
Plan fiduciary net position as a percentage of the total pension liability	29.35%	24.08%	43.42%	43.42%

*\*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, 2022

**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.

	2018	2017	2016	2015
Housing Authority's proportion of the net pension liability	0.19477700%	0.00137695%	0.00087788%	0.00077210%
Housing Authority's proportionate share of the net pension liability	\$ 382,506	\$ 320,533	\$ 260,004	\$ 173,321
Housing Authority's covered employee payroll	\$ 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	341.46%	244.76%	262.32%	244.08%
Plan fiduciary net position as a percentage of the total pension liability	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, 2022

**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.

	2022	2021	2020	2019
Contractually required contribution	\$ 19,368	\$ 18,323	\$ 15,380	\$ 15,380
Contribution in relation to the contractually required contribution	(19,368)	(18,323)	(15,380)	(15,380)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 50,707	\$ 160,485	\$ 134,004	\$ 128,452
Contribution as a percentage of covered employee payroll	38.20%	11.42%	11.48%	11.97%

*\*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, 2022

**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.

	2018	2017	2016	2015
Contractually required contribution	\$ 19,374	\$ 12,756	\$ 7,799	\$ 6,638
Contribution in relation to the contractually required contribution	(19,374)	(12,756)	(7,799)	(6,638)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 112,021	\$ 130,956	\$ 99,116	\$ 71,009
Contribution as a percentage of covered employee payroll	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, 2022**

Programs funded by:  
U.S. Department of Housing and Urban Development

<u>CFDA #'s</u>	<u>Beginning Balance</u>	<u>Revenue Recognized</u>	<u>Fiscal Year Expenditures</u>	<u>Ending Balance</u>
<u>Public and Indian Housing Program</u>				
NJ042 14.850	-	208,176	208,176	-
Grant Total 14.850	-	208,176	208,176	-
<u>Section 8 Housing Choice Voucher Program</u>				
NJ39P042 14.871	-	2,975,695	2,975,695	-
Grant Total 14.871	-	2,975,695	2,975,695	-
<u>Public Housing Capital Fund Program</u>				
NJ39P042 14.872	-	262,743	262,743	-
Grant Total 14.872	-	262,743	262,743	-
Total Expenditures of Federal Awards	\$ -	\$ 3,446,614	\$ 3,446,614	\$ -

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED SEPTEMBER 30, 2022**

**Note 1. Presentation:**

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, 2022. 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 on September 30, 2022.

**Note 5. Non- Cash Federal Assistance:**

The Authority did not receive any non-cash Federal assistance for the year ended September 30, 2022.

**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 Township Housing Authority (NJ042)  
SOMERSET, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
			14,871			
111 Cash - Unrestricted	\$1,101,178	\$70,384	\$602,038	\$1,773,600		\$1,773,600
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted			\$115,332	\$115,332		\$115,332
114 Cash - Tenant Security Deposits						
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	\$1,101,178	\$70,384	\$717,370	\$1,888,932	\$0	\$1,888,932
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects	\$262,743			\$262,743		\$262,743
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
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	\$262,743	\$0	\$0	\$262,743	\$0	\$262,743
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$990			\$990		\$990
143 Inventories						
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From	\$792,967			\$792,967	-\$792,967	\$0
145 Assets Held for Sale						
150 Total Current Assets	\$2,157,878	\$70,384	\$717,370	\$2,945,632	-\$792,967	\$2,152,665
161 Land						
162 Buildings						

Franklin Township Housing Authority (NJ042)

SOMERSET, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
163 Furniture, Equipment & Machinery - Dwellings			14,871			
164 Furniture, Equipment & Machinery - Administration	\$14,305			\$14,305		\$14,305
165 Leasehold Improvements						
166 Accumulated Depreciation	-\$10,252			-\$10,252		-\$10,252
167 Construction in Progress						
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$4,053	\$0	\$0	\$4,053	\$0	\$4,053
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	\$645,649	\$900,000	\$0	\$1,545,649	\$0	\$1,545,649
200 Deferred Outflow of Resources	\$47,675		\$16,169	\$63,844		\$63,844
290 Total Assets and Deferred Outflow of Resources	\$2,851,202	\$970,384	\$733,539	\$4,555,125	-\$792,967	\$3,762,158
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$13,992		\$31,897	\$45,889		\$45,889
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable						
322 Accrued Compensated Absences - Current Portion			\$423	\$423		\$423
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	\$697,442			\$697,442		\$697,442
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue						



Franklin Township Housing Authority (NJ042)  
SOMERSET, NJ

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
344 Current Portion of Long-term Debt - Operating Borrowings			14,871			
345 Other Current Liabilities						
346 Accrued Liabilities - Other		\$792,967		\$792,967	-\$792,967	\$0
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	\$711,434	\$792,967	\$32,320	\$1,536,721	-\$792,967	\$743,754
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	\$1,411		\$3,811	\$5,222		\$5,222
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities	\$75,778		\$120,141	\$195,919		\$195,919
350 Total Non-Current Liabilities	\$77,189	\$0	\$123,952	\$201,141	\$0	\$201,141
300 Total Liabilities	\$788,623	\$792,967	\$156,272	\$1,737,862	-\$792,967	\$944,895
400 Deferred Inflow of Resources	\$22,002		\$139,696	\$161,698		\$161,698
508.4 Net Investment in Capital Assets	\$4,053	\$0	\$0	\$4,053		\$4,053
511.4 Restricted Net Position	\$641,596	\$0	\$115,332	\$756,928		\$756,928
512.4 Unrestricted Net Position	\$1,394,928	\$177,417	\$322,239	\$1,894,584		\$1,894,584
513 Total Equity - Net Assets / Position	\$2,040,577	\$177,417	\$437,571	\$2,655,565	\$0	\$2,655,565
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,851,202	\$970,384	\$733,539	\$4,555,125	-\$792,967	\$3,762,158

Franklin Township Housing Authority (NJ042)  
SOMERSET, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			14,871			
70400 Tenant Revenue - Other						
70500 Total Tenant Revenue	\$0	\$0	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants	\$470,919		\$2,975,695	\$3,446,614		\$3,446,614
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				\$0	\$0	\$0
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$1,522	\$90	\$1,552	\$3,164		\$3,164
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery			\$8,552	\$8,552		\$8,552
71500 Other Revenue	\$100	\$13,159	\$789,066	\$802,325		\$802,325
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$472,541	\$13,249	\$3,774,865	\$4,260,655	\$0	\$4,260,655
91100 Administrative Salaries	\$6,227		\$44,480	\$50,707		\$50,707
91200 Auditing Fees	\$4,700		\$4,700	\$9,400		\$9,400
91300 Management Fee	\$210,570		\$123,225	\$333,795		\$333,795
91310 Book-keeping Fee						
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	\$4,491		\$7,024	\$11,515		\$11,515
91600 Office Expenses	\$23,747		\$61,239	\$84,986		\$84,986

Franklin Township Housing Authority (NJ042)  
SOMERSET, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
			14,871			
91700 Legal Expense	\$5,823		\$17,470	\$23,293		\$23,293
91800 Travel			\$675	\$675		\$675
91810 Allocated Overhead						
91900 Other	\$4,300		\$18,200	\$22,500		\$22,500
91000 Total Operating - Administrative	\$259,858	\$0	\$277,013	\$536,871	\$0	\$536,871
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	\$0
93100 Water						
93200 Electricity	\$1,792		\$1,224	\$3,016		\$3,016
93300 Gas						
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	\$1,792	\$0	\$1,224	\$3,016	\$0	\$3,016
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	\$0
95100 Protective Services - Labor						

Franklin Township Housing Authority (NJ042)  
SOMERSET, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
95200 Protective Services - Other Contract Costs			14,871			
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective Services						
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance						
96120 Liability Insurance						
96130 Workmen's Compensation						
96140 All Other Insurance	\$2,649		\$2,067	\$4,716		\$4,716
96100 Total Insurance Premiums	\$2,649	\$0	\$2,067	\$4,716	\$0	\$4,716
96200 Other General Expenses		\$320,000	\$19,402	\$339,402		\$339,402
96210 Compensated Absences	\$1,411		\$3,348	\$4,759		\$4,759
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	\$1,411	\$320,000	\$22,750	\$344,161	\$0	\$344,161
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	\$0
96900 Total Operating Expenses	\$265,710	\$320,000	\$303,054	\$888,764	\$0	\$888,764
97000 Excess of Operating Revenue over Operating Expenses	\$206,831	-\$306,751	\$3,471,811	\$3,371,891	\$0	\$3,371,891
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						

Franklin Township Housing Authority (NJ042)  
SOMERSET, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
			14,871			
97300 Housing Assistance Payments			\$2,593,305	\$2,593,305		\$2,593,305
97350 HAP Portability-In			\$729,759	\$729,759		\$729,759
97400 Depreciation Expense	\$2,861			\$2,861		\$2,861
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$268,571	\$320,000	\$3,626,118	\$4,214,689	\$0	\$4,214,689
10010 Operating Transfer In	\$262,743			\$262,743	-\$262,743	\$0
10020 Operating transfer Out	-\$262,743			-\$262,743	\$262,743	\$0
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	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under)	\$203,970	-\$306,751	\$148,747	\$45,966	\$0	\$45,966
Total Expenses						
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$1,836,607	\$484,168	\$288,824	\$2,609,599		\$2,609,599
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						

Franklin Township Housing Authority (NJ042)  
SOMERSET, NJ

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	1 Business Activities	Housing Choice Vouchers	Subtotal	ELIM	Total
11070 Changes in Unrecognized Pension Transition Liability			14,871			
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			\$322,239	\$322,239		\$322,239
11180 Housing Assistance Payments Equity			\$115,332	\$115,332		\$115,332
11190 Unit Months Available	600		2760	3360		3360
11210 Number of Unit Months Leased	585		2653	3238		3238
11270 Excess Cash	\$1,445,454			\$1,445,454		\$1,445,454
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	\$0			\$0		\$0
11650 Leasehold Improvements Purchases	\$0			\$0		\$0
11660 Infrastructure Purchases	\$0			\$0		\$0
13510 CFFP Debt Service Payments	\$0			\$0		\$0
13901 Replacement Housing Factor Funds	\$0			\$0		\$0

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

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 governmental activities, and business type activities of Housing Authority of the Township of Franklin, as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise Housing Authority of the Township of Franklin's basic financial statements, and have issued our report thereon dated April 28, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Housing Authority of the Township of Franklin's internal control over financial reporting (internal control) as a basis for designing 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's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Housing Authority of the Township of Franklin's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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.

***Giampaolo & Associates***

Lincroft, New Jersey

Date: April 28, 2023



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND 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  
*Opinion on Each Major Federal Program***

We have audited Housing Authority of the Township of Franklin's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the Township of Franklin's major federal programs for the year ended September 30, 2022. Housing Authority of the Township of Franklin's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2022.

***Basis for Opinion on Each Major Federal Program***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Housing Authority of the Township of Franklin and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Housing Authority of the Township of Franklin's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Housing Authority of the Township of Franklin's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the Township of Franklin's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Authority of the Township of Franklin's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the Township of Franklin's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the Township of Franklin's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Housing Authority of the Township of Franklin's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***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, 2022.

### **Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

***Giampaolo & Associates***

Lincroft, New Jersey

Date: April 28, 2023

**HOUSING AUTHORITY OF THE TOWNSHIP OF FRANKLIN**  
 Schedule of Findings, Questioned Costs, and Recommendations  
 Year Ended September 30, 2022

**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	\$ 2,975,695
14.872	Public Housing Capital Fund Program	\$ 262,743

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

**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 procedures enumerated below on whether the electronic submission of certain information agrees with the hard copy documents within the reporting package for the year ended September 30, 2022. The U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC) is responsible for the Uniform Financial Reporting Standards (UFRS) procedures.

Housing Authority of the Township of Franklin has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of complying with the REAC’s UFRS requirements for the submission of the PHA financial data for the year ended September 30, 2022. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are as follows:

<b>Procedure</b>	<b>UFRS Rule Information</b>	<b>Hardcopy Documents</b>	<b>Agrees</b>	<b>Does Not Agree</b>
<b>1</b>	Balance Sheet and Revenue and Expense (Data lines 111 to 13901)	Financial Data Schedule of all CFDAs, If Applicable	Yes	
<b>2</b>	Footnotes (data element G5000-010)	Footnotes to the audited basic financial statements	Yes	
<b>3</b>	Type of Opinion on FDS (data element G3100-040)	Auditors Report on Supplemental Data	Yes	
<b>4</b>	Audit findings narrative (date element G5200-010)	Schedule of Findings and Questioned Costs	Yes	

Procedure	UFRS Rule Information	Hardcopy Documents	Agrees	Does Not Agree
5	General Information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Yes	
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	Yes	
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	Yes	
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Yes	
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Yes	

We were engaged by Housing Authority of the Township of Franklin to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on UFRS Rule Information. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of REAC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

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

***Giampaolo & Associates***

Lincroft, New Jersey

April 28, 2023