

FAYETTEVILLE HOUSING AUTHORITY

FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2023

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

FAYETTEVILLE HOUSING AUTHORITY
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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Fayetteville Housing Authority
Fayetteville, TN 37334

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Fayetteville Housing Authority (the "Authority") as of and for the year ended September 30, 2023, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of September 30, 2023, 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 of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 opinion.

Responsibilities of Management for the Financial Statements

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 the 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 on pages 4 through 7 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information section as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Fayetteville Housing Authority. The schedule of expenditures of federal awards and state financial assistance on pages 34-35 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. The accompanying Financial Data Schedule is supplementary information required by HUD. These schedules are not a required part of the financial statements.

The supplemental information section and single audit section including the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information

directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information

Management is responsible for other information included in the annual report. The other information comprises the schedule of officials listed in the other information section but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection of our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024 on our consideration of Fayetteville 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 Fayetteville 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 Fayetteville Housing Authority's internal control over financial reporting and compliance.

Putman & Hancock, CPAs

Fayetteville, Tennessee
February 5, 2024

The Fayetteville Housing Authority

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Jarrett M. Hancox, Vice Chairman
Ginger Pearson, Executive Director
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Commissioners:
Thomas Holland
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William R. McKin
Charles Cannon

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED SEPTEMBER 30, 2023

Our discussion and analysis of the Fayetteville Housing Authority's (the "Authority") financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the Authority's financial statements.

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*.

FINANCIAL HIGHLIGHTS

Total spending for all our programs was approximately \$2.6 million for the year. Rentals, interest and other income furnished approximately \$1.4 million of this, with HUD grants and subsidies covering the balance. Major expenditures for the Authority were for ordinary maintenance and operations, utilities and salaries.

USING THIS REPORT

The Authority's annual report consists of financial statements that show information about the Authority's enterprise funds. The Authority's enterprise fund accounts for programs and activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Our auditor has provided assurance in the independent auditors' report, located immediately preceding this Management's Discussion and Analysis, that the financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the supplemental information identified in the table of contents. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts in the financial section.

REPORTING THE AUTHORITY'S MOST SIGNIFICANT FUNDS

The Authority's financial statements provide detailed information about the Authority's programs established by the Department of Housing and Urban Development (HUD) to account for federally subsidized housing and business activities accounted for as an enterprise fund.

The Statement of Net Position presents the Authority's total assets and total liabilities at the end of the year. The difference between the two is reported as Net Position, which represents the Authority's ownership interest, or net worth, in its total assets, as opposed to the creditors' interest (total liabilities). Over time, increases or decreases in Net Position is a useful indicator as to whether the Authority's financial health is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position reports the Authority's operating results and how its Net Position changed during the year.

The Statement of Cash Flows reports how the Authority's cash and cash equivalents increased or decreased during the year. The statement shows how cash and cash equivalents was provided by and

used in the Authority's operating, non-capital financing, capital, and related financing, and investing activities. The Authority uses the direct method of presenting cash flows, which includes a reconciliation of operating income or loss to operating activities.

The Notes to the Financial Statements are an integral part of the financial statements, disclosing information which is essential to a full understanding of the statements.

The Supplemental Information includes individual program schedules that present the Authority's financial information in more detail.

The financial statements are reported using the accrual method of accounting using the economic resources measurement focus, in which all assets and all liabilities associated with the operation of these activities are included on the Statement of Net Position and all revenues and expenses are reported when earned and recognized, respectively, rather than when cash changes hands (cash basis of accounting).

FINANCIAL ANALYSIS

The Authority's net position was \$8.8 million at September 30, 2023. Of this amount, \$5.7 million was invested in capital assets and \$3.1 million was unrestricted. Our analysis below focuses on the net position followed by the change in net position of the Authority as a whole on the next page.

Table 1
Statements of Net Position
September 30
(in thousands)

	<u>2023</u>	<u>2022</u>
Current assets	\$ 3,327	\$ 3,159
Restricted assets	35	35
Capital assets, net	5,674	5,231
	-----	-----
Total assets	9,036	8,425
	-----	-----
Current liabilities	156	461
Current liabilities payable from current restricted assets	35	35
Long-Term Liabilities	51	43
	-----	-----
Total liabilities	242	539
	-----	-----
Net position		
Invested in capital assets	5,674	5,231
Unrestricted	3,120	2,655
	-----	-----
Total net position	\$ 8,794	\$ 7,886
	=====	=====

Table 2
Statements of Revenues, Expenses,
and Changes in Net Position
Years Ended September 30
(in thousands)

	<u>2023</u>	<u>2022</u>
Operating revenues		
Rental and other	\$ 1,387	\$ 1,247
Federal operating grants and subsidies	1,192	1,066
Non-operating revenues		
Gain on disposal of fixed assets	21	-
Interest earnings	21	3
Gain from insurance proceeds	-	21
Capital Contributions	871	408
	-----	-----
Total revenues and capital contributions	3,492	2,745
	-----	-----
Operating expenses		
Administration expenses	366	331
Tenant services	6	-
Utilities	536	513
Maintenance and operations	950	853
General expenses	248	212
Depreciation	478	497
	-----	-----
Total expenses	2,584	2,406
	-----	-----
CHANGE IN NET POSITION	908	339
NET POSITION, BEGINNING OF YEAR	7,886	7,547
	-----	-----
NET POSITION, END OF YEAR	\$ 8,794	\$ 7,886
	=====	=====

Operating revenues increased \$266,000 due to an increase in other revenue and dwelling rentals of \$140,000 and an increase in federal operating grants and subsidies of \$126,000. Interest on investments increased \$18,000, casualty gain for building damages decreased (\$21,000) and capital contributions increased \$463,000 due to an increase in capital improvements.

Expenses increased by \$178,000 primarily due to a decrease in depreciation of (\$19,000), an increase in maintenance costs of \$97,000, an increase in administration expenses of \$35,000, increase in utility costs of \$23,000, an increase in general expenses of \$36,000 and an increase of \$6,000 for tenant services.

CAPITAL ASSETS AND RELATED FUNDING

Capital Assets

At September 30, 2023, the Authority had \$5.7 million invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$443,178 from last year, as shown on the next page.

Capital Assets at Year-end				
		<u>2023</u>		<u>2022</u>
Land	\$	332,000	\$	332,000
Construction in progress		682,437		443,876
Building and improvements		18,689,116		18,057,160
Equipment and vehicles		295,062		299,136
Accumulated depreciation		(14,324,196)		(13,900,931)
		-----		-----
Totals	\$	5,674,419	\$	5,231,241
		=====		=====

This year's increase of \$443,178 is the net effect of increased buildings and improvements of \$631,956, increased construction in progress of \$238,561, a decrease in equipment and vehicles of (\$4,074) and depreciation expense of \$423,265. No debt was issued for these additions.

Major capital projects planned for the 2023 - 2024 fiscal year includes miscellaneous improvements at various locations with a combination of force account labor and contracts. We anticipate capital additions will be approximately \$100,000. More detailed information about our capital assets is presented in the notes to the financial statements.

Debt

We do not have any long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority's subsidized housing fund is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. Our operating subsidy funding for the calendar year 2023 has not been approved yet by Congress but could be up to a 10% decrease from last year.

The capital funds program is based on multiple year budgets and varies year to year depending on available funds. Capital funds are used for the modernization of public housing properties including administrative fees involved in the modernization and for replacement of housing. Our 2023 Capital Fund program amount of \$859,025 increased \$11,990 from the previous year. This is mainly the result of being designated as a High Performer for the 2023 fiscal year and HUD'S proration of available funds.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

Our financial report is designed to provide citizens, taxpayers, and creditors a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Ginger Pearson, Executive Director, at the Fayetteville Housing Authority, P. O. Box 999, Fayetteville, Tennessee 37334, telephone number (931) 433-1587 or e-mail gpearson@fpunet.com.

FINANCIAL STATEMENTS

FAYETTEVILLE HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS

Current Assets	
Cash and cash equivalents	\$ 3,132,796
Accounts receivable - tenants (net of allowance for bad debt \$2,303)	21,815
Prepaid expenses and other current assets	55,908
Inventories	<u>116,524</u>
	3,327,043
 Special Funds	
Tenant security deposits	34,580
 Land, buildings and equipment, net	<u>5,674,419</u>
 Total Assets	<u>9,036,042</u>

LIABILITIES

Current Liabilities	
Accounts payable	49,208
Tenant unearned revenue	22,811
Accrued liabilities - tax equivalents	47,900
Accrued compensated absences	<u>36,786</u>
	156,705
 Current Liabilities Payable	
From Special Funds	
Tenant security deposits	34,580
 Long-Term Liabilities	
Accrued compensated absences, less current portion	<u>50,641</u>
 Total Liabilities	<u>241,926</u>

NET POSITION

Investment in capital assets	5,674,419
Unrestricted	<u>3,119,697</u>
 Total Net Position	<u>\$ 8,794,116</u>

(See accompanying notes to financial statements.)

FAYETTEVILLE HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Operating income:	
Dwelling rental (net of provision for bad debts of \$9,961)	\$ 1,328,128
Operating grants and subsidies	1,191,882
Other	58,949
Total operating income	<u>2,578,959</u>
Operating expenses:	
Administrative salaries	235,476
Other labor	322,283
Tenant utilities provided	536,130
Repairs and maintenance	475,131
Administrative employee benefits	72,659
Other employee benefits	152,050
Property and liability insurance	166,992
Payments in lieu of taxes	47,900
Other administrative expense	37,509
Professional services	20,746
Tenant services	5,582
Other	33,469
Depreciation	477,487
Total operating expenses	<u>2,583,414</u>
Operating loss	<u>(4,455)</u>
Non-operating income:	
Gain on disposal of fixed assets	21,330
Interest income	21,186
Total non-operating income:	<u>42,516</u>
Net loss before contributions	38,061
Capital contributions	<u>870,517</u>
Change in Net Position	908,578
Net Position, at Beginning of Year	<u>7,885,538</u>
Net Position, at End of Year	<u><u>\$ 8,794,116</u></u>

(See accompanying notes to financial statements.)

FAYETTEVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES:

Rental receipts	\$ 1,052,978
Other receipts	279,551
Receipts from operating grants and subsidies	1,191,882
Payments to vendors and others	(1,604,237)
Payments to employees	<u>(782,468)</u>

Net cash provided by operating activities	<u>137,706</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:

Acquisition and construction of capital assets, net	(920,665)
Proceeds from sale of assets	21,330
Capital grants received	<u>873,003</u>

Net cash used by capital and related financing activities	<u>(26,332)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest received	<u>21,186</u>
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Net cash provided by investing activities	<u>21,186</u>
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Net increase in cash	132,560
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Cash and cash equivalents, beginning of year	<u>3,034,816</u>
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Cash and cash equivalents, end of year	<u><u>\$ 3,167,376</u></u>
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(See accompanying notes to financial statements.)

FAYETTEVILLE HOUSING AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY
OPERATING ACTIVITIES

Operating loss	\$ (4,455)
Adjustments to reconcile operating loss to net cash provided by Operating activities:	
Depreciation expense	477,487
Changes in assets and liabilities:	
(Increase) in accounts receivable - tenants	(16,477)
(Increase) in prepaid expenses	(13,422)
(Increase) in inventories	(8,069)
(Decrease) in accounts payable	(3,905)
(Decrease) in tenant unearned revenue	(267,787)
(Decrease) in security deposits	(100)
Increase in accrued liabilities	6,979
Increase in accrued compensated absences	2,942
(Decrease) in other current liabilities	<u>(35,487)</u>
Net cash provided by operating activities	\$ <u>137,706</u>

(See accompanying notes to financial statements.)

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023

1) DESCRIPTION OF THE ENTITY:

Organization - - The Fayetteville Housing Authority (the "Authority") was incorporated January 7, 1950 under the Tennessee "Housing Authority Law". The Authority's activities include conventional and private housing and a central office cost center (COCC) as described below. The Authority manages 276 conventional low-income housing units under a Consolidated Annual Contributions Contract (A-4147). The Authority also owns and manages 134 units of leased housing developed and financed by private entities. In exchange for agreeing to operate the conventional housing units according to regulations established by the Department of Housing and Urban Development ("HUD"), the Authority receives subsidies from HUD for current operations and improvements to housing units and debt. The leased housing units were originally operated with HUD assistance under agreements which expired December 1, 1992. These units have been transferred to the Authority and are now operated as nonsubsidized private housing.

Federal Programs - Operating losses result from the essential services that the Authority provides, and such operating losses will continue in the foreseeable future. To meet the funding requirements of these operating losses, the Authority receives subsidies from the federal government, primarily the U.S. Department of Housing and Urban Development ("HUD"), in the form of federal programs for annual grants for operating assistance, contributions for capital and reimbursement of expenditures, including capital stimulus recovery grants such as the Capital Fund Program. Funds received are used to provide maintenance and administrative services to federally aided low rent public housing developments. The funds cover the differential between the reduced rents charged to the tenants and the prevailing market rates. Subsidies are established through budgetary procedures, which establish amounts to be funded by the grantor agencies. Projected operating surplus or deficit amounts are budgeted on an annual basis and approved by the grantor agency. Capital project budgets are submitted regularly during the year. The Authority maintains its accounting records by program or activity.

2) REPORTING ENTITY:

The Authority is managed by an Executive Director operating under a five-member board appointed by the City Mayor of Fayetteville, Lincoln County, Tennessee. Board members can be removed by the City Mayor with cause. The Authority (the Primary Government) operates independently of the City of Fayetteville in areas of fiscal accountability and revenue generation and does not represent a financial benefit or burden to the City of Fayetteville. There were no component units of the Authority to be considered for inclusion in this reporting entity.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

- A) Revenue Recognition - - The Authority's financial statements utilize the accrual basis of accounting using the economic resources measurement focus. The Authority accounts for its operations in a single enterprise fund. Revenues are recognized when earned and expenses are recognized when the related liability is incurred in a manner similar to private business. The accompanying financial statements of the Authority conform with accounting principles generally accepted in the United States as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting standards. The GASB's *Codification of Governmental Accounting and Financial Reporting Standards* document these principles.

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- A) Revenue Recognition (Continued) - - The Authority utilizes HUD's "Asset Management Program" ("AMP") which establishes a formula for determining operating subsidies for public housing agencies ("PHAs"). Under this program, among other things, the PHA must charge a property management fee for the operation of the Authority's COCC. In addition, the PHA may charge a fee-for-service for certain centralized property management, bookkeeping and asset management services. The Authority divides the activities of its nonsubsidized private housing and its COCC into separate activities as further described in Note 7 and also presented in the Financial Data Schedules in the supplemental information section. Fees for departmental transactions are recorded as operating expense and operating revenue of the respective activities but are eliminated in the Statement of Revenues, Expenses, and Changes in Net Position.

- B) Cash and Cash Equivalents - - For purposes of the statement of cash flows, the Authority considers all savings and certificate of deposit accounts with original maturities of three months or less to be cash or cash equivalents, including tenant security deposits classified as "Special Funds" in the Statement of Net Position.

Credit Risk - It is the Authority's policy that cash deposits with financial institutions be collateralized by securities whose market value is equal to 105% of the value of the uninsured deposits. The Authority invests all funds on deposit in accordance with both the laws of the State of Tennessee and HUD requirements.

Custodial credit risk - Custodial credit risk is the risk that the Authority will not be able to recover its collateral held by a third-party custodian, in the event that the custodian defaults. The Authority maintains a perfected security interest in the collateral held on its behalf at the custodial agent(s). The Authority has no custodial credit risk due to the Authority's perfected security interest in its collateral in a segregated custodian account, which is registered in the Authority's name. The Authority's policy requires that securities shall be maintained in a third-party custodian account and the manner of collateralization shall provide the Authority with a continuing perfected security interest in the collateral for the full term of the deposit, in accordance with applicable laws and Federal regulations. Such collateral shall, at all times, have a market value at least equal to 105% of the amount of deposits so secured.

- C) Accounts Receivable - - Accounts receivable consist of amounts due from tenants for rental, excess utilities, repair charges and amounts due from other governments. The Authority recognizes receivables from HUD and other governmental agencies for amounts earned and billed but not received and for amounts earned but unbilled as of year-end. The accounts receivable is stated net of an allowance for doubtful accounts. Based upon management's review of the outstanding receivables, an allowance of \$2,303 was deemed necessary for conventional and private housing accounts at September 30, 2023. The Authority, with Board approval, charges off unpaid accounts receivable when they are deemed uncollectible.
- D) Inventories - - Inventories consist of maintenance materials and unit supplies and are stated at the lower of cost or market determined by the first in, first out (FIFO) method.
- E) Land, Buildings, and Equipment - - Purchased land, buildings, and equipment are recorded at cost and include assets originally leased by private entities as described in Note 1. Donated assets are recorded at fair market value at date of gift. Buildings with an initial cost exceeding \$10,000 are capitalized and depreciated over a 30-year life based on the straight-line method. Equipment with an initial cost exceeding \$5,000 is capitalized and depreciated using the straight-line method over a 7-year life for vehicles, a 15-year life for improvements, and a 10-year life for all other equipment. Other costs incurred for repairs and maintenance that do not improve or extend the life of the respective assets are expensed as incurred.

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- F) Tenant Unearned Revenue - - The Authority's tenant unearned revenue consists of prepaid tenant rent.
- G) Compensated Absences - - The Authority's policies regarding leave time permit employees to accumulate earned but unused vacation leave benefits. Accumulated unused sick leave is not accrued as it does not vest; however, any employee with fifteen years of service can apply up to 180 hours of sick leave in lieu of annual leave during the calendar year that the employee retires. Accordingly, a liability has been accrued for employees meeting these criteria.
- H) Deferred Outflows / Inflows of Resources - - In addition to assets, the statement of net position will present a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will present a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category.

- I) Net position - - is the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net investment in capital assets represent capital assets reduced by accumulated depreciation and by any outstanding debt related to the acquisition, construction, or improvement of those assets as well as any deferred outflows or inflows of resources attributable to the acquisition, construction, or improvement of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets occur when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributions, laws, regulations, etc. Unrestricted net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.
- J) New Accounting Pronouncements - - During the year, the government implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). This standard enhances the relevance and consistency of information of the government's SBITA activities. It establishes requirements for SBITA accounting based on the principle that SBITAs are financings of the right to use an underlying asset. The government is required to recognize a SBITA liability and an intangible right to use SBITA asset when it acquires these types of assets. The Authority does not have any arrangements that qualify for reporting under this standard.
- K) Operating Revenues and Expenses - - The Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from operating grant agreements and providing services and maintenance of its housing units and related buildings and equipment. The principal operating revenues of the Authority include program specific grants, rental income from tenants and other income such as late fees and maintenance charges. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All other revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

- L) Use of Estimates - - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the 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.
- M) Restricted Resources - - When the Authority has both restricted and unrestricted resources available to finance a particular program, it is the Authority's policy to use restricted resources before unrestricted resources.
- N) Grants - - Capital grants consist of grants received specifically for construction and acquisition of fixed assets and other expenditures not meeting the asset capitalization threshold. Certain capital grants permit the Authority to expend funds for eligible activities such as operations, management improvements, and administrative expenses. During 2023, under the Capital Fund Program the Authority spent \$100,000 for operations.
- Operating grants are used to fund current operations.
- O) Reclassifications - - Certain reclassifications have been made in the 2022 financial information to conform to the 2023 financial statements presentation. Such reclassifications had no effect on the results of operations as previously reported.

4) CASH AND SPECIAL FUNDS:

The following is a summary of cash and special funds at September 30, 2023:

Cash for general use	\$ 3,132,796
Special funds-board restricted for tenant deposits	<u>34,580</u>
	<u>\$ 3,167,376</u>

The Authority's cash consists of cash in checking accounts and certificates of deposit in financial institutions with bank balances of \$3,236,627 and carrying amounts of \$3,167,376 which includes cash on hand of \$100 as of year-end. Of the amounts on deposit, \$1,917,576 is fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Tennessee Bank Collateral Pool. The remaining \$1,249,800 is collateralized by securities pledged by a financial institution and held by their agent in the name of the Authority.

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

5) LAND, BUILDINGS AND EQUIPMENT:

A summary of land, buildings and equipment activity for the year ended September 30, 2023, is as follows:

	September 30, <u>2022</u>	<u>Increases</u>	<u>Decreases</u>	September 30, <u>2023</u>
Capital assets, not being depreciated:				
Land	\$ 332,000	\$ -	\$ -	\$ 332,000
Construction in progress	<u>443,876</u>	<u>682,437</u>	<u>(443,876)</u>	<u>682,437</u>
Total capital assets, not being depreciated	775,876	682,437	(443,876)	1,014,437
Capital assets, being depreciated:				
Buildings and improvements	18,057,160	631,956	-	18,689,116
Equipment	99,653	-	-	99,653
Vehicles	<u>199,483</u>	<u>50,148</u>	<u>(54,222)</u>	<u>195,409</u>
Total, capital assets being depreciated	18,356,296	682,104	(54,222)	18,984,178
Less accumulated depreciation for:				
Buildings and improvements	(13,601,794)	(473,905)	-	(14,075,699)
Equipment	(99,653)	-	-	(99,653)
Vehicles	<u>(199,484)</u>	<u>(3,582)</u>	<u>54,222</u>	<u>(148,844)</u>
Total accumulated depreciation	<u>(13,900,931)</u>	<u>(477,487)</u>	<u>54,222</u>	<u>(14,324,196)</u>
Total capital assets, net	<u>\$ 5,231,241</u>	<u>\$ 887,054</u>	<u>\$ (443,876)</u>	<u>\$ 5,674,419</u>

The Authority has ongoing remodeling projects of housing units in progress at September 30, 2023.

6) COMPENSATED ABSENCES AND PENSION PLAN:

The Authority's employees earn annual vacation and sick leave based upon service. Annual vacation leave for compensated absences accumulates and vests resulting in an accrued liability reported in the accompanying financial statements. Annual sick leave accumulates but does not vest; except an employee with fifteen years of service can apply up to 180 hours of sick leave in lieu of annual leave during the calendar year that the employee retires. Accordingly, this sick leave has been accrued for employees meeting these criteria in compensated absences; other expenditures for sick leave are recorded when the leave is taken.

Changes in the compensated absences liability during the year ended September 30, 2023, are as follows:

Accrued compensated absences, September 30, 2022	\$ 84,485
Earned	36,786
Paid	<u>(33,844)</u>
Accrued compensated absences, September 30, 2023	87,427
Less amount classified as current	<u>(36,786)</u>
Long-term portion	<u>\$ 50,641</u>

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

6) COMPENSATED ABSENCES AND PENSION PLAN (CONTINUED):

The Authority contributes to the Housing Renewal and Local Agency Retirement Plan, a defined contribution pension plan which covers approximately 452 governmental employers. The plan is funded by employer contributions equal to 14% of eligible employee compensation. Employees are also permitted to make contributions to the pension plan, up to applicable Internal Revenue Code limits. Employees are eligible to participate after completing six months of service and attaining the age of 21. Forfeitures are to first be used to provide for the expenses of the employer and may then be reallocated among eligible participants. There were no forfeitures for the year ended September 30, 2023. As of September 30, 2023, the Authority did not have an amount payable for contributions required to the pension plan.

Benefit terms, including contribution requirements, for the plan are established and may be amended by the Authority Board, within the guidelines of the Housing Renewal and Local Agency Retirement Plan Board and within the parameters of Section 401(a) of the Internal Revenue Code. In the prior year, the Authority amended the plan to allow participants to take in-service distributions at age 59 1/2, provided that the minimum distribution is \$500 or more and to permit plan participants to take loans. Employees are immediately vested with respect to 42% of contributions with remaining contributions becoming fully vested at 20% per year over a five-year period. For the year ended September 30, 2023, employee contributions totaled \$835 and the Authority recognized retirement expense of \$70,730 reported in administrative employee benefits. Additional information regarding the plan is available from Mercer Human Resource Consulting, Inc., 400 West Market Street, Suite 700, Louisville, KY 40202-3431.

7) DEPARTMENTAL TRANSACTIONS:

Expenses such as labor, office supplies, etc. are shared by the Authority's activities. Each one's share of these expenses is determined primarily based on either allowable labor; work orders; or the number of dwelling units within each activity; with monthly payments made between the activities to properly allocate expenses. Such payments are reflected as activity expenses with the receipt reflected as a reduction of expenses. As of September 30, 2023, there were no receivable and payable amounts related to expense allocations between the activities.

Also, in 2023, there were no transfers between the Capital Fund programs and the COCC as described in Note 3-N.

8) PUBLIC ENTITY RISK POOL PARTICIPATION:

The Authority is exposed to various risks related to workers' compensation, errors and omissions, and property and liability losses. During 2023 the Authority participated in public entity risk pools for coverage of these risks. For coverage of property and liability losses the Authority participated in the Tennessee Housing Authority Risk Management Trust, a public entity risk pool established by Tennessee housing authorities. For coverage of workers' compensation, auto coverage and error and omissions losses, the Authority participated in the Tennessee Municipal League Risk Management Pool, a public entity risk pool established by local Tennessee governments. The Authority pays an annual premium for this insurance coverage.

The pools are created to be self-sustaining through member premiums. The pools reinsure through commercial insurance companies for excessive claims for each insured event.

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

8) PUBLIC ENTITY RISK POOL PARTICIPATION (CONTINUED):

The Authority continues to carry commercial insurance for employee health and accident coverage. Settled claims from these losses have not exceeded commercial insurance coverage in any of the past three fiscal years.

9) CONTINGENCIES:

The Authority is dependent on HUD grant funding to finance the current level of operations. A significant reduction in this funding could impact the Authority's operations. The HUD grant programs are governed by various rules and regulations of HUD. Costs charged to the grant programs are subject to audit and adjustment by HUD; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable at September 30, 2023 may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

As a condition of receiving HUD funding, the Authority has agreed to keep each unit in a low-income housing program for 20 years after its construction or major rehabilitation.

The Authority is involved in litigation arising in the ordinary course of business. The ultimate outcome of the litigation is unknown at the present time. Accordingly, no provision for any liability that might result has been made in the accompanying financial statements. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Authority's financial position or results of operations.

10) CAPITAL PROJECTS:

The Authority's Capital Fund Program activity is summarized as follows:

	Capital Programs				
	501-20	501-21	501-22	501-23	Total
Grant authorized	\$ 653,763	\$ 686,238	\$ 847,035	\$ 859,025	\$ 3,046,061
Grant expended:					
Prior periods	465,683	-	-	-	465,683
Current period	188,080	625,000	157,437	-	970,517
Total Grant Expended	653,763	625,000	157,437	-	1,436,200
Balance	\$ -	\$ 61,238	\$ 689,598	\$ 859,025	\$ 1,609,861

11) TENANT UNEARNED REVENUE:

The Tennessee Housing Development Agency (THDA) offered rent relief for housing tenants for the months of April 2022 - February 2023. THDA determined the amount of relief for each tenant based on information provided by the Authority. In fiscal year 2023, the Authority received a total of \$184,152 from the Tenant Rent Relief Program for the benefits of tenants for prospective rent payments as well as payments in arrears. In some cases, the tenants had previously paid the rent creating tenant unearned revenue. As of September 30, 2023, the amount of unearned revenue related to the Tenant Rent Relief Program totaled \$19,437 and is included in the total tenant unearned revenue of \$22,811 reported in the Statement of Assets, Liabilities, and Net Position.

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
SEPTEMBER 30, 2023

12) LEASING ACTIVITY:

The Authority determines if an arrangement is or contains a lease at contract inception and recognizes an intangible right of use asset and a lease liability at the lease commencement date. Subsequently, the intangible right of use asset is amortized on a straight-line basis over its useful life. The lease term includes the noncancelable period of the lease plus an additional period covered by either an option to extend or not to terminate the lease that the lessee is reasonably certain to exercise, or an option to extend or not to terminate the lease controlled by the lessor. The Authority uses its estimated incremental borrowing rate as the discount rate for leases.

The Authority monitors events or changes in circumstances that require a reassessment of its leases. When a reassessment results in the remeasurement of a lease liability, a corresponding adjustment is made to the carrying amount of the intangible right of use asset.

The Authority does not have any lease agreements that are under the scope of GASB 87.

Lease expense for the year ended September 30, 2023 totaled \$1,693.

13) INCOME TAXES AND TAX EQUIVALENTS:

The Authority is an instrumentality of the City of Fayetteville, Tennessee; therefore, it is exempt from payment of federal and state income taxes. The Authority is required to make tax equivalent payments to the City of Fayetteville and the City of Petersburg. The amount paid is based on 10 percent of the amount of shelter rent collected by the Authority for conventional housing activities and property cost or appraisal value for private housing and the COCC.

14) SUBSEQUENT EVENT:

Management has evaluated events and transactions occurring after September 30, 2023 through February 5, 2024, the date the financial statements were available for issuance, for recognition or disclosure in the financial statements. There were no events or transactions that required recognition or disclosure in the financial statements.

SUPPLEMENTAL INFORMATION

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF ASSETS, LIABILITIES, AND NET POSITION
SEPTEMBER 30, 2023

<u>ASSETS</u>	HUD REGULATED <u>HOUSING</u>	BUSINESS ACTIVITIES <u>ACTIVITIES</u>	CENTRAL OFFICE <u>COST</u>	<u>TOTAL</u>
Current Assets				
Cash and cash equivalents	\$ 1,727,810	\$ 1,047,045	\$ 357,941	\$ 3,132,796
Accounts receivable - tenants, net	18,637	3,178	-	21,815
Prepaid expenses and other current assets	38,655	16,047	1,206	55,908
Inventories	<u>116,524</u>	<u>-</u>	<u>-</u>	<u>116,524</u>
	1,901,626	1,066,270	359,147	3,327,043
Special Funds				
Tenant security deposits	21,990	12,590	-	34,580
Land, buildings and equipment, net	<u>5,082,800</u>	<u>502,876</u>	<u>88,743</u>	<u>5,674,419</u>
Total Assets	<u>7,006,416</u>	<u>1,581,736</u>	<u>447,890</u>	<u>9,036,042</u>
<u>LIABILITIES</u>				
Current Liabilities				
Accounts payable	29,386	19,822	-	49,208
Tenant unearned revenue	20,427	2,384	-	22,811
Accrued liabilities - tax equivalents	31,071	16,829	-	47,900
Accrued compensated absences	<u>16,156</u>	<u>6,272</u>	<u>14,358</u>	<u>36,786</u>
	97,040	45,307	14,358	156,705
Current Liabilities Payable				
From Special Funds				
Tenant security deposits	21,990	12,590	-	34,580
Long-Term Liabilities				
Accrued compensated absences, less current portion	<u>22,775</u>	<u>9,216</u>	<u>18,650</u>	<u>50,641</u>
Total Liabilities	<u>141,805</u>	<u>67,113</u>	<u>33,008</u>	<u>241,926</u>
<u>NET POSITION</u>				
Investment in capital assets	5,082,800	502,876	88,743	5,674,419
Unrestricted	<u>1,781,811</u>	<u>1,011,747</u>	<u>326,139</u>	<u>3,119,697</u>
Total Net Position	<u>\$ 6,864,611</u>	<u>\$ 1,514,623</u>	<u>\$ 414,882</u>	<u>\$ 8,794,116</u>

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	HUD REGULATED HOUSING	BUSINESS ACTIVITIES	CENTRAL OFFICE COST	ELIMINATIONS	TOTAL
Operating income:					
Dwelling rental	\$ 746,351	\$ 581,777	\$ -	\$ -	\$ 1,328,128
Operating grants and subsidies	1,191,882	-	-	-	1,191,882
Other	40,615	18,334	220,602	(220,602)	58,949
Total operating income	1,978,848	600,111	220,602	(220,602)	2,578,959
Operating expenses:					
Administrative salaries	78,866	12,839	143,771	-	235,476
Other labor	228,821	93,462	-	-	322,283
Tenant utilities provided	402,560	133,570	-	-	536,130
Repairs and maintenance	335,274	139,857	-	-	475,131
Administrative employee benefits	28,616	4,605	39,438	-	72,659
Other employee benefits	106,537	44,695	818	-	152,050
Property and liability insurance	114,114	52,146	732	-	166,992
Payments in lieu of taxes	31,071	16,829	-	-	47,900
Other administrative expense	242,044	7,510	8,557	(220,602)	37,509
Professional services	14,321	6,425	-	-	20,746
Tenant services	5,582	-	-	-	5,582
Other	7,579	25,890	-	-	33,469
Depreciation	430,603	42,333	4,551	-	477,487
Total operating expenses	2,025,988	580,161	197,867	(220,602)	2,583,414
Operating income (loss)	(47,140)	19,950	22,735	-	(4,455)
Non-operating income:					
Gain on disposal of fixed assets	21,330	-	-	-	21,330
Interest income	9,032	10,373	1,781	-	21,186
Total non-operating income	30,362	10,373	1,781	-	42,516
Net income (loss) before contributions	(16,778)	30,323	24,516	-	38,061
Capital contributions	870,517	-	-	-	870,517
Change in Net Position	853,739	30,323	24,516	-	908,578
Net Position, at Beginning of Year	6,010,872	1,484,300	390,366	-	7,885,538
Net Position, at End of Year	\$ 6,864,611	\$ 1,514,623	\$ 414,882	\$ -	\$ 8,794,116

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	HUD REGULATED HOUSING	BUSINESS ACTIVITIES	CENTRAL OFFICE COST	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES:				
Rental receipts	\$ 468,448	\$ 584,530	\$ -	\$ 1,052,978
Other receipts	40,615	18,334	220,602	279,551
Receipts from operating grants and subsidies	1,191,882	-	-	1,191,882
Payments to vendors and others	(1,204,817)	(390,017)	(9,403)	(1,604,237)
Payments to employees	<u>(442,840)</u>	<u>(155,601)</u>	<u>(184,027)</u>	<u>(782,468)</u>
Net cash provided by operating activities	<u>53,288</u>	<u>57,246</u>	<u>27,172</u>	<u>137,706</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Acquisition and construction of capital assets, net	(870,517)	(50,148)	-	(920,665)
Proceeds from sale of assets	21,330	-	-	21,330
Capital grants received	<u>873,003</u>	<u>-</u>	<u>-</u>	<u>873,003</u>
Net cash provided (used) by capital and related financing activities	<u>23,816</u>	<u>(50,148)</u>	<u>-</u>	<u>(26,332)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest received	<u>9,032</u>	<u>10,373</u>	<u>1,781</u>	<u>21,186</u>
Net cash provided by investing activities	<u>9,032</u>	<u>10,373</u>	<u>1,781</u>	<u>21,186</u>
Net increase in cash	86,136	17,471	28,953	132,560
Cash and cash equivalents, beginning of year	<u>1,663,664</u>	<u>1,042,164</u>	<u>328,988</u>	<u>3,034,816</u>
Cash and cash equivalents, end of year	<u>\$ 1,749,800</u>	<u>\$ 1,059,635</u>	<u>\$ 357,941</u>	<u>\$ 3,167,376</u>

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	HUD REGULATED <u>HOUSING</u>	BUSINESS <u>ACTIVITIES</u>	CENTRAL OFFICE <u>COST</u>	<u>TOTAL</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (47,140)	\$ 19,950	\$ 22,735	\$ (4,455)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation expense	430,603	42,333	4,551	477,487
Changes in assets and liabilities:				
(Increase) in accounts receivable - tenants	(14,429)	(2,048)	-	(16,477)
(Increase) in prepaid expenses	(8,399)	(4,342)	(681)	(13,422)
(Increase) in inventories	(8,069)	-	-	(8,069)
(Decrease) in accounts payable	(3,624)	(281)	-	(3,905)
Increase (decrease) in tenant unearned revenue	(268,391)	604	-	(267,787)
(Decrease) in security deposits	(100)	-	-	(100)
Increase in accrued liabilities-tax equivalents	6,979	-	-	6,979
Increase in accrued compensated absences	1,345	779	818	2,942
(Decrease) in other current liabilities	(35,487)	-	-	(35,487)
Change in interprogram receivables/ payables	<u>-</u>	<u>251</u>	<u>(251)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 53,288</u>	<u>\$ 57,246</u>	<u>\$ 27,172</u>	<u>\$ 137,706</u>

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF LAND, BUILDINGS, AND EQUIPMENT
SEPTEMBER 30, 2023

	BALANCE <u>9/30/2022</u>	<u>ADDITIONS</u>	<u>RETIREMENTS</u>	BALANCE <u>9/30/2023</u>
HUD REGULATED HOUSING:				
Land	\$ 286,966	\$ -	\$ -	\$ 286,966
Construction in progress	443,876	682,437	(443,876)	682,437
Buildings and site permits	12,450,194	631,956	-	13,082,150
Building improvements	2,411,165	-	-	2,411,165
Office equipment	21,505	-	-	21,505
Maintenance equipment	5,545	-	-	5,545
Community space equipment	45,942	-	-	45,942
Vehicles	146,929	-	(54,222)	92,707
	<u>15,812,122</u>	<u>1,314,393</u>	<u>(498,098)</u>	<u>16,628,417</u>
BUSINESS ACTIVITIES:				
Land	45,034	-	-	45,034
Buildings	3,045,801	-	-	3,045,801
Auto	52,554	50,148	-	102,702
Other equipment	26,661	-	-	26,661
	<u>3,170,050</u>	<u>50,148</u>	<u>-</u>	<u>3,220,198</u>
CENTRAL OFFICE COST CENTER:				
Land	-	-	-	-
Buildings	150,000	-	-	150,000
Auto	-	-	-	-
Other equipment	-	-	-	-
	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
TOTAL	<u>\$ 19,132,172</u>	<u>\$ 1,364,541</u>	<u>\$ (498,098)</u>	<u>\$ 19,998,615</u>
HUD REGULATED HOUSING:				
Accumulated depreciation	\$ 11,169,236	\$ 430,603	\$ (54,222)	\$ 11,545,617
BUSINESS ACTIVITIES:				
Accumulated depreciation	2,674,989	42,333	-	2,717,322
CENTRAL OFFICE COST CENTER:				
Accumulated depreciation	<u>56,706</u>	<u>4,551</u>	<u>-</u>	<u>61,257</u>
TOTAL	<u>\$ 13,900,931</u>	<u>\$ 477,487</u>	<u>\$ (54,222)</u>	<u>\$ 14,324,196</u>

FAYETTEVILLE HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE OF BALANCE SHEET ACCOUNTS
SEPTEMBER 30, 2023

	Project Total	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 1,477,810	\$ 797,045	\$ 357,941	\$ 2,632,796		\$ 2,632,796
112 Cash - Restricted - Modernization and						
113 Cash - Other Restricted						
114 Cash - Tenant Security Deposits	21,990	12,590		34,580		34,580
115 Cash - Restricted for Payment of Current Liabilities						
100 Total Cash	1,499,800	809,635	357,941	2,667,376		2,667,376
121 Accounts Receivable - PHA Projects						
122 Accounts Receivable - HUD Other Projects						
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous	50	213		263		263
126 Accounts Receivable - Tenants	19,395	4,722		24,117		24,117
126.1 Allowance for Doubtful Accounts - Tenants	(758)	(1,544)		(2,302)		(2,302)
126.2 Allowance for Doubtful Accounts - Other						
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery						
128.1 Allowance for Doubtful Accounts - Fraud						
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful	18,687	3,391	-	22,078		22,078
131 Investments - Unrestricted	250,000	250,000		500,000		500,000
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current						
142 Prepaid Expenses and Other Assets	38,605	15,834	1206	55,645		55,645
143 Inventories	116,524			116,524		116,524
143.1 Allowance for Obsolete Inventories						
144 Inter Program Due From						
145 Assets Held for Sale						
150 Total Current Assets	1,923,616	1,078,860	359,147	3,361,623		3,361,623
161 Land	286,966	45,034		332,000		332,000
162 Buildings	15,493,315	3,045,801	150,000	18,689,116		18,689,116
163 Furniture, Equipment & Machinery - Dwellings						
164 Furniture, Equipment & Machinery -	165,699	129,363		295,062		295,062
165 Leasehold Improvements						
166 Accumulated Depreciation	(11,545,617)	(2,717,322)	(61,257)	(14,324,196)		(14,324,196)
167 Construction in Progress	682,437			682,437		682,437
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated	5,082,800	502,876	88,743	5,674,419		5,674,419
171 Notes, Loans and Mortgages Receivable - Non-						
172 Notes, Loans, & Mortgages Receivable - Non						
173 Grants Receivable - Non Current						
174 Other Assets						
176 Investments in Joint Ventures						
180 Total Non-Current Assets	5,082,800	502,876	88,743	\$5,674,419		5,674,419
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$ 7,006,416	\$ 1,581,736	\$ 447,890	\$ 9,036,042		\$ 9,036,042

FAYETTEVILLE HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE OF BALANCE SHEET ACCOUNTS (CONTINUED)
SEPTEMBER 30, 2023

	Project Total	1 Business Activities	COCC	Subtotal	ELIM	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$ 29,386	\$ 19,822	\$ -	\$ 49,208		\$ 49,208
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable				-		
322 Accrued Compensated Absences - Current Portion	16,156	6,272	14,358	36,786		36,786
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs	-			-		-
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	31,071	16,829		47,900		47,900
341 Tenant Security Deposits	21,990	12,590		34,580		34,580
342 Unearned Revenue	20,427	2,384		22,811		22,811
343 Current Portion of Long-term Debt - Capital						
344 Current Portion of Long-term Debt - Operating						
345 Other Current Liabilities						
346 Accrued Liabilities - Other						
347 Inter Program - Due To						
348 Loan Liability - Current						
310 Total Current Liabilities	119,030	57,897	14,358	191,285		191,285
351 Long-term Debt, Net of Current - Capital						
352 Long-term Debt, Net of Current - Operating						
353 Non-current Liabilities - Other						
354 Accrued Compensated Absences - Non Current	22,775	9,216	18,650	50,641		50,641
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	22,775	9,216	18,650	50,641		50,641
300 Total Liabilities	141,805	67,113	33,008	241,926		241,926
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	5,082,800	502,876	88,743	5,674,419		5,674,419
511.4 Restricted Net Position						
512.4 Unrestricted Net Position	1,781,811	1,011,747	326,139	3,119,697		3,119,697
513 Total Equity - Net Assets / Position	6,864,611	1,514,623	414,882	8,794,116		8,794,116
600 Total Liabilities, Deferred Inflows of Resources and	\$ 7,006,416	\$ 1,581,736	\$ 447,890	\$ 9,036,042		\$ 9,036,042

FAYETTEVILLE HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE OF REVENUE AND EXPENSE ACCOUNTS
SEPTEMBER 30, 2023

	Project Total	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 756,432	\$ 581,656		\$ 1,338,088		\$ 1,338,088
70400 Tenant Revenue - Other	40,615	18,334		58,949		58,949
70500 Total Tenant Revenue	797,047	599,990		1,397,037		1,397,037
70600 HUD PHA Operating Grants	1,191,882			1,191,882		1,191,882
70610 Capital Grants	870,517			870,517		870,517
70710 Management Fee			163,272	163,272	(163,272)	-
70720 Asset Management Fee			32,913	32,913	(32,913)	-
70730 Book Keeping Fee			24,417	24,417	(24,417)	-
70740 Front Line Service Fee						-
70750 Other Fees						-
70700 Total Fee Revenue	-		220,602	220,602	(220,602)	-
70800 Other Government Grants						
71100 Investment Income - Unrestricted	9,032	10,373	1,781	21,186		21,186
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for						
71310 Cost of Sale of Assets						
71400 Fraud Recovery						
71500 Other Revenue						
71600 Gain or Loss on Sale of Capital Assets	21,330			21,330		21,330
72000 Investment Income - Restricted						
70000 Total Revenue	2,889,808	610,363	222,383	3,722,554	(220,602)	3,501,952
91100 Administrative Salaries	78,866	12,839	143,771	235,476		235,476
91200 Auditing Fees	11,836	5,570		17,406		17,406
91300 Management Fee	163,272			163,272	(163,272)	-
91310 Book-keeping Fee	24,210			24,210	(24,210)	-
91400 Advertising and Marketing						
91500 Employee Benefit contributions - Administrative	28,616	4,605	39,438	72,659		72,659
91600 Office Expenses	19,637	7,510	4,139	31,286		31,286
91700 Legal Expense	2,485	855		3,340		3,340
91800 Travel	1,804	-	4,218	6,022		6,022
91810 Allocated Overhead						
91900 Other			-	-		-
91000 Total Operating - Administrative	330,726	31,379	191,566	553,671	(187,482)	366,189
92000 Asset Management Fee	33,120			33,120	(33,120)	-
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant						
92400 Tenant Services - Other	5,582			5,582		5,582
92500 Total Tenant Services	5,582	-	-	5,582	-	5,582
93100 Water	245,690	123,750		369,440		369,440
93200 Electricity	26,675	7,914		34,589		34,589
93300 Gas	130,195	1,906		132,101		132,101
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense						
93000 Total Utilities	402,560	133,570	-	536,130	-	536,130

FAYETTEVILLE HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE OF REVENUE AND EXPENSE ACCOUNTS (CONTINUED)
SEPTEMBER 30, 2023

	Project Total	1 Business Activities	COCC	Subtotal	ELIM	Total
94100 Ordinary Maintenance and Operations - Labor	228,821	93,462		322,283		322,283
94200 Ordinary Maintenance and Operations -	144,510	33,382		177,892		177,892
94300 Ordinary Maintenance and Operations Contracts	190,763	106,475		297,238		297,238
94500 Employee Benefit Contributions - Ordinary	105,192	43,916		149,108		149,108
94000 Total Maintenance	669,286	277,235	-	946,521	-	946,521
95100 Protective Services - Labor						
95200 Protective Services - Other Contract Costs						
95300 Protective Services - Other						
95500 Employee Benefit Contributions - Protective						
95000 Total Protective Services	-	-	-	-	-	-
96110 Property Insurance	89,869	43,399	267	133,535		133,535
96120 Liability Insurance	5,305	2,561	16	7,882		7,882
96130 Workmen's Compensation	2,813	1,174	438	4,425		4,425
96140 All Other Insurance	16,128	5,012	11	21,151		21,151
96100 Total insurance Premiums	114,115	52,146	732	166,993	-	166,993
96200 Other General Expenses	7,579	25,890	200	33,669		33,669
96210 Compensated Absences	1,345	779	818	2,942		2,942
96300 Payments in Lieu of Taxes	31,071	16,829		47,900		47,900
96400 Bad debt - Tenant Rents	10,082	(121)		9,961		9,961
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	50,077	43,377	1,018	94,472	-	94,472
96710 Interest of Mortgage (or Bonds) Payable						
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost						
96900 Total Operating Expenses	1,605,466	537,707	193,316	2,336,489	(220,602)	2,115,887
97000 Excess of Operating Revenue over Operating	1,284,342	72,656	29,067	1,386,065	-	1,386,065
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized	-	-		-		-
97300 Housing Assistance Payments				-		-
97350 HAP Portability-In						
97400 Depreciation Expense	430,603	42,333	4,551	477,487		477,487
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	2,036,069	580,040	197,867	2,813,976	(220,602)	2,593,374

FAYETTEVILLE HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE OF REVENUE AND EXPENSE ACCOUNTS (CONTINUED)
SEPTEMBER 30, 2023

	Project Total	1 Business Activities	COCC	Subtotal	ELIM	Total
10010 Operating Transfer In	100,000	-	-	100,000		100,000
10020 Operating transfer Out	100,000	-	-	100,000		100,000
10030 Operating Transfers from/to Primary	-	-	-	-		-
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)	-	-	-	-		-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ 853,739	\$ 30,323	\$ 24,516	\$ 908,578	\$ -	\$ 908,578
11020 Required Annual Debt Principal Payments	-	-	-	-		-
11030 Beginning Equity	6,010,872	1,484,300	390,366	7,885,538		7,885,538
11040 Prior Period Adjustments, Equity Transfers and						
11050 Changes in Compensated Absence Balance						
11060 Changes in Contingent Liability Balance						
11070 Changes in Unrecognized Pension Transition						
11080 Changes in Special Term/Severance Benefits						
11090 Changes in Allowance for Doubtful Accounts -						
11100 Changes in Allowance for Doubtful Accounts -						
11170 Administrative Fee Equity						
11180 Housing Assistance Payments Equity						
11190 Unit Months Available	3,312	1,584		\$ 4,896		4,896
11210 Number of Unit Months Leased	3,227	1,541		\$ 4,768		4,768
11270 Excess Cash	\$ 1,515,669			\$ 1,515,669		\$ 1,515,669
11610 Land Purchases						
11620 Building Purchases	\$ 870,517			\$ 870,517		\$ 870,517
11630 Furniture & Equipment - Dwelling Purchases						
11640 Furniture & Equipment - Administrative						
11650 Leasehold Improvements Purchases						
11660 Infrastructure Purchases						
13510 CFFP Debt Service Payments						
13901 Replacement Housing Factor Funds						

FAYETTEVILLE HOUSING AUTHORITY
NOTES TO FINANCIAL DATA SCHEDULES
SEPTEMBER 30, 2023

NOTE 1- BASIS OF PRESENTATION

The accompanying schedule of balance sheet accounts and schedule of revenue and expense accounts have been prepared using the basis of accounting required by HUD's Real Estate Assessment Center (REAC) and as modified in accordance with the provisions, policies, and requirements as contained in the grant activity of the Fayetteville Housing Authority.

REAC requires certain items on the schedule of balance sheet accounts to be classified entirely as short-term or long-term. However, these items are allocated between short and long-term in the basic financial statements prepared in accordance with GAAP. Also, REAC does not provide for presenting items on the schedule of revenue and expense accounts as operating or non-operating. Accordingly, there are differences in classifications and presentation between these schedules and the basic financial statements. However, total assets, liabilities, and net position reported in these schedules agree to the basic financial statements prepared in accordance with GAAP, notwithstanding minor rounding differences.

OTHER INFORMATION

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF OFFICIALS
SEPTEMBER 30, 2023

EXECUTIVE DIRECTOR

* Ginger Pearson, Executive Director

BOARD OF COMMISSIONERS

Thomas Holland, Chairman of the Board
Jarrett Hancox, Vice-Chairman
Angel Wilson
William McKin
Charles Cannon

* Designated official for financial statement responsibility.

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

Board of Commissioners
Fayetteville Housing Authority
Fayetteville, TN 37334

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 Fayetteville Housing Authority, as of and for the year ended September 30, 2023, and the related notes to the financial statements, and have issued our report thereon dated February 5, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Fayetteville Housing 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 over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Putman & Hancock, CPAs

Fayetteville, Tennessee

February 5, 2024

SINGLE AUDIT SECTION

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
FOR YEAR ENDED SEPTEMBER 30, 2023

<u>Federal Grantor/ Pass-Through Grantor</u>	<u>Program/Cluster Name</u>	<u>Federal Assistance Listing Number</u>	<u>Grant/Project/ Contract Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
<u>Federal Awards</u>					
U.S. Department of Housing and Urban Development	Low Rent Housing	14.850	TN014-00000122D / TN014-00000123D / TN014-00000222D / TN014-00000223D	\$ -	\$ 1,091,882
U.S. Department of Housing and Urban Development	Public Housing Capital Fund Program	14.872	TN40P014501-20, 21 & 22	-	970,517
Total U.S. Department of Housing and Urban Development				-	2,062,399
Total Expenditures of Federal Awards				\$ -	\$ 2,062,399

State Financial Assistance

None

See accompanying notes to schedule of expenditures of federal awards and state financial assistance.

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL
ASSISTANCE (CONTINUED)
SEPTEMBER 30, 2023

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (SEFA) includes the federal and state award activity of Fayetteville Housing Authority under programs of the federal and state government for the year ended September 30, 2023. 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 Fayetteville Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of Fayetteville Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

Fayetteville Housing Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 – SUBRECIPIENTS

For the year ended September 30, 2023, the Fayetteville Housing Authority had no awards that were passed through to subrecipients.

NOTE 5 – CAPITAL FUND PROGRAMS

Under the requirements of the federal award assistance listing number 14.872, Capital Fund programs 501-20, 501-21, 501-22, and 501-23 the Authority may expend grant monies for eligible activities such as operations, management improvements, and administrative expenses. During 2023, under the Capital Fund Program, the Authority spent \$100,000 for operations.

NOTE 6 – COMMITMENTS

At September 30, 2023, the Fayetteville Housing Authority had no outstanding commitments related to various capital projects.

PUTMAN & HANCOCK

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Fayetteville Housing Authority
Fayetteville, TN 37334

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Fayetteville 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 the Fayetteville Housing Authority's major federal programs for the year ended September 30, 2023. The Fayetteville Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, Fayetteville Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Fayetteville 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 the Fayetteville 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 the Fayetteville Housing Authority's federal programs.

Auditors' 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 the Fayetteville 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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Fayetteville Housing Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Fayetteville 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 the Fayetteville 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 the Fayetteville 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 Auditors' 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.

Putman & Hancock, CPAs

Fayetteville, Tennessee

February 5, 2024

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unmodified opinion on whether the financial statements of Fayetteville Housing Authority were prepared in accordance with GAAP.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Fayetteville Housing Authority were disclosed during the audit.
4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for Fayetteville Housing Authority expresses an unmodified opinion.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The program tested as a major program was:

<u>Program Name</u>	<u>Assistance Listing Number</u>
Capital Fund Program	
TN40P014501-20, 21 & 22	14.872

8. The threshold for distinguishing between Type A and B programs was \$750,000.
9. Fayetteville Housing Authority qualified to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS-MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

FAYETTEVILLE HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Financial Statement Findings

There were no prior year findings.

Federal Award Findings and Questioned Costs

There were no prior year findings and questioned costs reported.