

**NEWPORT HOUSING AUTHORITY**  
Newport, Tennessee

**AUDIT REPORT**

For the Year Ended September 30, 2022

TABLE OF CONTENTS

	<u>Page</u>
Roster of Management Officials and Board Members .....	i
Independent Auditor's Report .....	1
Management’s Discussion and Analysis (MD&A) .....	4
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position – Proprietary Fund Type .....	12
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund Type.....	13
Statement of Cash Flows - Proprietary Fund Type .....	14
Notes to Financial Statements .....	15
<b>SUPPLEMENTARY INFORMATION:</b>	
Statement and Certification of Actual Capital Fund Program Costs.....	29
Schedule of Expenditures of Federal Awards .....	30
Financial Data Schedule .....	31
<b>SINGLE AUDIT SECTION</b>	
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 .....	39
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance .....	41
Schedule of Findings and Questioned Costs .....	44
Summary Schedule of Prior Year Findings.....	45

**NEWPORT HOUSING AUTHORITY**  
**ROSTER OF MANAGEMENT OFFICIALS AND BOARD MEMBERS**  
**September 30, 2022**

Richard Harwood, Chair  
Mitchell Webb, Vice Chair  
Mike Hannon, Commissioner  
Sheila Pruitt, Commissioner  
Genevieve Dalton, Resident Commissioner  
Walter Cole, Secretary/Director

Member:

American Institute of CPAs

Georgia Society of CPAs

# Chang & Company CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4360 Chamblee Dunwoody Rd, Suite 206 \* Atlanta, Georgia 30341 \* (678) 281-0450 \* cpa@changcocpa.com

## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Newport Housing Authority  
Newport, Tennessee

### Report on the Audit of the Financial Statements Opinions

We have audited the financial statements of the business-type activities of Newport Housing Authority, as of and for the year ended September 30, 2022, and the related notes to financial statements, which collectively comprise Newport Housing Authority's basic financial statements as listed in the table of contents. In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities and unit of Newport Housing Authority 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 (GAAS) 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 Newport Housing Authority 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

Newport Housing Authority's 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 Newport Housing Authority's ability to continue as a going concern for one year after the date that the financial statements are issued.

## **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 GAAS 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 GAAS 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 Newport Housing Authority'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 Newport Housing Authority'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 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 Newport Housing Authority's basic financial statements. The supplemental information as shown in the table of contents and the schedule of expenditures of federal awards, which is required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. That information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, that information 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 17, 2023 on our consideration of Newport Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Newport Housing Authority'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 Newport Housing Authority's internal control over financial reporting and compliance.

*Chang & Company CPAs, P.C.*

Atlanta, Georgia  
April 17, 2023

**Newport Housing Authority**  
Newport, Tennessee  
Management's Discussion and Analysis  
September 30, 2022

The Newport Housing Authority's (the Authority's) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges), and (d) identify individual program issues or concerns. The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued September 1999.

The Management's Discussion and Analysis (MD&A) provides a narrative that should be read in conjunction with the Authority's financial statements to obtain a full understanding of its financial position. Questions concerning the information provided in the discussion or requests for additional information should be addressed to the Authority's Executive Director.

**FINANCIAL HIGHLIGHTS**

As of September 30, 2022, total assets and deferred outflow of resources were \$11,030,733 as compared to \$10,488,638, as of September 30, 2021, an increase of \$542,095, or 5.17%. Current assets increased \$544,359, capital assets decreased \$239,405, and Other Assets increased by \$237,141.

Total liabilities decreased \$7,719 primarily due to decreases in Accounts Payable of \$3,826, Accrued Wages/ Payroll Taxes Payable of \$9,495, Accounts Payable – Other Government of \$5,852, and Accrued Liabilities – Other of \$12,573 offset by increases in Accrued Compensated Absences – Current Portion of \$9,093, Tenant Security Deposits of \$2,009, Unearned Revenue of \$1,030, Current Portion of Long Term Debt of \$1,610, Long Term Debt of \$4,032, and Accrued Compensated Absences Non-Current of \$6,610.

In 2022, total revenue increased \$194,567, compared to 2021, primarily due to increases in Total Tenant Revenue of \$86,315, HUD PHA Operating Grants of \$170,791, and Investment Income of \$16,245 offset by decreases in Capital Grants of \$43,111, Other Government Grants of \$15,614, Other Revenue of \$8,555, and Gain on Sale of Capital Assets of \$11,504.

Total expenses increased \$366,416, or 11.72%, primarily due to increases in Utilities Expense of \$117,049, Maintenance Expense of \$232,865, Other General Expenses of \$5,278, and Depreciation Expense of \$8,199 offset by a decrease in Administrative Expenses of \$10,615.

**OVERVIEW OF THE FINANCIAL REPORTS**

The following outline describes the integral parts of the financial presentation and is a guideline for understanding its components:

- I. The MD&A serves as an introduction to the Authority's financial statements.
- II. Financial Statements
  - a. Financial statements
  - b. Notes to the financial statements
- III. Other Required Supplementary Information

## **Overview of the Financial Reports (continued)**

The annual report includes a Management Discussion and Analysis report, the Basic Financial Statements, the Notes to the Financial Statements, and the Financial Data Schedule (FDS) as referenced in the section of Supplemental Information Required by HUD. The financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements report information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes assets and liabilities plus provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating capital structure to include assessing liquidity and financial flexibility.

For accounting purposes, the Housing Authority is classified as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector where the determination of net position is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which assets and liabilities, associated with the operation of these funds, are included on the Statement of Net Position.

Their focus is on income measurement which, together with the maintenance of equity, is an important financial indicator. Our discussion and analysis provides an overview of the financial activities and performance of the Newport Housing Authority for year-ending September 30, 2022.

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Fund Net Position. This statement measures the ability of management to meet budgets, maintain the property (meet HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered all its costs through its rental fees and other charges.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and capital and related financing activities plus provides answers to such questions as where did cash come from, what was cash used for, and what was the change in the cash balance during the reporting period.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format. This financial information has been electronically transmitted to the Real Estate Assessment Center (REAC) for the year-ended September 30, 2022.



**Newport Housing Authority**  
**Management's Discussion and Analysis**  
September 30, 2022

## Financial Analysis

One of the most important questions asked about the Authority's finances; "Has the Housing Authority's financial position improved as a result of the achievements of the reported fiscal year?" The information presented in this Management's Discussion and Analysis is to assist the reader in answering this question.

The basic financial statements are the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position and Statement of Cash Flows. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on September 30, 2022. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarize the revenues, and sources of those revenues, generated and the expenses incurred in operating the Housing Authority for the year-ended September 30, 2022.

Newport Housing Authority has a public housing program that provides housing for qualified tenants and a capital fund program that the Housing Authority uses for improvements to its public housing property. The following analysis focuses on the net position and the change in net position of the Housing Authority as a *whole* and not the individual programs.

### Statement of Net Position September 30, 2022

	<b>FY 2022</b>	<b>FY 2021</b>	<b>Variance</b>	<b>% Change</b>
Cash and Investments	\$ 3,215,410	\$ 2,699,834	\$ 515,576	19.10%
Other Current Assets	199,121	170,338	28,783	16.90%
Total Current Assets	3,414,531	2,870,172	544,359	18.97%
Capital Assets	7,616,202	7,618,466	(2,264)	-0.03%
Total Assets	11,030,733	10,488,638	542,095	5.17%
Deferred Outflow of Resources	-	-	-	0.00%
Total Assets and Deferred Outflow of Resources	11,030,733	10,488,638	542,095	5.17%
Current Liabilities	342,369	360,730	(18,361)	-5.09%
Non-Current Liabilities	53,952	43,310	10,642	24.57%
Total Liabilities	396,321	404,040	(7,719)	-1.91%
Deferred Inflow of Resources	285,800	-	285,800	100.00%
Net Position				
Net Investment in Capital Assets	7,373,419	7,618,466	(245,047)	-3.22%
Unrestricted Net Position	2,975,193	2,466,132	509,061	20.64%
Total Net Position	10,348,612	10,084,598	264,014	2.62%
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 11,030,733	\$ 10,488,638	\$ 542,095	5.17%

**Newport Housing Authority**  
**Management's Discussion and Analysis**  
September 30, 2022

**Assets:**

Current assets are resources that are reasonably expected, based on the plans and intentions of the Authority, to be converted into cash or its equivalent during the next twelve months.

As of September 30, 2022, current assets were \$3,414,531 as compared to \$2,870,172, as of September 30, 2021, an increase of \$544,359. Current assets increased primarily due to increases in Cash-Tenant Security Deposits of \$2,009, Accounts Receivables – Miscellaneous of \$52,079, Accounts Receivable – Tenants Rents of \$16,854, Fraud Recovery of \$9,297, and Investments – Unrestricted of \$810,033 offset by decreases in and Cash- Unrestricted of \$296,466, Accounts Receivable – HUD of \$20,094, Prepaid Expenses of \$20,077, and Inventories of \$7,401.

Capital assets are long-term tangible assets obtained as a result of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land. Capital assets decreased \$239,405 due to an increase Accumulated Depreciation of \$616,629 and decreases in Administration Equipment of \$19,246 and Leasehold Improvements of \$1,720 offset by increases in Buildings of \$389,411 and Construction in Progress of \$8,779.

**CAPITAL ASSETS AT YEAR-END (Net of Depreciation)**

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Variance</u>
Non-depreciable assets:			
Land	\$ 433,338	\$ 433,338	\$ -
Construction in progress	849,524	840,745	8,779
Total non-depreciable	<u>1,282,862</u>	<u>1,274,083</u>	<u>8,779</u>
Depreciable assets:			
Buildings	22,627,489	22,238,078	389,411
Furniture, Equipment & Machinery			
– Dwellings	-	-	-
– Administration	653,296	672,542	(19,246)
Leasehold Improvements	1,973,797	1,975,517	(1,720)
Total depreciable assets	<u>25,254,582</u>	<u>24,886,137</u>	<u>368,445</u>
Less accumulated depreciation	<u>(19,158,383)</u>	<u>(18,541,754)</u>	<u>(616,629)</u>
Book value – depreciable assets	<u>\$ 6,096,199</u>	<u>\$ 6,344,383</u>	<u>\$ (248,184)</u>
Percentage depreciated	75.86%	74.51%	
Book value – all assets	<u>\$ 7,379,061</u>	<u>\$ 7,618,466</u>	<u>\$ (239,405)</u>

The Housing Authority expended \$406,359 for capital asset additions in fiscal year 2022 which included \$403,319 in Buildings and \$3,040 in Administrative Equipment purchases. Capital assets decreased \$239,405 due to current year additions of \$406,359 less current year depreciation of \$641,063 and unrecovered book cost of \$8,603 plus a prior period adjustment due to leases of \$3,902.

**Newport Housing Authority**  
**Management's Discussion and Analysis**  
September 30, 2022

**Liabilities:**

Current liabilities are current debts that are owed by the Authority and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt.

As of September 30, 2022, current liabilities were \$342,369 as compared to \$360,730, as of September 30, 2021, a decrease of \$18,361. The change is primarily due to decreases in Accounts Payable of \$3,826, Accrued Wages/ Payroll Taxes Payable of \$9,495, Accounts Payable – Other Government of \$5,852, and Accrued Liabilities – Other of \$12,573 offset by increases in Accrued Compensated Absences – Current Portion of \$9,093, Tenant Security Deposits of \$2,009, Unearned revenue of \$1,030, Current Portion of Long-Term Debt of \$1,610.

Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume the Authority's current financial resources to satisfy the debt. The Authority had \$49,920 in Accrued Compensated Absences- Non-Current as of September 30, 2022, as compared to \$43,310 as of September 30, 2021, an increase of \$6,610.

**Debt:**

The Authority had an increase of \$4,032 in Long- Term Debt due to implementation of GASB 87: Leases.

**Net Position:**

As of September 30, 2022, the Housing Authority had \$10,348,612 in total net position. Of this amount, \$2,975,193 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$7,373,419 represents the investment in capital assets of land, buildings, furnishings, leasehold improvements, and equipment.

**Expendable Fund Balance:**

The expendable fund balance is a measure of the entity's liquidity. If current assets, less materials inventory, are converted to cash and the Authority pays all current liabilities, the amount of cash remaining is the expendable fund balance. Newport Housing Authority's expendable fund balance increased \$570,991 due to an increase in current assets and by a decrease in current liabilities (figures based on the 2021 and 2022 FDS information).

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
<b>Expendable Fund Balance</b>	<u>\$ 3,002,984</u>	<u>\$ 2,431,993</u>	<u>\$ 570,991</u>	<u>23.48%</u>
<b>Number of Months Expendable</b>	<u>12.63</u>	<u>11.70</u>	<u>0.93</u>	<u>7.97%</u>

**Newport Housing Authority**  
**Management's Discussion and Analysis**  
September 30, 2022

**Number of Months Expendable Fund Balance:**

The number of months in expendable funds is a measure of how many months the Authority could operate under current conditions without any additional income. It is derived by dividing the expendable fund balance by average monthly expenses. Average monthly expenses are calculated by dividing the total expenses for the year, less depreciation, by twelve (12). The Authority's number of months expendable fund balance increased 0.93 months due to an increase in the expendable fund balance offset by an increase in average monthly expenses (figures based on the 2021 and 2022 FDS information).

**Statement of Revenues, Expenses, and Changes in Fund Net Position**

For the Year Ended September 30, 2022

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
<b>Revenue:</b>				
Tenant Revenue	\$ 1,487,836	\$ 1,401,521	\$ 86,315	6.16%
Federal Grants & Subsidy	2,147,853	2,035,787	112,066	5.50%
Investment Income	62,967	46,722	16,245	34.77%
Other Income	64,856	73,411	(8,555)	-11.65%
Gain/Loss on Sale of Cap Assets	(8,603)	2,901	(11,504)	-396.55%
<b>Total Revenue</b>	<b><u>3,754,909</u></b>	<b><u>3,560,342</u></b>	<b><u>194,567</u></b>	<b><u>5.46%</u></b>
<b>Expenses:</b>				
Administrative	747,425	758,040	(10,615)	-1.40%
Tenant Services	18,357	15,775	2,582	16.37%
Utilities	881,393	764,344	117,049	15.31%
Routine Maintenance	976,567	743,702	232,865	31.31%
Protective Services	7,871	7,454	417	5.59%
General Expenses	221,162	205,407	15,755	7.67%
Interest Expense	164	-	164	100.00%
Non-Routine Expenses	-	-	-	0.00%
Depreciation	641,063	632,864	8,199	1.30%
<b>Total Operating Expenses</b>	<b><u>3,494,002</u></b>	<b><u>3,127,586</u></b>	<b><u>366,416</u></b>	<b><u>11.72%</u></b>
<b>Increase (Decrease) in Net Position</b>	<b><u>\$ 260,907</u></b>	<b><u>\$ 432,756</u></b>	<b><u>\$ (171,849)</u></b>	<b><u>-39.71%</u></b>

**Revenues:**

The main revenue sources are rents and other tenant charges and/or income received from the Department of Housing and Urban Development (HUD) in the form of operating subsidies and capital improvement grants.

Total Tenant revenue increased \$86,315 due to an increase in Net Tenant Rental Revenue of \$75,283 and Tenant Revenue- Other of \$11,032.

HUD revenue will often vary from year to year since it is dependent on the federal budget (operating subsidy) and availability and/or use of grant revenues. In 2022, Newport Housing Authority's operating grants increased \$170,791. Capital Grants decreased \$43,111. Other Government Grants decreased by \$15,614.

**Newport Housing Authority**  
**Management's Discussion and Analysis**  
September 30, 2022

Investment income increased \$16,245 and Other Revenue decreased \$8,555. The Authority had a decrease in Gain/Loss on Sale of Capital Assets of \$11,504. Changes in investment income are generally governed by the amount of monies invested and the rates of returns on those investments.

**Expenses:**

Administration – Administrative costs include all non-maintenance and non-resident service personnel cost (including benefits and accrued leave), legal cost, auditing cost, travel and training cost, and other administrative cost such as supplies, telephone costs, etc. Administrative Expenses decreased \$10,615, from \$758,040 to \$747,425, primarily due to decreases in Other Expenses of \$66,583 offset by increases in Administrative Salaries of \$27,036 and Employee Benefits of \$27,298.

Utilities increased by \$117,049, from \$764,344 to \$881,393, primarily due to increases in Electricity Expense of \$64,901, and Sewer Expense of \$49,843.

Routine maintenance costs are all the costs incurred by the Authority to maintain its public housing units in a decent, safe and sanitary manner. Costs include personnel costs, materials, and contracts for waste management, maintenance on vehicles and equipment, grounds cutting, etc. Maintenance Expense increased \$232,865, from \$743,702 to \$976,567, primarily due to an increase in Labor Expense of \$95,604, Materials Expense of \$19,609, and Contracts Expense of \$127,537 offset by a decrease in Employee Benefits of \$9,885.

Other General Expenses – General expenses include insurance expense, compensated absences, collection losses, and payment in lieu of taxes. Total Other General Expenses increased \$5,278, from \$144,338 to \$149,616, primarily due to an increase in Compensated Absence Expense of \$7,879 and Bad Debt – Tenant Rents of \$3,251 offset by a decrease in Payment in Lieu of Taxes of \$5,852.

Depreciation – The costs of all capitalized additions are spread over the estimated useful life of an asset as depreciation. Depreciation Expense increased by \$8,199.

**Economic Factors:**

The Housing Authority is primarily dependent upon HUD for the funding of operations. The entity is affected by both federal budgetary decisions and by local economic conditions.

Significant economic factors affecting the Authority are as follows:

- Local inflationary, recessionary and employment trends, which can affect resident incomes and, therefore, the amount of rental income. The local (Cocke County) unemployment rate in 2022 was 4.1%, compared to 4.1% in FY 2021, which is no change from the prior year, respectively.
- Congressional funding of the Department of Housing and Urban Development. The Authority's eligibility for calendar year 2022 was \$1,173,923. HUD provided funding at

**Newport Housing Authority**  
**Management's Discussion and Analysis**  
September 30, 2022

96.74% of the eligible amount in 2021 and 104.93% in 2022. Due to the proration of funding, the Authority will receive approximately \$1,231,786 for calendar year 2022.

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

**Contacting the Housing Authority's Financial Management:**

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Housing Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Walter Cole, Executive Director, Newport Housing Authority, 440 Lennon Circle, Newport, TN 37821 telephone number (423) 623-1575.

NEWPORT HOUSING AUTHORITY  
Newport, Tennessee

STATEMENT OF NET POSITION – PROPRIETARY FUND TYPE

As of September 30, 2022

ASSETS	
Current Assets:	
Cash and cash equivalents - unrestricted	\$ 531,397
Cash and cash equivalents - restricted	85,625
Investments	2,598,388
Due from HUD	6,989
Accounts receivable (net)	89,665
Material inventory (net of allowance)	70,788
Prepaid expenses	31,679
Total current assets	3,414,531
Noncurrent Assets:	
Capital Assets:	
Nondepreciable capital assets	433,338
Depreciable capital assets, net	6,096,199
Construction in progress	849,524
Total capital assets	7,379,061
Other Assets	
Total assets	11,030,733
Deferred outflows of resources	
Total assets and deferred outflows of resources	\$ 11,030,733
LIABILITIES	
Current Liabilities:	
Accounts payable and accrued expenses	\$ 82,729
Accrued salaries	23,878
Tenant security deposits	85,625
Due to other governments	56,710
Accrued compensated absences	74,958
Unearned revenues	16,859
Current portion of long-term debt	1,610
Total current liabilities	342,369
Noncurrent Liabilities:	
Accrued compensated absences	49,920
Long-term debt	4,032
Total noncurrent liabilities	53,952
Total liabilities	396,321
Deferred inflows of resources	
Total liabilities, deferred inflows of resources, and net position	285,800
NET POSITION	
Net investment in capital assets	7,373,419
Unrestricted net position	2,975,193
Total net position	10,348,612
Total liabilities, deferred inflows of resources, and net position	\$ 11,030,733

*See auditor's report.*

*The notes to the financial statements are an integral part of this statement.*

NEWPORT HOUSING AUTHORITY  
Newport, Tennessee

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN NET POSITION – PROPRIETARY FUND TYPE

For the year ended September 30, 2022

Operating revenues:	
Tenant rental revenue (net of collection loss of \$25,719)	\$ 1,462,117
HUD PHA grants	1,744,534
Other revenue	64,856
Total operating revenues	<u>3,271,507</u>
Operating expenses:	
Administration	747,425
Utilities	881,393
Ordinary maintenance	976,567
Depreciation	641,063
General expenses	123,897
Insurance	71,546
Tenant services	18,357
Protective services	7,871
Total operating expenses	<u>3,468,119</u>
Operating income (loss)	<u>(196,612)</u>
Nonoperating revenue (expenses):	
Gain (loss) on sale of capital assets	(8,603)
Interest income	62,967
Interest expense	(164)
Total nonoperating revenue (expenses)	<u>54,200</u>
Net income (loss) before contributions	(142,412)
Contributions – capital grants	<u>403,319</u>
Increase (decrease) in net position	260,907
Net position, beginning of year, as restated	<u>10,087,705</u>
Net position, end of year	<u>\$ 10,348,612</u>

*See auditor's report.*

*The notes to the financial statements are an integral part of this statement.*



NEWPORT HOUSING AUTHORITY  
Newport, Tennessee

STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPE

For the year ended September 30, 2022

<hr/> <hr/>	
Cash flows provided from operating activities:	
Cash received from tenants/others	\$ 1,442,755
Cash paid for goods and services	(1,990,793)
Operating grants and subsidies	1,764,628
Cash paid to employees for services	(755,613)
Net cash provided from operating activities	<u>460,977</u>
 Cash flows from noncapital financing activities	 <u>-</u>
 Cash flows used by capital and related financing activities:	
Proceeds on sale of capital assets	
Purchase of equipment/capital assets	(411,523)
Contributions received for capital outlays	403,319
Net cash used by capital and related financing activities	<u>(8,204)</u>
 Cash flows used by investing activities:	
Purchase of investments	(810,033)
Interest on investments	62,967
Interest expense	(164)
Net cash flows used by investing activities	<u>(747,230)</u>
 Net increase (decrease) in cash and cash equivalents	 (294,457)
 Cash and cash equivalents at beginning of year	 911,479
Cash and cash equivalents at end of year	<u>\$ 617,022</u>
 Reconciliation of operating income (loss) to net cash provided from operating activities:	
Operating income (loss)	<u>\$ (196,612)</u>
 Adjustments to reconcile operating income (loss) to net cash provided from operating activities:	
Depreciation	641,063
Prior period adjustment affecting assets and liabilities	3,107
(Increase) decrease in accounts receivable	(55,521)
(Increase) decrease in inventory and prepaid insurance	26,738
(Increase) decrease in lease receivable	(237,141)
Increase (decrease) in accounts payable, accrued liabilities, security deposits	(23,190)
Increase (decrease) in unearned revenues	1,030
Increase (decrease) in accrued compensated absences	15,703
Increase (decrease) in deferred inflows of resources	285,800
Total adjustments	<u>657,589</u>
Net cash provided from operating activities	<u>\$ 460,977</u>

*See auditor's report.*

*The notes to the financial statements are an integral part of this statement.*

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The financial statements of the Newport Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity

The Newport Housing Authority is a public body and a body corporate and politic created under the Authority of Chapter 157 of the General Statutes of the State of Tennessee. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of Newport, Tennessee.

The Board of Commissioners of the Authority are appointed to five-year terms by the Mayor of the City of Newport and the City of Newport has the ability to remove the appointed board members for cause. However, the Authority is not a component unit of the financial reporting entity of the City of Newport since it designates its own management, approves its own budget, and maintains its own accounting system. In addition, the City provides no financial support to the Authority and is not obligated for the Authority's debts or entitled to any surpluses of the Authority. The City is not financially accountable for the Authority since it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of Newport.

Included within the reporting entity:

BUSINESS-TYPE ACTIVITIES (PROPRIETARY FUND)

Major funds:

Public Housing Fund

This fund owns and operates HUD-subsidized rental apartments and includes the activities of HUD grants provided specifically for public housing facilities, tenants, and activities. This fund includes the Low-rent Public Housing operating subsidy program, and the Public Housing Capital Fund Program.

Central Office Cost Center  
Fund

This fund is used to account for administrative functions provided by the Authority for its other programs. This includes the costs of the Authority's Executive and other administrative services.

In evaluating the Authority's reporting entity in accordance with GASB Statements 14, 39, and 61, management determined that no other entities or organizations met the criteria for inclusion in the Authority's financial statements. In accordance with the applicable guidance, management evaluated whether the authority is financially accountable for an entity as well as the significance of the relationship. The following criteria were used in this evaluation: the ability of the Authority to appoint a voting majority of the organization's governing body; whether the Authority can impose its will on the organization; whether the organization provides specific financial benefits to or imposes a specific financial burden on the Authority; and whether the organization is fiscally dependent on the Authority.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

B. Description of a Public Housing Authority

Funding for the Newport Housing Authority is from the United States Department of Housing and Urban Development (HUD) and from payments received from tenants of the Authority owned housing. Under the Low Rent Housing Program, low-income tenants pay a portion of the rental cost of public housing, based upon the income and need of the tenants. HUD funds the difference between the actual costs to operate the Authority and the amounts paid by tenants through operating subsidies. The subsidies are made to the Authority under the terms and conditions of the annual contributions contract with HUD.

The Authority also receives grants through a Capital Fund program. These grants are provided to modernize and improve the Authority's public housing developments. These grants are also used to fund certain related administrative costs, management improvements, and other non-capital activities.

C. Fund Financial Statements

The Authority is a special-purpose government with no governmental activities. All of the Authority's funds are reported as business-type activities, which rely to a significant extent on fees and charges for support. In accordance with Sp20.107 of GASB's *Codification of Governmental Accounting and Financial Reporting* Standards, the Authority's basic financial statements only include the enterprise fund financial statements. The statement of revenues, expenses, and net position demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Major individual enterprise funds are reported as separate columns in the fund financial statements. The fund financial statements generally do not reflect any elimination of interfund balances or transactions, however, an elimination column and total column are presented for the Statement of Net Position for informational purposes.

D. Revenue Recognition, Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Enterprise funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, and all liabilities associated with the operation of this fund are included on the statement of net position. Net position is the result of deducting all the liabilities and deferred inflows of resources from all the assets and deferred outflows of resources. Total net position is segregated into three components: 1) net investment in capital assets, 2) restricted net position, and 3) unrestricted net position. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net position.

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

D. Revenue Recognition, Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as program revenues include 1) charges to tenants, participants or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions.

The significant revenue recognition policies and practice related to these revenues are as follows:

Charges to tenants, participants, or applicants – these revenues consist primarily of dwelling rental charges and related fees and charges. Such revenues are recognized when due. Rental charges are typically recorded and recognized at the beginning of the rental term while tenant charges and fees are recognized when the underlying transaction has occurred. The revenues associated with installment repayment agreements are recorded when collected.

Operating grants and contributions – the Authority receives grants from other governments. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. For formula-based operating subsidies, the revenues are recognized during the period for which the subsidy was approved and authorized by the grantor agency. For fee-based grants, the revenues are recognized when the services are performed and delivered. The principal operating grant revenues earned by the Authority include operating subsidies for its low-rent public housing program, and the non-capital portions of modernization and capital improvement grants.

Capital grants and contributions – the Authority receives various grants from other governments. In general, for cost reimbursement-type grants, the revenues are recognized when the underlying expenses are incurred and as soon as all eligibility requirements imposed by the provider have been met. The principal capital grant revenues earned by the Authority include the capital portion of modernization and capital improvement grants.

Enterprise funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund's principal ongoing operations. The principal operating revenues for the enterprise funds are rental and other charges to tenants or participants, and subsidies and grants for operating the housing programs. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, utilities, maintenance expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted reserves are available for use it is the Authority's policy to use restricted resources first, and the unrestricted resources as they are needed.

E. Fund Accounting

The accounts of the Newport Housing Authority are organized and operated on a fund basis. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts recording its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, and expenses.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

E. Fund Accounting (Continued)

The Authority accounts for its operations as enterprise funds. An enterprise fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

F. Basis of Accounting – Fund Level Statements

The Authority may report unearned revenues and deferred inflows of resources on its Statement of Net Position. Unearned revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the Authority before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditure or when tenants pay the subsequent month’s rent in advance. In subsequent periods, when both revenue recognition criteria are met, or when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until they and generally involve the receipt of grant resources where all eligibility requirements are met except for timing requirements.

G. Budgets and Budgetary Accounting

The Authority is required by its HUD Annual Contribution Contracts to adopt annual budgets for the Low-Rent Public Housing Program. Annual budgets are not required for capital projects grants as their budgets are approved for the length of the project or grant. Annual, project and grant length budgets require grantor approval.

Appropriations are authorized at the function level. Management may transfer budget authorization between functions. All appropriations which are not used lapse at year end. Budgeted amounts are as originally adopted or as amended by the Board.

H. Assets, Liabilities, and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in Georgia. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money accounts and certificates of deposit. Section 401(e) of the annual contribution contract authorizes the Authority to invest in the following types of securities:

1. Obligations of the Federal Government which are backed by the full faith and credit of the Federal Government.
2. Obligations of any agency or instrumentality of the Federal Government if the payment of interest and principal on such obligations is fully guaranteed by the Federal Government.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

H. Assets, Liabilities, and Net Position (Continued)

Deposits and Investments (Continued)

3. Obligations of the Federal Intermediate Credit Banks, the Federal Home Loan Banks, the Federal National Mortgage Association, the Banks for Cooperatives, and the Federal Land Banks which mature no later than 18 months after the date of purchase.

As required by the annual contributions contract, the Authority prepares cash forecasts for each program to determine the amount of funds available for investment and to maximize investment earnings. During the fiscal year and at year-end, all cash was held in the form of interest-bearing accounts. The deposits and the above-described investments with an original maturity of ninety days or less are considered cash and cash equivalents for the Statement of Cash Flows.

Disclosure About Fair Value of Assets and Liabilities

Fair value is defined as the price that would be received to sale an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority also follows a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard's three level of inputs that may be used to measure fair value:

Level 1: Observable prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Authority currently recognizes all assets and liabilities at Level 1 of the valuation hierarchy unless stated otherwise.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2022, are recorded as prepaid items.

J. Inventories

Inventories are valued at cost using the average cost method.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

K. Capital Assets

Capital assets, including construction or acquisition of infrastructure assets are capitalized in the Enterprise funds used to acquire or construct them. All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Capital assets are items that exceed an initial cost of \$1,000 and have a useful life greater than one year.

The costs of normal maintenance and repairs that do not add to the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Enterprise Fund assets are depreciated over their useful lives using the straight-line method. The useful lives for each class of depreciable assets are as follows:

Buildings and improvements	20-30 years
Improvements other than buildings	20 years
Office furniture, equipment, and machinery	3-7 years
Automobiles and vehicles	3-7 years

L. Capitalized Interest

Interest expense on notes and bonds, net of interest income on related debt proceeds are capitalized during the project development period through the date of full availability. Only the interest associated specifically with debt used to construct physical structures is capitalized.

M. Vacation and Sick Leave Compensation

Employees earn annual leave at various rates based upon years of service up to a maximum of 20 days per year. There is no requirement that annual leave be taken but the maximum accumulation is 35 days or 280 hours. At termination, employees are paid for any accumulated annual leave. Employees earn sick leave at the rate of one day per month and employees are permitted to sell back unused sick leave at the end of the calendar year. The liability for accrued but unused annual leave at September 30, 2022 is \$109,175 and is reported in the appropriate fund as a current or non-current liability based on estimates of when this leave will be paid.

N. Estimates

Preparing the Authority's financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates relate to allowance for uncollectible accounts receivable, inventory obsolescence and depreciation. These estimates may be adjusted as more current information becomes available and any adjustment could be significant.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS:

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations and state statutes. The Authority is permitted to invest funds in deposit accounts at federally insured financial institutions; in obligations of the U.S. Treasury or U.S. Government agencies; Local or State Government Investment Pools; and Repurchase Agreements with financial institutions (as long as the entire balance is collateralized by specifically identified securities of the U.S. Government or its agencies). Investments in debt securities that have a remaining maturity at the time of purchase of more than one year and that have a determinable market value are valued at market value as of year-end. The market values are based on quoted market prices at year-end. Certificates of deposit are stated at cost as they are not traded in any market and are held for longer terms. Securities with a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

BANK DEPOSITS

Deposits include amounts held in accounts that qualify for federal depository insurance and include demand deposits such as checking accounts, saving accounts and NOW accounts, as well as time deposits such as nonnegotiable certificates of deposit. In the financial statements, amounts held in demand deposits accounts and in time deposits with initial maturities of one year or less are classified as cash and cash equivalents.

As of September 30, 2022, the Authority's deposits consist of the following:

Demand deposit accounts (checking, savings, and money market account)	\$ 617,022
Time deposits - certificates of deposit	2,598,388
	<u>\$ 3,215,410</u>

Deposits are required to be either covered by federal depository insurance or be collateralized with securities held by a third-party custodian in the Authority's name. At September 30, 2022, the Authority's deposits with financial institutions for all fund types had a carrying amount of \$3,215,415 and a bank balance of \$3,249,670. These bank balances were fully covered by federal depository insurance or was fully collateralized with security held by a third-party custodian in the Authority's name.

As of September 30, 2022, the Authority's deposits are classified in the financial statements as follows:

	Total
Cash and cash equivalents	\$ 617,022
Investments	2,598,388
Total deposits	<u>\$ 3,215,410</u>



Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS: (Continued)

BANK DEPOSITS (Continued)

In summary, as of September 30, 2022, the Authority’s cash and cash equivalents consist of the following:

	<u>Total</u>
Deposits with financial institutions	\$ 616,722
Petty cash and change funds	300
Total cash and cash equivalents	<u>617,022</u>
Less: restricted cash and cash equivalents	<u>(85,625)</u>
Unrestricted cash and cash equivalents	<u>\$ 531,397</u>

In summary, as of September 30, 2022, the Authority’s investments consist of the following:

	<u>Total</u>
Deposits with financial institutions - longer term maturities	<u>\$ 2,598,388</u>

Interest rate risk – the Authority’s formal investment policy does not specifically address the exposure to this risk.

Credit risk – the Authority’s formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations.

Custodial credit risk – investments – For investments, this is the risk that, in the event of failure of a counterparty, the Authority would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority has no policy on custodial credit risk for investments.

Custodial credit risk – deposits – For deposits, this is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority has no policy on custodial credit risk for deposits.

Concentration of credit risk – the Authority’s investment policy does not restrict the amount that the Authority may invest in any one issuer.

Restricted cash and investments:

The Authority has reported certain portions of their cash balances as restricted. These are either account balances where the subject account is subject to externally imposed restrictions or funds held in otherwise unrestricted accounts but that are subject to regulatory restrictions that limit the use of such funds. These are described by fund as follows:

Public Housing Fund:

The Authority reports \$85,625 in tenant security deposits with \$77,015 held in a 91-day certificate of deposit and \$8,610 held in the Authority’s other accounts.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 3 – ACCOUNTS RECEIVABLES:

Receivables at September 30, 2022 consist of the following:

	Public Housing Fund
Tenants/Program Participants	\$ 24,595
Accounts Receivable - Miscellaneous	54,775
Less: Allowance	(2,460)
Accounts Receivable - Fraud Recovery	14,172
Less: Allowance	(1,417)
	<u>89,665</u>
Due from HUD - CFP	<u>6,989</u>
	<u>\$ 96,654</u>

The allowance for doubtful accounts is an estimate of the amounts owed by residents that the Authority expects to become uncollectible. The estimate was based on an analysis of historical write-off amounts and the amounts owed by vacated and delinquent tenants.

NOTE 4 – PREPAID EXPENSES:

Prepaid expenses at September 30, 2022 consist of the following:

	Public Housing Fund
Prepaid insurance	\$ 26,895
Other prepaids	4,784
	<u>\$ 31,679</u>

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 4 – CAPITAL ASSETS:

Capital asset activity for the year ended September 30, 2022 was as follows:

Depreciation expense was charged to functions/programs of the Authority as follows:

	Balance at September 30, 2021	Additions	Transfers/ Reductions	Balance at September 30, 2022
<u>Business-type activities:</u>				
Land and improvements	\$ 433,338	\$ -	\$ -	\$ 433,338
Construction in progress	840,745	403,319	(394,540)	849,524
Total nondepreciable assets	<u>1,274,083</u>	<u>403,319</u>	<u>(394,540)</u>	<u>1,282,862</u>
Buildings and improvements	24,213,595	-	387,691	24,601,286
Furniture, equipment, vehicles	672,542	8,204	(27,450)	653,296
Total depreciable assets	<u>24,886,137</u>	<u>8,204</u>	<u>360,241</u>	<u>25,254,582</u>
Less:				
Accumulated depreciation	<u>(18,541,754)</u>	<u>(641,063)</u>	<u>24,434</u>	<u>(19,158,383)</u>
Total depreciable assets, net	<u>6,344,383</u>	<u>(632,859)</u>	<u>384,675</u>	<u>6,096,199</u>
Total capital assets, net	<u>\$ 7,618,466</u>	<u>\$ (229,540)</u>	<u>\$ (9,865)</u>	<u>\$ 7,379,061</u>
<u>Business-type activities:</u>				
Public Housing Fund	\$ 635,002			
Central Office Cost Center Fund	6,061			
Total depreciation expenses - business-type activities	<u>\$ 641,063</u>			

NOTE 5 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES:

Payables at September 30, 2022, consist of the following:

	Public Housing Fund	Central Office Cost Center Fund	Total
Vendors and contractors	\$ 99,346	\$ 7,261	\$ 106,607
Due to City of Newport - PILOT	56,710	-	56,710
	<u>\$ 156,056</u>	<u>\$ 7,261</u>	<u>\$ 163,317</u>

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 7 – ACCRUED SALARIES:

Accrued salaries at September 30, 2022 consist of the following:

	Public Housing Fund	Cost Center Fund	Total
Accrued salaries	\$ 19,709	\$ 4,169	\$ 23,878

NOTE 8 – UNEARNED REVENUES:

Unearned revenues at September 30, 2022 consist of the following:

	Public Housing Fund
Credit balances/prepaid rents	\$ 16,859

NOTE 9 – NONCURRENT LIABILITIES:

Changes in Noncurrent Liabilities:

	Balance at September 30, 2021	Additions	Reductions	Balance at September 30, 2022	Due Within One Year	Noncurrent Balance
Compensated absences	\$ 109,175	\$ 67,187	\$ (51,484)	\$ 124,878	\$ 74,958	\$ 49,920

Long-Term Debt

Lease Liabilities: During the fiscal year, the Authority had active noncancelable lease agreements as lessee. A description of the agreements and the related balances are as follows:

The Authority entered into an agreement on May 5, 2022 with a third party to lease a postage meter and terminating on May 5, 2027. The specified interest rate is 3.50% for the discount rate for the lease. Payments are made quarterly over the term of the lease in the amount of \$164.91. At September 30, 2022, the outstanding balance on the Authority's lease liability was \$2,735. Debt service to maturity on the Authority's outstanding lease is as follows:

Year ending September 30,	Principal	Interest	Total
2023	\$ 571	\$ 88	\$ 659
2024	592	68	660
2025	613	47	660
2026	634	25	659
2027	325	4	329
	\$ 2,735	\$ 232	\$ 2,967

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 9 – NONCURRENT LIABILITIES (CONTINUED):

Long-Term Debt (Continued)

The Authority entered into an agreement on June 15, 2021 with a third party to lease a Canon copier and terminating on June 15, 2026. The specified interest rate is 3.50% for the discount rate for the lease. Payments are made monthly over the term of the lease in the amount of \$49.91. At September 30, 2022, the outstanding balance on the Authority's lease liability was \$2,058. Debt service to maturity on the Authority's outstanding lease is as follows:

Year ending September 30,	Principal	Interest	Total
2023	\$ 535	\$ 64	\$ 599
2024	555	44	599
2025	574	25	599
2026	394	5	399
	<u>\$ 2,058</u>	<u>\$ 138</u>	<u>\$ 2,196</u>

The Authority entered into an agreement on June 18, 2019 with a third party to lease a Canon copier and terminating on June 18, 2024. The specified interest rate is 3.50% for the discount rate for the lease. Payments are made monthly over the term of the lease in the amount of \$43.76. At September 30, 2022, the outstanding balance on the Authority's lease liability was \$849. Debt service to maturity on the Authority's outstanding lease is as follows:

Year ending September 30,	Principal	Interest	Total
2023	\$ 503	\$ 22	\$ 525
2024	346	5	351
	<u>\$ 849</u>	<u>\$ 27</u>	<u>\$ 876</u>

NOTE 10 – EMPLOYEE RETIREMENT PLAN:

The Authority contributes to a defined contribution plan (the "Plan") for its employees through the Housing Renewal and Local Agency retirement plan which is a defined contribution plan.

In a defined contribution pension plan the plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individuals' account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and the forfeitures of other participants' benefits that may be allocated to such participant's account. As established by the Authority's personnel policy, all full-time employees of the Authority may participate in the pension plan. As established by the Authority's Personnel Policy, all full-time employees of the Authority may participate in the pension plan beginning first day of the month after completing 30 days of continuous employment. Contributions made by an employee vest immediately and contributions made by the Authority vest after five years of full-time employment. An employee who leaves the employment of the Authority is entitled to his or her contributions and the Authority's contributions to the extent vested and the earnings on these amounts. As determined by the plan provisions, employees are required to contribute an amount equal to 5.5% of their base salary to the plan and may make voluntary contributions and the Authority is required to contribute an amount equal to 8.5% of the employee's base annual salary.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 10 – EMPLOYEE RETIREMENT PLAN: (Continued)

During the year ended September 30, 2022, the Authority's required and actual contributions amounted to \$64,227, which was approximately 8.5% of its covered payroll. Employees required and actual contributions amounted to \$41,559, which was approximately 5.5% of its covered payroll.

No pension plan provision changes occurred during the year which affected the required contributions to be made by the Authority or its employees.

NOTE 11 – RISK MANAGEMENT:

The Authority is exposed to various risks of losses related to torts; theft of, or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority has mitigated this risk by participating and obtaining insurance coverage from commercial insurance companies. Premiums paid for insurance coverage are recorded as expenses of the fund where the coverage is required. Insurance coverage provided includes property and casualty, general liability, fidelity bond, workers compensation. During the current or subsequent period there were no claims made or paid that were not covered by the Authority's insurance providers. During the current or subsequent period there were no significant reductions in the amount of insurance coverage. The amount of settlements has not exceeded insurance coverage for any of the past three years.

The Authority participates in the Tennessee Housing Authority Risk Management Trust. The pool was established for the purposes of providing each member with indemnification and financial protection against, and risk management services with respect to, any risk of loss as may be agreed upon by the Member and the Trust.

The Authority is also a member of the Tennessee Municipal League which is a workers compensation self-insurance fund. The Authority is obligated to pay all contributions and assessments as described by the pool, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the fund, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the fund being required to pay any claim of loss.

NOTE 12: COMPLIANCE AUDITS OF FEDERAL AND STATE ASSISTED PROGRAMS:

The Authority participates in a number of federal and state programs which are subject to audit in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), or review by the granting agencies in accordance with annual contribution contracts or grant award contracts. The Authority expects such expenditures, if any, which may be disallowed by the granting agencies to be immaterial.

Newport Housing Authority  
Newport, Tennessee

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2022

NOTE 13: SUBSEQUENT EVENTS:

Events that occur after the balance sheet date before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about the conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. In preparing financial statements, management evaluated subsequent events through the date the financial statements were issued (or the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements

NEWPORT HOUSING AUTHORITY  
Newport, Tennessee

STATEMENT AND CERTIFICATION OF ACTUAL CAPITAL FUND PROGRAM COSTS

September 30, 2022

Annual Contributions Contract A – 4341

1. The actual capital fund program costs are as follows:

	<u>TN43P060501-19</u>
Funds approved	\$ 786,232
Funds expended	<u>(786,232)</u>
Excess (deficiency) of funds approved	<u>\$ -</u>
Funds advanced	\$ 786,232
Funds expended	<u>(786,232)</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>

2. Costs incurred during the current audit period totaled \$220,629.

3. All costs were paid and all related liabilities have been discharged through payment.

4. The Actual Modernization Cost Certificate, filed with HUD, is in agreement with the Authority's records.

*See auditor's report.*



**NEWPORT HOUSING AUTHORITY**

Newport, Tennessee

Schedule of Expenditures of Federal Awards

For the twelve months ended September 30, 2022

FEDERAL GRANTOR	Assistance Listings Number	Program or Award Amount	Disbursements or Expenditures
U. S. Department of HUD			
Direct Programs:			
Low-rent Housing Program	*14.850	\$ 1,233,806	+ \$ 1,233,806
Capital Fund Programs	*14.872	\$ 914,047	<u>914,047</u>
		TOTAL	<u>\$ 2,147,853</u>

\* -Type A program

\*\* -Type B program

+ - Major program

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditure of Federal Awards (the "Schedule") includes the federal grant activity of the Authority under program 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 Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior year.

Note 3 - Indirect Cost Rate

The Authority is not reimbursed for indirect costs under any of its federal awards and does not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance or any other indirect cost rate.

*See auditor's report.*

**FINANCIAL DATA SCHEDULE**

Newport Housing Authority (TN060)  
Newport, TN  
Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$400,075	\$131,322	\$531,397		\$531,397
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits	\$85,625		\$85,625		\$85,625
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$485,700	\$131,322	\$617,022		\$617,022
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects	\$6,989		\$6,989		\$6,989
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous	\$54,775		\$54,775		\$54,775
126 Accounts Receivable - Tenants	\$24,595		\$24,595		\$24,595
126.1 Allowance for Doubtful Accounts -Tenants	-\$2,460		-\$2,460		-\$2,460
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery	\$14,172		\$14,172		\$14,172
128.1 Allowance for Doubtful Accounts - Fraud	-\$1,417		-\$1,417		-\$1,417
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$96,654	\$0	\$96,654		\$96,654
131 Investments - Unrestricted	\$2,598,388		\$2,598,388		\$2,598,388
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$29,007	\$2,672	\$31,679		\$31,679
143 Inventories	\$78,653		\$78,653		\$78,653

143.1 Allowance for Obsolete Inventories	-\$7,865		-\$7,865		-\$7,865
144 Inter Program Due From					
145 Assets Held for Sale					
150 Total Current Assets	\$3,280,537	\$133,994	\$3,414,531		\$3,414,531
161 Land	\$433,338		\$433,338		\$433,338
162 Buildings	\$22,573,270	\$54,219	\$22,627,489		\$22,627,489
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration	\$645,162	\$8,134	\$653,296		\$653,296
165 Leasehold Improvements	\$1,973,797		\$1,973,797		\$1,973,797
166 Accumulated Depreciation	-\$19,123,261	-\$35,122	-\$19,158,383		-\$19,158,383
167 Construction in Progress	\$849,524		\$849,524		\$849,524
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,351,830	\$27,231	\$7,379,061		\$7,379,061
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	\$237,141		\$237,141		\$237,141
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$7,588,971	\$27,231	\$7,616,202		\$7,616,202
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$10,869,508	\$161,225	\$11,030,733		\$11,030,733
311 Bank Overdraft					
312 Accounts Payable <= 90 Days	\$7,705	\$3,083	\$10,788		\$10,788
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable	\$19,709	\$4,169	\$23,878		\$23,878
322 Accrued Compensated Absences - Current Portion	\$55,512	\$19,446	\$74,958		\$74,958
324 Accrued Contingency Liability					
325 Accrued Interest Payable	\$9	\$9	\$18		\$18
331 Accounts Payable - HUD PHA Programs					

332 Account Payable - PHA Projects				
333 Accounts Payable - Other Government	\$56,710		\$56,710	\$56,710
341 Tenant Security Deposits	\$85,625		\$85,625	\$85,625
342 Unearned Revenue	\$16,859		\$16,859	\$16,859
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$805	\$805	\$1,610	\$1,610
344 Current Portion of Long-term Debt - Operating Borrowings				
345 Other Current Liabilities				
346 Accrued Liabilities - Other	\$71,923		\$71,923	\$71,923
347 Inter Program - Due To				
348 Loan Liability - Current				
310 Total Current Liabilities	\$314,857	\$27,512	\$342,369	\$342,369
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$2,016	\$2,016	\$4,032	\$4,032
352 Long-term Debt, Net of Current - Operating Borrowings				
353 Non-current Liabilities - Other				
354 Accrued Compensated Absences - Non Current	\$39,245	\$10,675	\$49,920	\$49,920
355 Loan Liability - Non Current				
356 FASB 5 Liabilities				
357 Accrued Pension and OPEB Liabilities				
350 Total Non-Current Liabilities	\$41,261	\$12,691	\$53,952	\$53,952
300 Total Liabilities	\$356,118	\$40,203	\$396,321	\$396,321
400 Deferred Inflow of Resources	\$285,800		\$285,800	\$285,800
508.4 Net Investment in Capital Assets	\$7,349,009	\$24,410	\$7,373,419	\$7,373,419
511.4 Restricted Net Position				
512.4 Unrestricted Net Position	\$2,878,581	\$96,612	\$2,975,193	\$2,975,193
513 Total Equity - Net Assets / Position	\$10,227,590	\$121,022	\$10,348,612	\$10,348,612
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$10,869,508	\$161,225	\$11,030,733	\$11,030,733

Newport Housing Authority (TN060)  
Newport, TN  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 09/30/2022

	Project Total	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,406,660		\$1,406,660		\$1,406,660
70400 Tenant Revenue - Other	\$81,176		\$81,176		\$81,176
70500 Total Tenant Revenue	\$1,487,836	\$0	\$1,487,836	\$0	\$1,487,836
70600 HUD PHA Operating Grants	\$1,744,534		\$1,744,534		\$1,744,534
70610 Capital Grants	\$403,319		\$403,319		\$403,319
70710 Management Fee		\$255,173	\$255,173	-\$255,173	\$0
70720 Asset Management Fee		\$48,360	\$48,360	-\$48,360	\$0
70730 Book Keeping Fee		\$35,662	\$35,662	-\$35,662	\$0
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue		\$339,195	\$339,195	-\$339,195	\$0
70800 Other Government Grants					
71100 Investment Income - Unrestricted	\$62,967		\$62,967		\$62,967
71200 Mortgage Interest Income					
71300 Proceeds from Disposition of Assets Held for Sale					
71310 Cost of Sale of Assets					
71400 Fraud Recovery					
71500 Other Revenue	\$64,499	\$357	\$64,856		\$64,856
71600 Gain or Loss on Sale of Capital Assets	-\$8,603		-\$8,603		-\$8,603
72000 Investment Income - Restricted					
70000 Total Revenue	\$3,754,552	\$339,552	\$4,094,104	-\$339,195	\$3,754,909

91100 Administrative Salaries	\$175,610	\$184,458	\$360,068		\$360,068
91200 Auditing Fees	\$8,820	\$980	\$9,800		\$9,800
91300 Management Fee	\$255,173		\$255,173	-\$255,173	\$0
91310 Book-keeping Fee	\$35,662		\$35,662	-\$35,662	\$0
91400 Advertising and Marketing					
91500 Employee Benefit contributions - Administrative	\$95,580	\$88,310	\$183,890		\$183,890
91600 Office Expenses					
91700 Legal Expense	\$1,484		\$1,484		\$1,484
91800 Travel	\$2,027		\$2,027		\$2,027
91810 Allocated Overhead					
91900 Other	\$153,981	\$36,175	\$190,156		\$190,156
91000 Total Operating - Administrative	\$728,337	\$309,923	\$1,038,260	-\$290,835	\$747,425
92000 Asset Management Fee	\$48,360		\$48,360	-\$48,360	\$0
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92300 Employee Benefit Contributions - Tenant Services					
92400 Tenant Services - Other	\$18,357		\$18,357		\$18,357
92500 Total Tenant Services	\$18,357	\$0	\$18,357	\$0	\$18,357
93100 Water	\$101,636	\$304	\$101,940		\$101,940
93200 Electricity	\$549,203	\$8,907	\$558,110		\$558,110
93300 Gas	\$9,314		\$9,314		\$9,314
93400 Fuel					
93500 Labor					
93600 Sewer	\$211,332	\$697	\$212,029		\$212,029
93700 Employee Benefit Contributions - Utilities					
93800 Other Utilities Expense					
93000 Total Utilities	\$871,485	\$9,908	\$881,393	\$0	\$881,393
94100 Ordinary Maintenance and Operations - Labor	\$395,545		\$395,545		\$395,545

94200 Ordinary Maintenance and Operations - Materials and Other	\$152,450		\$152,450		\$152,450
94300 Ordinary Maintenance and Operations Contracts	\$264,959		\$264,959		\$264,959
94500 Employee Benefit Contributions - Ordinary Maintenance	\$163,613		\$163,613		\$163,613
94000 Total Maintenance	\$976,567	\$0	\$976,567	\$0	\$976,567
95100 Protective Services - Labor					
95200 Protective Services - Other Contract Costs					
95300 Protective Services - Other	\$7,871		\$7,871		\$7,871
95500 Employee Benefit Contributions - Protective Services					
95000 Total Protective Services	\$7,871	\$0	\$7,871	\$0	\$7,871
96110 Property Insurance	\$38,952		\$38,952		\$38,952
96120 Liability Insurance	\$13,105	\$3,106	\$16,211		\$16,211
96130 Workmen's Compensation	\$7,082	\$1,622	\$8,704		\$8,704
96140 All Other Insurance	\$7,679		\$7,679		\$7,679
96100 Total insurance Premiums	\$66,818	\$4,728	\$71,546	\$0	\$71,546
96200 Other General Expenses					
96210 Compensated Absences	\$51,123	\$16,064	\$67,187		\$67,187
96300 Payments in Lieu of Taxes	\$56,710		\$56,710		\$56,710
96400 Bad debt - Tenant Rents	\$25,719		\$25,719		\$25,719
96500 Bad debt - Mortgages					
96600 Bad debt - Other					
96800 Severance Expense					
96000 Total Other General Expenses	\$133,552	\$16,064	\$149,616	\$0	\$149,616
96710 Interest of Mortgage (or Bonds) Payable	\$82	\$82	\$164		\$164
96720 Interest on Notes Payable (Short and Long Term)					
96730 Amortization of Bond Issue Costs					
96700 Total Interest Expense and Amortization Cost	\$82	\$82	\$164	\$0	\$164
96900 Total Operating Expenses	\$2,851,429	\$340,705	\$3,192,134	-\$339,195	\$2,852,939



97000 Excess of Operating Revenue over Operating Expenses	\$903,123	-\$1,153	\$901,970	\$0	\$901,970
97100 Extraordinary Maintenance					
97200 Casualty Losses - Non-capitalized					
97300 Housing Assistance Payments					
97350 HAP Portability-In					
97400 Depreciation Expense	\$635,002	\$6,061	\$641,063		\$641,063
97500 Fraud Losses					
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense					
90000 Total Expenses	\$3,486,431	\$346,766	\$3,833,197	-\$339,195	\$3,494,002
10010 Operating Transfer In	\$131,751		\$131,751	-\$131,751	\$0
10020 Operating transfer Out	-\$131,751		-\$131,751	\$131,751	\$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
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$268,121	-\$7,214	\$260,907	\$0	\$260,907
11020 Required Annual Debt Principal Payments	\$654	\$654	\$1,308		\$1,308
11030 Beginning Equity	\$9,956,358	\$128,240	\$10,084,598		\$10,084,598

11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$3,111	-\$4	\$3,107		\$3,107
11050 Changes in Compensated Absence Balance					
11060 Changes in Contingent Liability Balance					
11070 Changes in Unrecognized Pension Transition Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	4783		4783		4783
11210 Number of Unit Months Leased	4702		4702		4702
11270 Excess Cash	\$2,659,848		\$2,659,848		\$2,659,848
11610 Land Purchases	\$0	\$0	\$0		\$0
11620 Building Purchases	\$403,319	\$0	\$403,319		\$403,319
11630 Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$1,520	\$1,520	\$3,040		\$3,040
11650 Leasehold Improvements Purchases	\$0	\$0	\$0		\$0
11660 Infrastructure Purchases	\$0	\$0	\$0		\$0
13510 CFFP Debt Service Payments	\$0	\$0	\$0		\$0
13901 Replacement Housing Factor Funds	\$0	\$0	\$0		\$0

# Chang & Company CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4360 Chamblee Dunwoody Rd, Suite 206 \* Atlanta, Georgia 30341 \* (678) 281-0450 \* cpa@changcocpa.com

## 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  
Newport Housing Authority  
Newport, Tennessee

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 Newport Housing Authority (the "Authority"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 17, 2023.

### Internal Control Over Financial Reporting

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

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

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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Chang & Company CPAs, P.C.*

Atlanta, Georgia  
April 17, 2023

# Chang & Company CPAs, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

4360 Chamblee Dunwoody Rd, Suite 206 \* Atlanta, Georgia 30341 \* (678) 281-0450 \* cpa@changcocpa.com

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

Board of Commissioners  
Newport Housing Authority  
Newport, Tennessee

### Report on Compliance for Each Major Federal Program

#### Opinion of Each Major Federal Program

We have audited Newport Housing Authority'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 Newport Housing Authority's major federal programs for the year ended September 30, 2022. Newport Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. In our opinion, Newport Housing Authority complied, in all material respects, with the 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 (GAAS); the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (Government Auditing Standards); 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 Newport Housing Authority 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 Newport Housing Authority'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 Newport Housing Authority'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 Newport Housing Authority'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 GAAS, 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 Newport Housing Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, 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 Newport Housing Authority'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 Newport Housing Authority'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 Newport Housing Authority'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.

### **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.

*Chang & Company CPAs, P.C.*

Atlanta, Georgia  
April 17, 2023

**NEWPORT HOUSING AUTHORITY**

Newport, Tennessee

September 30, 2022

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Section I - Summary of Auditor's Results:**

**Financial Statements**

Type of report issued on the financial statements:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	No

**Federal Awards**

Internal controls over major program:		
Material weakness(es) identified?		No
Significant deficiencies identified not considered to be material weaknesses?		None Reported
Type of report issued on the compliance for major program:		Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?		No
Identification of major program:	14.850	Low Rent Housing Program
Dollar threshold used to distinguish between Type A and Type B programs:		\$750,000
Did the Authority qualify as a low-risk auditee?		No

**Section II - Financial Statement Finding:**

There were no audit findings disclosed relating to this area for the period ended September 30, 2022.

**Section III - Federal Awards:**

There were no audit findings disclosed relating to this area for the period ended September 30, 2022.



**NEWPORT HOUSING AUTHORITY**

Newport, Tennessee

September 30, 2022

**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

The prior audit report for the year ended September 30, 2021 contained no findings.