

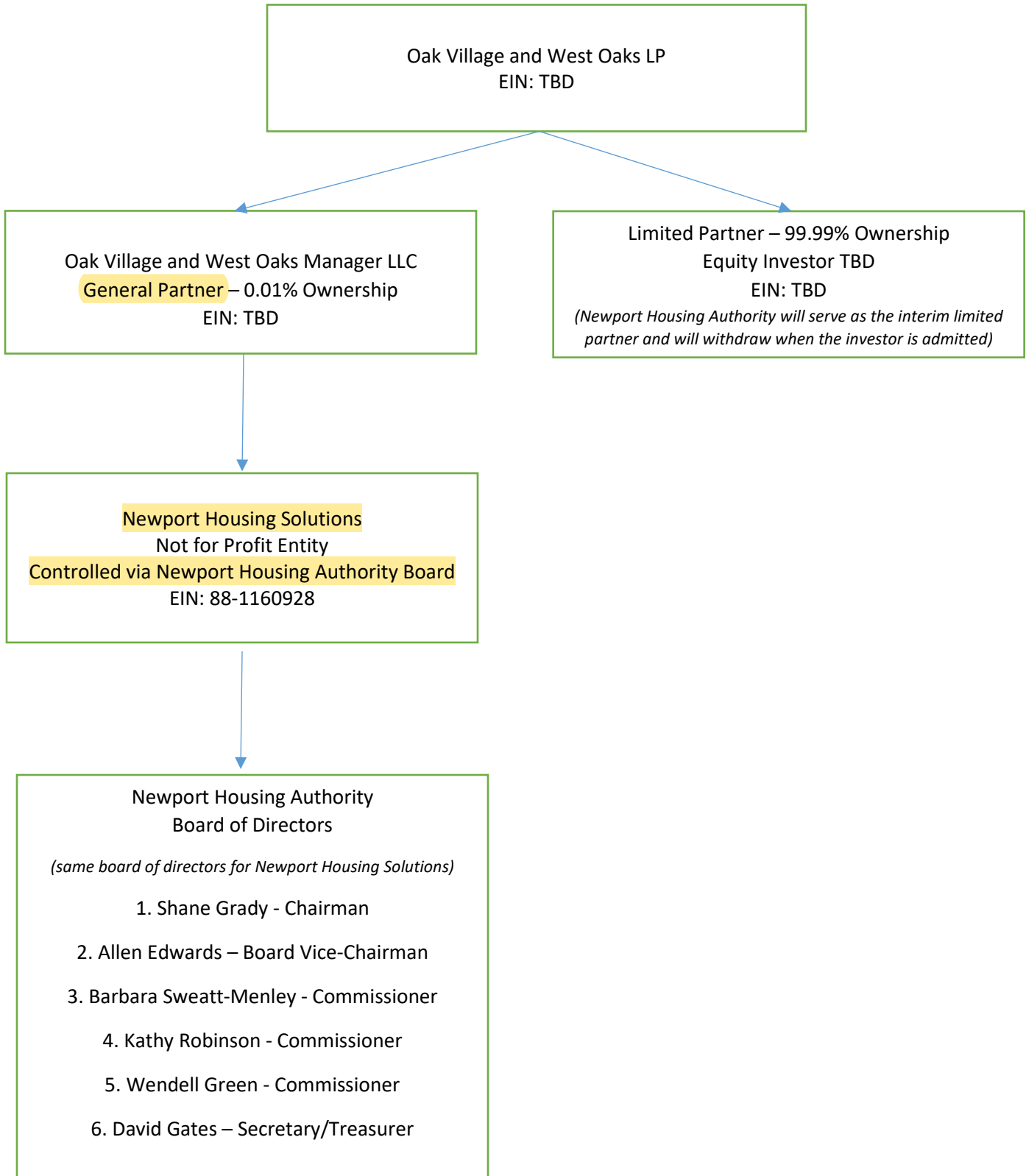
## **Newport Housing Solutions**

General Partner Financial Statements 2021, 2022 and 2023

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The general partner in the project is Oak Village and West Oaks Manager LLC. Newport Housing Solutions is a member of the general partner and is controlled by the Newport Housing Authority Board. This is further depicted in the attached organizational chart. Three years of financial statements for the Newport Housing Authority are included herein.

**Ownership Structure for Oak Village and West Oaks 4% LIHTC**



**Housing Authority of the City of Newport  
Newport, Arkansas**

**Financial Statements  
and  
Supplemental Financial Information**

**Year Ended June 30, 2021**

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**Introductory Section**

**Housing Authority of the City of Newport  
Roster of Management Officials and Board of Commissioners  
June 30, 2021**

**Management Officials**

David Gates

**Title**

Executive Director

**Board of Commissioners**

Shane Grady

Allen Edwards

Barbara Sweatt-Menley

Kathy Robinson

Derrick Person

**Title**

Chairman

Commissioner

Commissioner

Commissioner

Commissioner

**Financial Section**



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## Independent Auditors' Report

Board of Commissioners  
Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Housing Authority of the City of Newport as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents. The financial statements of Housing Authority of the City of Newport as of June 30, 2020 were audited by other auditors whose report dated December 29, 2020, expressed an unqualified opinion on those statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the City of Newport as of June 30, 2021, and the changes in financial position, and its cash



flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Housing Authority of the City of Newport. The accompanying financial information listed as the introductory section and the supplemental financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the financial statements.

The introductory section, supplemental financial information and the schedule of expenditures of federal awards are 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, the introductory section, supplemental financial information and the schedule of expenditures of federal awards are 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 September 26, 2022, on our consideration Housing Authority of the City of Newport'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 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 the entity's internal control over financial reporting and compliance.

September 26, 2022



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Miller & Rose, PA  
Certified Public Accountants

# Housing Authority of the City of Newport

Newport, AR

Management's Discussion and Analysis

June 30, 2021

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 June 1999.

## Financial Highlights

The most significant changes on the 2021 financial statements were in assets and Federal Grants & Subsidy.

## Overview of the Financial Statements

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 like 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 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 like 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 balance sheet. 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 for year-end June 30, 2021.

All 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 property (meets HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered costs through its rental fees and other charges. It can also be used to measure profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as the source, expenditures, and change in cash 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.

### Financial Analysis

One of the most important questions concerning finances is the following: "Is the Housing Authority as a whole better or worse because of the achievements of the reported fiscal year?" The purpose of 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 and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on June 30, 2021. 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 June 30, 2021.

Newport Housing Authority has a low-rent program that provides housing for qualified tenants, a capital fund program for improvements to its low-rent property, and a Public Housing CARES Act Funding program. CARES funding provides additional resources to public housing authorities in response to the coronavirus pandemic. The CARES Act program is considered supplemental funding and must be reported separately on the financial data schedule (FDS). The following analysis focuses on the net position and the change in net position not the individual programs.

#### Net Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 2,032,411	\$ 1,896,696	\$ 135,715	7.16%
Capital Assets, Net	<u>6,240,865</u>	<u>5,735,815</u>	<u>505,050</u>	<u>8.81%</u>
<b>Total Assets</b>	<b>\$ <u>8,273,276</u></b>	<b>\$ <u>7,632,511</u></b>	<b>\$ <u>640,765</u></b>	<b><u>8.40%</u></b>
Current Liabilities	136,261	116,705	19,556	16.76%
Noncurrent Liabilities	<u>2,054</u>	<u>7,985</u>	<u>(5,931)</u>	<u>-74.28%</u>
<b>Total Liabilities</b>	<b>\$ <u>138,315</u></b>	<b>\$ <u>124,690</u></b>	<b>\$ <u>13,625</u></b>	<b><u>10.93%</u></b>

**Net Position (Continued)**

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
Net Position:				
Investment in Capital Assets	6,240,865	5,735,815	505,050	8.81%
Unrestricted Net Position	<u>1,894,096</u>	<u>1,772,006</u>	<u>122,090</u>	<u>6.89%</u>
<b>Total Net Position</b>	<b>\$ <u>8,134,961</u></b>	<b>\$ <u>7,507,821</u></b>	<b>\$ <u>627,140</u></b>	<b><u>8.35%</u></b>

**Capital Assets**

(Net of Accumulated Depreciation)

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
Land	\$ 240,816	\$ 240,816	\$ 0	0.00%
Buildings	11,192,103	12,418,218	(1,226,115)	-9.87%
Furniture & Equipment - Dwell	319,054	310,002	9,052	2.92%
Furniture & Equipment - Admin	277,522	273,869	3,653	1.33%
Construction in progress	<u>1,227,027</u>	<u>568,828</u>	<u>658,199</u>	<u>115.71%</u>
Subtotal	14,715,425	13,811,733	903,692	6.54%
Accumulated Depreciation	<u>(8,474,560)</u>	<u>(8,075,918)</u>	<u>(398,642)</u>	<u>4.94%</u>
<b>Net Capital Assets</b>	<b>\$ <u>6,240,865</u></b>	<b>\$ <u>5,735,815</u></b>	<b>\$ <u>505,050</u></b>	<b><u>8.81%</u></b>

**Net Position**

Total assets consist of current and capital assets. Current assets are resources that are reasonably expected, based on plans and intentions, to be converted into cash or its equivalent during the current operating cycle. Capital assets are long-term tangible assets obtained because of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.

Total liabilities consist of current and noncurrent payables. Current liabilities are current debts that are owed and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt. Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume current financial resources to satisfy the debt.

Total assets increased due to positive cash flow (net cash provided by operating activities) (see changes in net position table) and capital additions exceeded annual depreciation. Total liabilities increased due to vendor payables.

The Housing Authority had \$1,632,781 in Capital Grant revenue to draw down and spend in the future.

**Total Net Position**

As of June 30, 2021, the Housing Authority had \$8,134,961 invested in total net position. Of this amount, \$1,894,096 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$6,240,865 represents the investment in capital assets of land, buildings, furnishings, equipment, and construction in progress.

**Debt**

The Authority had no long-term obligations such as notes or bonds payable.

**Expendable Fund Balance**

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
Expendable Fund Balance	\$ <u>1,864,436</u>	\$ <u>1,759,687</u>	\$ <u>104,749</u>	<u>5.95%</u>
Number of Months Expendable Fund	<u>18.03</u>	<u>16.74</u>	<u>1.29</u>	<u>7.70%</u>

**Expendable Fund Balance**

If current assets, less materials inventory, were converted to cash and all current liabilities were paid, the Authority's cash balance (expendable fund balance) would be \$1,864,436 which increased \$104,749.

**Number of Months Expendable Fund Balance**

The expendable fund balance is divided by average monthly expense (total expenses for the year, less depreciation, divided by twelve (12) to determine the number of months expendable fund balance. This factor indicates the number of months the entity could operate without relying on additional funding. As of the fiscal year-end, the Authority could continue operations for 18.03 months.

**Changes in Net Position**

For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
<b>Revenue:</b>				
Tenant Revenue	\$ 574,549	\$ 619,469	\$ (44,920)	-7.25%
Federal Grants & Subsidy	1,691,432	1,092,794	598,638	54.78%
Investment	4,507	14,075	(9,568)	-67.98%
Other Income	21,393	64,121	(42,728)	-66.64%
Gain/Loss on the Sale of Assets	(1,669)	(700)	(969)	138.43%
<b>Total Revenue</b>	<u>2,290,212</u>	<u>1,789,759</u>	<u>500,453</u>	<u>27.96%</u>

**Changes in Net Position (Continued)**

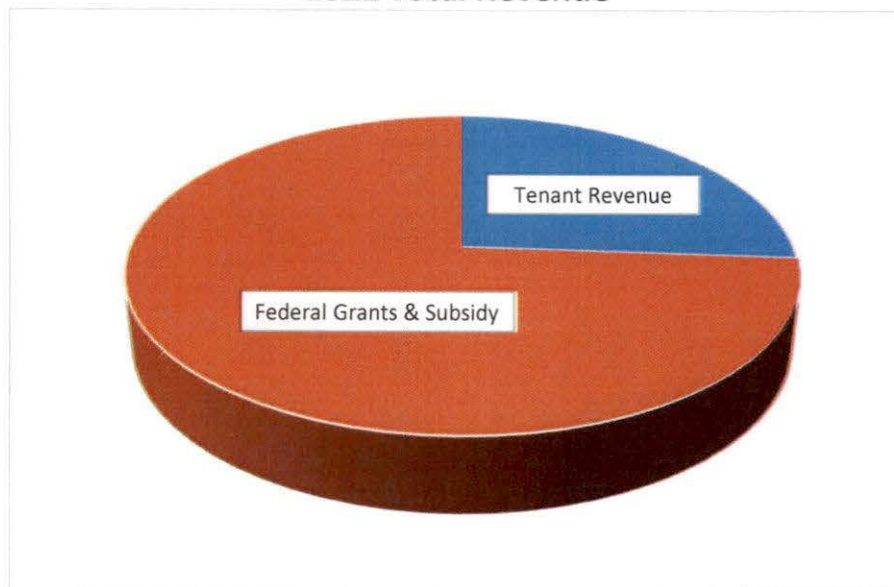
For the Year Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% of Change</u>
<b>Expenses:</b>				
Administrative	382,270	327,494	54,776	16.73%
Utilities	189,902	185,783	4,119	2.22%
Routine Maintenance	396,140	427,338	(31,198)	-7.30%
Protective Services	2,606	475	2,131	448.63%
General	208,578	207,772	806	0.39%
Nonroutine	28,678	98,412	(69,734)	-70.86%
Casualty Loss	32,785	14,120	18,665	132.19%
Depreciation	422,113	429,713	(7,600)	-1.77%
<b>Total Operating Expenses</b>	<u>1,663,072</u>	<u>1,691,107</u>	<u>(28,035)</u>	<u>-1.66%</u>
<b>Increase (Decrease) in Net Position</b>	<b>\$ <u>627,140</u></b>	<b>\$ <u>98,652</u></b>	<b>\$ <u>528,488</u></b>	<b><u>535.71%</u></b>

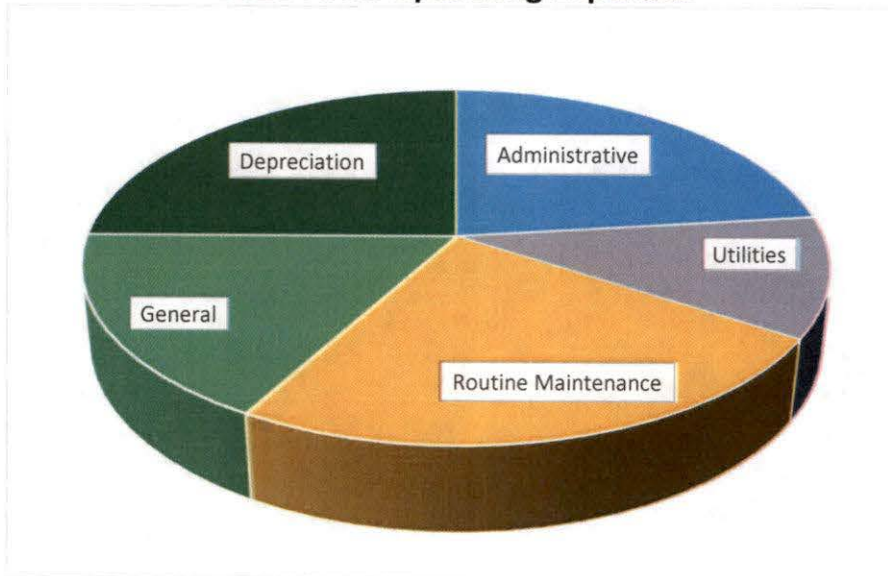
**Changes in Net Position**

Total revenue increased due to capital grant revenues and operating funding received in 2021 as compared to 2020. Total operating expenses decreased due to nonroutine contract costs. The net effect was an increase in changes in net position.

**2021 Total Revenue**



### 2021 Total Operating Expenses



### 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.

### 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 Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements, contact Mr. David Gates, Executive Director, Housing Authority of the City of Newport, 945 Hout Circle, Newport, AR 72112-2945, telephone number (870) 523-2195.

**Basic Financial Statements**



**Housing Authority of the City of Newport  
Statement of Net Position  
Proprietary Funds  
June 30, 2021**

**ASSETS**

**Current Assets**

Cash	\$	1,855,809
Restricted cash		30,862
Total cash		1,886,671
Receivables		
Tenants, net of allowance for doubtful accounts		2,058
Other governments		21,270
Prepaid expenses		90,698
Inventories, net		31,714
<b>Total current assets</b>		<b>2,032,411</b>

**Noncurrent Assets**

Capital Assets		
Nondepreciable		1,467,843
Depreciable, net of accumulated depreciation		4,773,022
<b>Total noncurrent assets</b>		<b>6,240,865</b>

**Total Assets**

**8,273,276**

**LIABILITIES**

**Current Liabilities**

Accounts payable		47,802
Security deposits		30,862
Current portion of accrued compensated absences		18,489
Unearned revenue		7,597
Due to other governments		30,928
Other current liabilities		583
<b>Total current liabilities</b>		<b>136,261</b>

**Noncurrent Liabilities**

Compensated absences, net of current portion		2,054
<b>Total noncurrent liabilities</b>		<b>2,054</b>

**Total Liabilities**

**138,315**

**NET POSITION**

Investment in capital assets		6,240,865
Unrestricted		1,894,096
		<b>8,134,961</b>

**Total net position**

**\$ 8,134,961**

See accompanying notes.

**Housing Authority of the City of Newport  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
Year Ended June 30, 2021**

<b>Operating Revenues</b>	
Tenant revenue, gross	\$ 574,549
Less: bad debts	<u>(43,805)</u>
Tenant revenue, net	<u>530,744</u>
Governmental operating grants	\$ 823,681
Miscellaneous	<u>21,393</u>
<b>Total operating revenues</b>	<u><b>1,375,818</b></u>
<b>Operating Expenses</b>	
Administrative	382,270
Utilities	189,902
Maintenance	396,140
Protective services	2,606
Insurance	133,845
General	30,928
Other operating expenses	61,463
Depreciation	<u>422,113</u>
<b>Total operating expense</b>	<u><b>1,619,267</b></u>
<b>Operating Income (Loss)</b>	<b>(243,449)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	4,507
Loss on disposition of capital assets	<u>(1,669)</u>
<b>Total non-operating revenue (expenses)</b>	<u><b>2,838</b></u>
<b>Income (loss) before contributions</b>	<b>(240,611)</b>
<b>Capital Contributions</b>	<u><b>867,751</b></u>
<b>Increase (decrease) in net position</b>	<b>627,140</b>
<b>Net Position - Beginning of Period</b>	<u><b>7,507,821</b></u>
<b>Net Position - End of Period</b>	<u><b>\$ 8,134,961</b></u>

See accompanying notes.

**Housing Authority of the City of Newport  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2021**

<b>Cash Flow from Operating Activities</b>	
Receipts from tenants	\$ 555,588
Operating subsidies	849,223
Payments to suppliers	(1,044,422)
Payments to employees	(188,300)
Other receipts (payments)	21,501
Net cash provided (used) by operating activities	<u>193,590</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	(890,987)
Capital contributions	867,751
Equipment	(38,744)
Net cash provided (used) by capital and related financing activities	<u>(61,980)</u>
<b>Cash Flows from Investing Activities</b>	
Interest earned on invested cash	4,507
Net cash provided (used) by investing activities	<u>4,507</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	136,117
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,750,554</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 1,886,671</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>	
Operating income (loss)	<u>\$ (243,449)</u>
<b>Adjustments Not Affecting Cash</b>	
Depreciation and amortization	422,113
<b>Change in Assets and Liabilities</b>	
(Increase) Decrease in accounts receivable - tenants	18,413
(Increase) Decrease in other receivables	108
(Increase) Decrease in receivables - other governments	25,542
(Increase) Decrease in inventories	(11,410)
(Increase) Decrease in prepaid expenses	(32,251)
Increase (Decrease) in accounts payable	13,373
Increase (Decrease) in accrued expenses	(4,026)
Increase (Decrease) in accrued compensated absences	339
Increase (Decrease) in security deposits	3,290
Increase (Decrease) in unearned revenue	3,141
Increase (Decrease) in due to other governments	(1,593)
Total adjustments	<u>437,039</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>\$ 193,590</u>

See accompanying notes.

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction.**

The financial statements of the Housing Authority of the City of Newport are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Housing Authority of the City of Newport are discussed below.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the entity to administer certain HUD funds.

**A. Reporting Entity.**

These financial statements present the net position and results of operations of Housing Authority of the City of Newport, a primary government. There are no component units to be included in the Housing Authority of the City of Newport's reporting entity.

**B. Basic Financial Statements.**

The authority is a public corporation, legally separate, fiscally independent and governed by a Board of Commissioners. As such, Housing Authority of the City of Newport is considered a special-purpose government. All activities of authority are considered business type activities.

All activities of the authority are reported as a proprietary fund type. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The entity's proprietary fund authority is classified as an enterprise fund.

An enterprise funds is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Housing Authority of the City of Newport is considered to be a special-purpose government since its existence is to satisfy a very specific and narrow purpose. As such, the authority presents a single set of enterprise fund financial statements. The Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The authority's net position is reported in three components:

1. Investment in capital assets – Consists of the historical cost of capital assets and related deferred outflows of resources, net of accumulated depreciation and related deferred inflows of resources and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as creditors, grantors, contributors, or laws and regulations of other governments. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
3. Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use.

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Authority Activities.**

The authority is administering the following activities and programs:

Public Housing (commonly referred to as Low-income housing or Low Rent) - The Public Housing Program provides and operates cost-effective, decent, safe and affordable housing to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD who provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties. The Capital Fund Program provides annual grant funds to the Authority for capital and management activities including modernization and correcting physical deficiencies. The CFP is awarded non-competitively and is based upon a formula that considers existing and accrual (future) modernization needs of the Authority. The Authority also received CARES ACT supplemental operating funds.

**D. Accrual Basis of Accounting.**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**E. Budget.**

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with the Authority's contract with HUD. The entity prepares annual budgets for each program. Prior to the beginning of each budget year, the entity's annual budget is approved by the entity's governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

**F. Financial Statement Amounts.**

1. Cash and Cash Equivalents. The Housing Authority of the City of Newport defines cash to include certificates of deposit, money market accounts, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.
2. Accounts Receivable. Accounts receivable consists of amounts due from tenants for rental, excess utilities and repair charges. The accounts receivable are stated net of an allowance for doubtful accounts of \$9,828.
3. Due from Other Governments. Due from other governments consists of amounts due from HUD for operational subsidies. No provision for an allowance for doubtful accounts has been made since these amounts are considered fully collectible.

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4. Inventories. Inventories consist of materials used in the maintenance and repair of the rental dwellings. Inventories are stated at cost determined by the first-in, first-out (FIFO) method. Inventories are stated net of an allowance for obsolete inventories of \$1,669.
5. Restricted Assets. Restricted assets consist of cash and investments that are held in trust or to satisfy specific program or purpose restrictions.
6. Capital Assets. Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:
 

Land improvements	15 Years
Buildings	40 Years
Buildings - refurbishing and improvements	20 Years
Furniture and equipment - dwelling	7 Years
Furniture and equipment - administrative	3-15 Years
7. Construction in Progress. Construction in progress consists of expenditures under HUD's Capital Fund Program (CFP). Certain expenditures under these programs are not capitalizable expenditures, and therefore are expensed as incurred.
8. Security Deposit. Security deposits consist of amounts held in trust with the Housing Authority of the City of Newport in order for tenants to secure apartment leases.
9. Compensated Absences. The authority's policy allows employees to accumulate unused sick leave and vacation leave hours. Sick leave is not paid upon termination, but will be paid only upon illness while employed.
10. Due to Other Governments. Due to other governments consists of amounts due local governments for payments in lieu of taxes (PILOT).
11. Long-term Liabilities. Long-term liabilities expected to be financed from proprietary funds are accounted for in the proprietary fund. Expenditures related to such debt are also included in the proprietary fund.
12. Defining Operating Revenues and Expenses. The authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services and the costs of provided those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.
13. Revenues. All authority revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Tenant revenue is reported net of bad debts in the amount of \$43,805.

Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transaction are recorded when all applicable eligibility requirements, including time requirements are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources.

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2021**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

14. Fraud Recovery. HUD program rules require the Authority to separately state the amount of funds recovered from tenants who underreported their eligibility income. These funds represent amounts the Authority should have collected from tenants rather than cash shortages.
15. Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.
16. Depreciation. Depreciation expense of \$422,113 has been recognized during the year ended June 30, 2021.
17. Income taxes. The authority is not subject to federal or state income taxes.
18. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - DEPOSITS**

Deposits

Regulations require that deposits with financial institutions be collateralized with collateral whose market value is equal to the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Authority.

**NOTE 3 - RESTRICTED CASH**

Restricted cash consist of the following:

Security deposits	<b>\$ 30,862</b>
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**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Beginning Balance	Additions	Reclassifications and Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 240,816	\$ 0	\$ 0	\$ 240,816
Construction in progress	568,828	890,987	(232,788)	1,227,027
Total capital assets not being depreciated	809,644	890,987	(232,788)	1,467,843
Capital assets being depreciated:				
Land improvements	1,413,175	0	45,728	1,458,903
Building	11,005,043	0	187,060	11,192,103
Equipment	583,871	38,744	(26,039)	596,576
Total capital assets being depreciated	13,002,089	38,744	206,749	13,247,582

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2021**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reclassifications and Retirements</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	(1,047,057)	(48,878)	0	(1,095,935)
Building	(6,513,262)	(354,762)	0	(6,868,024)
Equipment	(515,599)	(18,473)	23,471	(510,601)
Total accumulated depreciation	<u>(8,075,918)</u>	<u>(422,113)</u>	<u>23,471</u>	<u>(8,474,560)</u>
Total capital assets being depreciated, net	<u>4,926,171</u>	<u>(383,369)</u>	<u>230,220</u>	<u>4,773,022</u>
Total business-type activities capital assets, net	<u>\$ 5,735,815</u>	<u>\$ 507,618</u>	<u>\$ (2,568)</u>	<u>\$ 6,240,865</u>

Construction in progress is composed of expenditures related to major renovation of certain buildings owned by the entity, said renovation to be fully financed by grants from HUD.

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities consist of the following:

	<u>Interest Rate</u>	<u>Principal Balance</u>
Compensated absences	None	\$ 20,543
Less current portion		(18,489)
Net noncurrent liabilities		<u>\$ 2,054</u>

Accrued compensated absences consist of estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination.

Changes in noncurrent liabilities are as follows:

<u>Description</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>One Year</u>
Compensated absences	<u>\$ 20,204</u>	<u>\$ 339</u>	<u>\$ 0</u>	<u>\$ 20,543</u>	<u>\$ 18,489</u>

**NOTE 6 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority insures itself against loss by purchase of commercial insurance and participation in a public entity risk pool. The Authority also insures itself against workers' compensation claims through participation in a public entity risk pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The Authority participates in the public entity risk pool managed by the Arkansas Housing Authorities Self-Insured Fund (AHASIF) for its property and liability risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by AHASIF. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.



**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2021**

**NOTE 6 - RISK MANAGEMENT (CONTINUED)**

The Authority participates in the public entity risk pool managed by the housing Municipal League Workers Compensation Trust for its workers compensation risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by the Trust. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

**NOTE 7 - RETIREMENT PLAN**

The entity provides pension benefits for all of its full-time employees through the Housing Renewal and Local Agency Retirement Plan (the "Plan"). The Plan is a single-employer defined contribution plan and is administered by a third-party administrator. The Plan was established April 1, 1998 and is authorized and may be amended by the entity's Board of Commissioners. The entity does not hold or control the assets of the plan nor does it have the ability to direct the use, exchange, or employ the assets that provide benefits to the intended beneficiaries.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings, and the forfeitures of other participant's benefits that may be allocated to such participant's account. Forfeitures of accounts of not fully vested terminated participants in excess of plan expenses shall be reallocated among the accounts of the remaining participants in accordance with the plan. There are no forfeitures reflected in pension expense recognized by the employer during the current fiscal year. Employees are eligible to participate after a six-month exclusionary period. The employee contributes 5.5% and the entity contributes 7.5% of the employee's base salary each month. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after five years of participation.

At June 30, 2021, there were five plan members.

**NOTE 8 - COMMITMENTS**

Commitments arise primarily from construction in progress. All project funds are provided by grant from HUD; therefore no additional funding is required to satisfy outstanding commitments at June 30, 2021.

**NOTE 9 - CONTINGENCIES**

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

**NOTE 10 - SUBSEQUENT EVENTS**

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continued to spread throughout the United States. Our rental revenue and operating results depend significantly on the occupancy levels at our properties. While we have not seen a significant impact on our occupancy resulting from the COVID-19 outbreak as of the date of this report, if the outbreak causes weakness in national, regional and local economies that could negatively impact our occupancy levels and/or increase bad debts, or if there is an outbreak that directly impacts one of our properties, financial condition, liquidity, results of operations and prospects could be adversely impacted. As a result of the pandemic, CDC issued an eviction Moratorium that applies to our properties. This moratorium imposed a temporary halt on the residential evictions due to nonpayment of rent. This moratorium could result in an increase in accounts receivable, bad debts and uncollectible accounts. On August 26, 2021, the Supreme Court of the United States issued a ruling invalidating the eviction moratorium.

**Supplemental Financial Information**

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,855,809		\$1,855,809		\$1,855,809
112 Cash - Restricted - Modernization and Development	\$0		\$0		\$0
113 Cash - Other Restricted	\$0		\$0		\$0
114 Cash - Tenant Security Deposits	\$30,862		\$30,862		\$30,862
115 Cash - Restricted for Payment of Current Liabilities	\$0		\$0		\$0
100 Total Cash	\$1,886,671	\$0	\$1,886,671	\$0	\$1,886,671
121 Accounts Receivable - PHA Projects	\$0		\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$0	\$21,270	\$21,270		\$21,270
124 Accounts Receivable - Other Government	\$0		\$0		\$0
125 Accounts Receivable - Miscellaneous	\$0		\$0		\$0
126 Accounts Receivable - Tenants	\$8,232		\$8,232		\$8,232
126.1 Allowance for Doubtful Accounts -Tenants	-\$6,174		-\$6,174		-\$6,174
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0		\$0		\$0
128 Fraud Recovery	\$3,654		\$3,654		\$3,654
128.1 Allowance for Doubtful Accounts - Fraud	-\$3,654		-\$3,654		-\$3,654
129 Accrued Interest Receivable	\$0		\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$2,058	\$21,270	\$23,328	\$0	\$23,328
131 Investments - Unrestricted	\$0		\$0		\$0
132 Investments - Restricted	\$0		\$0		\$0
135 Investments - Restricted for Payment of Current Liability	\$0		\$0		\$0
142 Prepaid Expenses and Other Assets	\$90,698		\$90,698		\$90,698
143 Inventories	\$33,383		\$33,383		\$33,383

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
143.1 Allowance for Obsolete Inventories	-\$1,669		-\$1,669		-\$1,669
144 Inter Program Due From	\$21,270		\$21,270	-\$21,270	\$0
145 Assets Held for Sale	\$0		\$0		\$0
150 Total Current Assets	\$2,032,411	\$21,270	\$2,053,681	-\$21,270	\$2,032,411
161 Land	\$240,816		\$240,816		\$240,816
162 Buildings	\$11,192,103		\$11,192,103		\$11,192,103
163 Furniture, Equipment & Machinery - Dwellings	\$319,054		\$319,054		\$319,054
164 Furniture, Equipment & Machinery - Administration	\$277,522		\$277,522		\$277,522
165 Leasehold Improvements	\$1,458,903		\$1,458,903		\$1,458,903
166 Accumulated Depreciation	-\$8,474,560		-\$8,474,560		-\$8,474,560
167 Construction in Progress	\$1,227,027		\$1,227,027		\$1,227,027
168 Infrastructure	\$0		\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,240,865	\$0	\$6,240,865	\$0	\$6,240,865
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0		\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past	\$0		\$0		\$0
173 Grants Receivable - Non Current	\$0		\$0		\$0
174 Other Assets	\$0		\$0		\$0
176 Investments in Joint Ventures	\$0		\$0		\$0
180 Total Non-Current Assets	\$6,240,865	\$0	\$6,240,865	\$0	\$6,240,865
200 Deferred Outflow of Resources	\$0		\$0		\$0
290 Total Assets and Deferred Outflow of Resources	\$8,273,276	\$21,270	\$8,294,546	-\$21,270	\$8,273,276

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
311 Bank Overdraft	\$0		\$0		\$0
312 Accounts Payable <= 90 Days	\$47,802		\$47,802		\$47,802
313 Accounts Payable >90 Days Past Due	\$0		\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$0		\$0		\$0
322 Accrued Compensated Absences - Current Portion	\$18,489		\$18,489		\$18,489
324 Accrued Contingency Liability	\$0		\$0		\$0
325 Accrued Interest Payable	\$0		\$0		\$0
331 Accounts Payable - HUD PHA Programs	\$0		\$0		\$0
332 Account Payable - PHA Projects	\$0		\$0		\$0
333 Accounts Payable - Other Government	\$30,928		\$30,928		\$30,928
341 Tenant Security Deposits	\$30,862		\$30,862		\$30,862
342 Unearned Revenue	\$7,597		\$7,597		\$7,597
343 Current Portion of Long-term Debt - Capital	\$0		\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0		\$0		\$0
345 Other Current Liabilities	\$583		\$583		\$583
346 Accrued Liabilities - Other	\$0		\$0		\$0
347 Inter Program - Due To	\$0	\$21,270	\$21,270	-\$21,270	\$0
348 Loan Liability - Current	\$0		\$0		\$0
310 Total Current Liabilities	\$136,261	\$21,270	\$157,531	-\$21,270	\$136,261
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$0		\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0		\$0		\$0
353 Non-current Liabilities - Other	\$0		\$0		\$0
354 Accrued Compensated Absences - Non Current	\$2,054		\$2,054		\$2,054
355 Loan Liability - Non Current	\$0		\$0		\$0
356 FASB 5 Liabilities	\$0		\$0		\$0

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
357 Accrued Pension and OPEB Liabilities	\$0		\$0		\$0
350 Total Non-Current Liabilities	\$2,054	\$0	\$2,054	\$0	\$2,054
300 Total Liabilities	\$138,315	\$21,270	\$159,585	-\$21,270	\$138,315
400 Deferred Inflow of Resources	\$0		\$0		\$0
508.4 Net Investment in Capital Assets	\$6,240,865		\$6,240,865		\$6,240,865
511.4 Restricted Net Position	\$0		\$0		\$0
512.4 Unrestricted Net Position	\$1,894,096	\$0	\$1,894,096		\$1,894,096
513 Total Equity - Net Assets / Position	\$8,134,961	\$0	\$8,134,961	\$0	\$8,134,961
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$8,273,276	\$21,270	\$8,294,546	-\$21,270	\$8,273,276

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$529,323		\$529,323		\$529,323
70400 Tenant Revenue - Other	\$45,226		\$45,226		\$45,226
70500 Total Tenant Revenue	\$574,549	\$0	\$574,549		\$574,549
70600 HUD PHA Operating Grants	\$757,868	\$65,813	\$823,681		\$823,681
70610 Capital Grants	\$866,907	\$844	\$867,751		\$867,751
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue					
70800 Other Government Grants	\$0		\$0		\$0
71100 Investment Income - Unrestricted	\$4,507		\$4,507		\$4,507
71200 Mortgage Interest Income	\$0		\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0		\$0		\$0
71310 Cost of Sale of Assets	\$0		\$0		\$0
71400 Fraud Recovery	\$0		\$0		\$0
71500 Other Revenue	\$21,393		\$21,393		\$21,393
71600 Gain or Loss on Sale of Capital Assets	-\$1,669		-\$1,669		-\$1,669
72000 Investment Income - Restricted	\$0		\$0		\$0
70000 Total Revenue	\$2,223,555	\$66,657	\$2,290,212		\$2,290,212
91100 Administrative Salaries	\$78,891	\$21,480	\$100,371		\$100,371

Housing Authority of the City of Newport (AR028)  
NEWPORT, AR

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
91200 Auditing Fees	\$6,840		\$6,840		\$6,840
91300 Management Fee	\$0		\$0		\$0
91310 Book-keeping Fee	\$0		\$0		\$0
91400 Advertising and Marketing	\$810		\$810		\$810
91500 Employee Benefit contributions - Administrative	\$30,104	\$781	\$30,885		\$30,885
91600 Office Expenses	\$17,849		\$17,849		\$17,849
91700 Legal Expense	\$13,698		\$13,698		\$13,698
91800 Travel	\$3,458		\$3,458		\$3,458
91810 Allocated Overhead	\$0		\$0		\$0
91900 Other	\$204,371	\$3,988	\$208,359		\$208,359
91000 Total Operating - Administrative	\$356,021	\$26,249	\$382,270		\$382,270
92000 Asset Management Fee	\$0		\$0		\$0
92100 Tenant Services - Salaries	\$0		\$0		\$0
92200 Relocation Costs	\$0		\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0		\$0		\$0
92400 Tenant Services - Other	\$0		\$0		\$0
92500 Total Tenant Services	\$0	\$0	\$0		\$0
93100 Water	\$57,706		\$57,706		\$57,706
93200 Electricity	\$26,517		\$26,517		\$26,517
93300 Gas	\$57,053		\$57,053		\$57,053
93400 Fuel	\$0		\$0		\$0
93500 Labor	\$0		\$0		\$0
93600 Sewer	\$48,626		\$48,626		\$48,626
93700 Employee Benefit Contributions - Utilities	\$0		\$0		\$0



Housing Authority of the City of Newport (AR028)  
NEWPORT, AR

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14,PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
93800 Other Utilities Expense	\$0		\$0		\$0
93000 Total Utilities	\$189,902	\$0	\$189,902		\$189,902
94100 Ordinary Maintenance and Operations - Labor	\$113,920	\$37,004	\$150,924		\$150,924
94200 Ordinary Maintenance and Operations - Materials and	\$48,190	\$1,451	\$49,641		\$49,641
94300 Ordinary Maintenance and Operations Contracts	\$144,424		\$144,424		\$144,424
94500 Employee Benefit Contributions - Ordinary Maintenance	\$50,042	\$1,109	\$51,151		\$51,151
94000 Total Maintenance	\$356,576	\$39,564	\$396,140		\$396,140
95100 Protective Services - Labor	\$0		\$0		\$0
95200 Protective Services - Other Contract Costs	\$2,197		\$2,197		\$2,197
95300 Protective Services - Other	\$409		\$409		\$409
95500 Employee Benefit Contributions - Protective Services	\$0		\$0		\$0
95000 Total Protective Services	\$2,606	\$0	\$2,606		\$2,606
96110 Property Insurance	\$107,805		\$107,805		\$107,805
96120 Liability Insurance	\$6,764		\$6,764		\$6,764
96130 Workmen's Compensation	\$4,760		\$4,760		\$4,760
96140 All Other Insurance	\$14,516		\$14,516		\$14,516
96100 Total insurance Premiums	\$133,845	\$0	\$133,845		\$133,845
96200 Other General Expenses	\$0		\$0		\$0
96210 Compensated Absences	\$0		\$0		\$0
96300 Payments in Lieu of Taxes	\$30,928		\$30,928		\$30,928
96400 Bad debt - Tenant Rents	\$43,805		\$43,805		\$43,805
96500 Bad debt - Mortgages	\$0		\$0		\$0

Housing Authority of the City of Newport (AR028)  
NEWPORT, AR

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
96600 Bad debt - Other	\$0		\$0		\$0
96800 Severance Expense	\$0		\$0		\$0
96000 Total Other General Expenses	\$74,733	\$0	\$74,733		\$74,733
96710 Interest of Mortgage (or Bonds) Payable	\$0		\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0		\$0		\$0
96730 Amortization of Bond Issue Costs	\$0		\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0		\$0
96900 Total Operating Expenses	\$1,113,683	\$65,813	\$1,179,496		\$1,179,496
97000 Excess of Operating Revenue over Operating Expenses	\$1,109,872	\$844	\$1,110,716		\$1,110,716
97100 Extraordinary Maintenance	\$28,678		\$28,678		\$28,678
97200 Casualty Losses - Non-capitalized	\$32,785		\$32,785		\$32,785
97300 Housing Assistance Payments	\$0		\$0		\$0
97350 HAP Portability-In	\$0		\$0		\$0
97400 Depreciation Expense	\$422,113		\$422,113		\$422,113
97500 Fraud Losses	\$0		\$0		\$0
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense	\$0		\$0		\$0
90000 Total Expenses	\$1,597,259	\$65,813	\$1,663,072		\$1,663,072
10010 Operating Transfer In	\$0		\$0		\$0
10020 Operating transfer Out	\$0		\$0		\$0

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

33

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
10030 Operating Transfers from/to Primary Government	\$0		\$0		\$0
10040 Operating Transfers from/to Component Unit	\$0		\$0		\$0
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss	\$0		\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0		\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0		\$0		\$0
10093 Transfers between Program and Project - In	\$0		\$0		\$0
10094 Transfers between Project and Program - Out	\$0		\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0		\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	\$626,296	\$844	\$627,140		\$627,140
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$7,507,821	\$0	\$7,507,821		\$7,507,821
11040 Prior Period Adjustments, Equity Transfers and	\$844	-\$844	\$0		\$0
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					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity	\$0		\$0		\$0
11180 Housing Assistance Payments Equity					

Housing Authority of the City of Newport (AR028)  
NEWPORT, AR

**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
11190 Unit Months Available	3065		3065		3065
11210 Number of Unit Months Leased	2919		2919		2919
11270 Excess Cash	\$1,680,932		\$1,680,932		\$1,680,932
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$869,128		\$869,128		\$869,128
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$20,908		\$20,908		\$20,908
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

**Housing Authority of the City of Newport  
Schedule of Modernization Grant Activity  
June 30, 2021**

	<u>AR37P028501-17</u>	<u>AR37P028501-18</u>	<u>AR37P028501-19</u>	<u>AR37P028501-20</u>	<u>AR37P028501-21</u>
1. Funds approved	\$ 384,997	\$ 597,312	\$ 583,224	\$ 621,939	\$ 658,611
Funds expended	<u>384,997</u>	<u>478,312</u>	<u>349,993</u>	<u>-</u>	<u>-</u>
Excess of funds approved	<u>\$ -</u>	<u>\$ 119,000</u>	<u>\$ 233,231</u>	<u>\$ 621,939</u>	<u>\$ 658,611</u>
2. Funds advanced	\$ 384,997	\$ 478,312	\$ 349,993	\$ -	\$ -
Funds expended	<u>384,997</u>	<u>478,312</u>	<u>349,993</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Housing Authority of the City of Newport  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2021**

<u>Federal Grantor/Program Title</u>	<u>Grant ID Number</u>	<u>Federal CFDA Number</u>	<u>Grant Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low Income Housing - Operating subsidy	AR028	14.850	\$ 757,868
Public Housing CARES Act Funding		14.PHC	<u>66,657</u>
Total Public Housing Operating Subsidy		14.850	<u>\$ 824,525</u>
Capital Fund Program	AR028	14.872	<u>866,907</u>
Total HUD and Grand Total			<u>\$ 1,691,432</u>

The accompanying notes are an integral part of this schedule.

**Housing Authority of the City of Newport**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

**NOTE 1** – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Housing Authority of the City of Newport under programs of the federal government for the year ended June 30, 2021. 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 Housing Authority of the City of Newport, it is not intended to and does not present the financial position, changes in net position, or cash flows of Housing Authority of the City of Newport.

**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. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3** – INDIRECT COST RATE

Housing Authority of the City of Newport has not made an election to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Non-Financial Section**



**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***

Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

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 Housing Authority of the City of Newport as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents, and have issued our report thereon dated September 26, 2022.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

## Purpose of this Report

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



Miller & Rose, PA  
Searcy, Arkansas

September 26, 2022



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## **Independent Auditor's Report on Compliance For Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Commissioners  
Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

### **Report on Compliance for Each Major Federal Program**

We have audited Housing Authority of the City of Newport's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Newport's major federal programs for the year ended June 30, 2021. Housing Authority of the City of Newport's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Housing Authority of the City of Newport's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Housing Authority of the City of Newport's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Housing Authority of the City of Newport's compliance.

#### ***Opinion on Each Major Federal Program***

In our opinion, Housing Authority of the City of Newport, 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 June 30, 2021.

## Report on Internal Control Over Compliance

Management of Housing Authority of the City of Newport, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Housing Authority of the City of Newport's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Housing Authority of the City of Newport's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Miller & Rose, P.A.  
Searcy, Arkansas

September 26, 2022

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2021**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Housing Authority of the City of Newport.
2. No significant deficiencies or material weaknesses in internal control over financial reporting relating to the audit of the basic 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 basic financial statements of Housing Authority of the City of Newport were disclosed during this audit.
4. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of the City of Newport expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for Housing Authority of the City of Newport that are required to be reported in accordance with the Uniform Guidance.
7. The programs identified as major programs included: Public and Indian Housing, CFDA #14.850.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Housing Authority of the City of Newport was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

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

None

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2021**

There were no findings in the prior audit.

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Financial Statements  
and  
Supplemental Financial Information**

**Year Ended June 30, 2022**

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**Introductory Section**

**Housing Authority of the City of Newport  
Roster of Management Officials and Board of Commissioners  
June 30, 2022**

**Management Officials**

David Gates

**Title**

Executive Director

**Board of Commissioners**

Shane Grady

Allen Edwards

Barbara Sweatt-Menley

Kathy Robinson

Wendell Green

**Title**

Chairman

Commissioner

Commissioner

Commissioner

Commissioner

**Financial Section**



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## Independent Auditors' Report

Board of Commissioners  
Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of Housing Authority of the City of Newport as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the City of Newport as of June 30, 2022, and the changes in its financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing Authority of the City of Newport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Newport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Newport'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 an opinion on the basic financial statements of the Housing Authority of the City of Newport. The accompanying financial information listed as the introductory section, the supplemental financial information in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to

the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory section, the supplemental financial information in the table of contents and the schedule of expenditures of federal awards are 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 March 29, 2023, on our consideration Housing Authority of the City of Newport'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 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 the entity's internal control over financial reporting and compliance.

March 29, 2023

  
\_\_\_\_\_  
Miller & Rose, PA  
Certified Public Accountants

# **Housing Authority of the City of Newport**

Newport, AR

Management's Discussion and Analysis

June 30, 2022

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 June 1999.

## **Financial Highlights**

The most significant changes on the 2022 financial statements were in assets, expendable fund balance, and Federal Grants & Subsidy revenue.

## **Overview of the Financial Statements**

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 like 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 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 like 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 balance sheet. 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 for year-end June 30, 2022.

All 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 property (meets HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered costs through its rental fees and other charges. It can also be used to measure profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as the source, expenditures, and change in cash 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.

### Financial Analysis

One of the most important questions concerning finances is the following: "Is the Housing Authority as a whole better or worse because of the achievements of the reported fiscal year?" The purpose of 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 and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on June 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 June 30, 2022.

The Housing Authority of the City of Newport has a low-rent program that provides housing for qualified tenants, a capital fund program for improvements to its low-rent property, and a Public Housing CARES Act Funding program. CARES funding provides additional resources to public housing authorities in response to the coronavirus pandemic. The CARES Act program is considered supplemental funding and must be reported separately on the financial data schedule (FDS). The following analysis focuses on the net position and the change in net position not the individual programs.

#### Net Position

June 30,

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 2,185,752	\$ 2,032,411	\$ 153,341	7.54%
Capital Assets, Net	<u>5,943,012</u>	<u>6,240,865</u>	<u>(297,853)</u>	<u>-4.77%</u>
<b>Total Assets</b>	<b>\$ <u>8,128,764</u></b>	<b>\$ <u>8,273,276</u></b>	<b>\$ <u>(144,512)</u></b>	<b><u>-1.75%</u></b>
Current Liabilities	175,278	136,261	39,017	28.63%
Noncurrent Liabilities	<u>2,035</u>	<u>2,054</u>	<u>(19)</u>	<u>-0.93%</u>
<b>Total Liabilities</b>	<b>\$ <u>177,313</u></b>	<b>\$ <u>138,315</u></b>	<b>\$ <u>38,998</u></b>	<b><u>28.20%</u></b>



**Net Position (Continued)**  
June 30,

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
Net Position:				
Investment in Capital Assets	5,943,012	6,240,865	(297,853)	-4.77%
Unrestricted Net Position	<u>2,008,439</u>	<u>1,894,096</u>	<u>114,343</u>	<u>6.04%</u>
<b>Total Net Position</b>	<b>\$ <u>7,951,451</u></b>	<b>\$ <u>8,134,961</u></b>	<b>\$ <u>(183,510)</u></b>	<b><u>-2.26%</u></b>

**Capital Assets**  
(Net of Accumulated Depreciation)  
June 30,

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
Land	\$ 240,816	\$ 240,816	\$ 0	0.00%
Buildings	13,008,178	12,651,006	357,172	2.82%
Furniture & Equipment - Dwell	332,000	319,054	12,946	4.06%
Furniture & Equipment - Admin	302,063	277,522	24,541	8.84%
Construction in progress	<u>969,712</u>	<u>1,227,027</u>	<u>(257,315)</u>	<u>-20.97%</u>
Subtotal	14,852,769	14,715,425	137,344	0.93%
Accumulated Depreciation	<u>(8,909,757)</u>	<u>(8,474,560)</u>	<u>(435,197)</u>	<u>5.14%</u>
<b>Net Capital Assets</b>	<b>\$ <u>5,943,012</u></b>	<b>\$ <u>6,240,865</u></b>	<b>\$ <u>(297,853)</u></b>	<b><u>-4.77%</u></b>

**Net Position**

Total assets consist of current and capital assets. Current assets are resources that are reasonably expected, based on plans and intentions, to be converted into cash or its equivalent during the current operating cycle. Capital assets are long-term tangible assets obtained because of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.

Total liabilities consist of current and noncurrent payables. Current liabilities are current debts that are owed and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt. Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume current financial resources to satisfy the debt.

The net decrease in total assets was the result of assets' normal depreciation as compared to the prior year. Total liabilities increased due to vendor payables and tenant prepaid rents (unearned revenue).

The Housing Authority had \$2,229,679 in Capital Grant revenue to draw down and spend in the future.

### Total Net Position

As of June 30, 2022, the Housing Authority had \$7,951,451 invested in total net position. Of this amount, \$2,008,439 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$5,943,012 represents the investment in capital assets of land, buildings, furnishings, equipment, and construction in progress.

### Debt

The Authority had no long-term obligations such as notes or bonds payable.

### Expendable Fund Balance

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
Expendable Fund Balance	\$ <u>1,980,726</u>	\$ <u>1,864,436</u>	\$ <u>116,290</u>	<u>6.24%</u>
Number of Months Expendable Fund	<u>16.31</u>	<u>18.03</u>	<u>(1.72)</u>	<u>-9.53%</u>

### Expendable Fund Balance

If current assets, less materials inventory, were converted to cash and all current liabilities were paid, the Authority's cash balance (expendable fund balance) would be \$1,980,726 which increased \$116,290.

### Number of Months Expendable Fund Balance

The expendable fund balance is divided by average monthly expense (total expenses for the year, less depreciation, divided by twelve (12) to determine the number of months expendable fund balance. This factor indicates the number of months the entity could operate without relying on additional funding. As of the fiscal year-end, the Authority could continue operations for 16.31 months.

### Changes in Net Position

For the Year Ended June 30

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
<b>Revenue:</b>				
Tenant Revenue	\$ 608,145	\$ 574,549	\$ 33,596	5.85%
Federal Grants & Subsidy	1,068,808	1,714,561	(645,753)	-37.66%
Investment	3,170	4,507	(1,337)	-29.66%
Other Income	28,370	21,393	6,977	32.61%
Gain/Loss on the Sale of Assets	400	(1,669)	2,069	-123.97%
<b>Total Revenue</b>	<u>1,708,893</u>	<u>2,313,341</u>	<u>(604,448)</u>	<u>-26.13%</u>

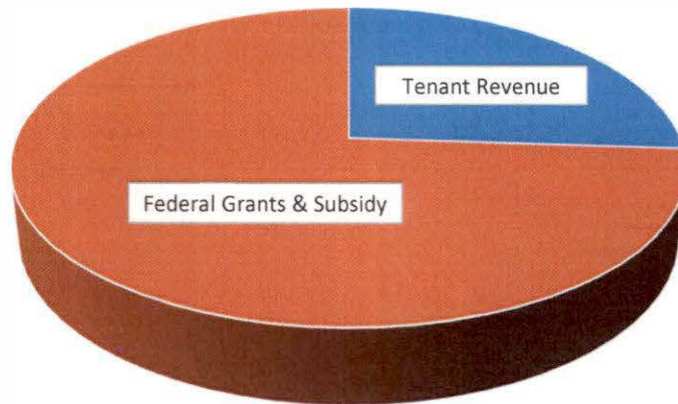
**Changes in Net Position (Continued)**  
 For the Year Ended June 30

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% of Change</u>
<b>Expenses:</b>				
Administrative	405,801	382,270	23,531	6.16%
Utilities	236,150	189,902	46,248	24.35%
Routine Maintenance	440,726	396,140	44,586	11.26%
Protective Services	2,812	2,606	206	7.90%
General	219,247	208,578	10,669	5.12%
Nonroutine	128,597	28,678	99,919	348.42%
Casualty Loss	23,874	32,785	(8,911)	-27.18%
Depreciation	435,196	422,113	13,083	3.10%
<b>Total Operating Expenses</b>	<u><b>1,892,403</b></u>	<u><b>1,663,072</b></u>	<u><b>229,331</b></u>	<u><b>13.79%</b></u>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (183,510)</b>	<b>\$ 650,269</b>	<b>\$ (833,779)</b>	<b>-128.22%</b>

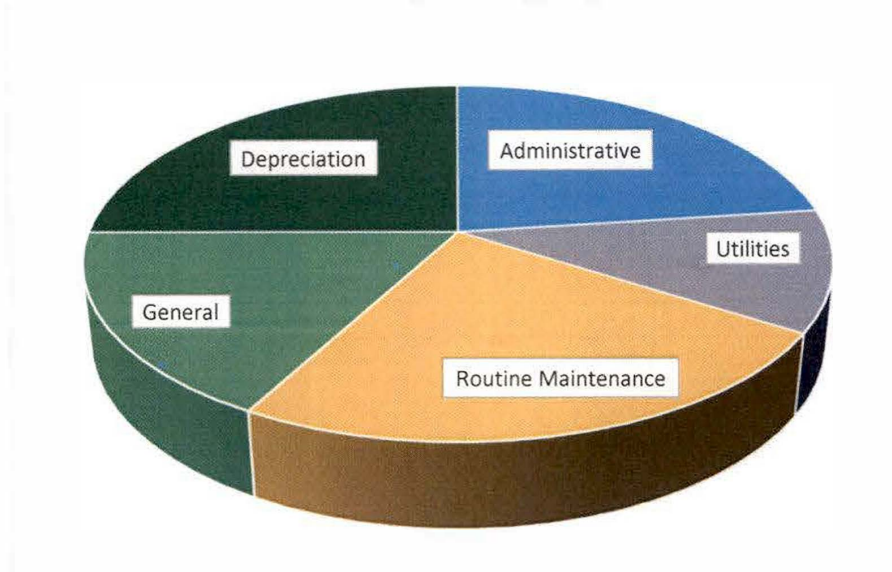
**Changes in Net Position**

Total revenue decreased due to fewer capital grant projects in progress. Total operating expenses increased due to utilities, routine maintenance repairs (labor, material, employee benefits), and nonroutine maintenance contract costs. Utility costs may vary due mainly to rates, consumption, and/or weather conditions. Nonroutine maintenance repairs occur on a random basis and are not part of the Authority's day to day activities. The net effect was a decrease in changes in net position.

**2022 Total Revenue**



### 2022 Total Operating Expenses



### 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.

### 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 Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements contact David Gates, Executive Director, Housing Authority of the City of Newport, 945 Hout Circle, Newport, AR 72112-2945, telephone number (870) 523-2195.

**Basic Financial Statements**

**Housing Authority of the City of Newport  
Statement of Net Position  
Proprietary Funds  
June 30, 2022**

**ASSETS**

**Current Assets**

Cash	\$ 1,955,433
Restricted cash	<u>33,544</u>
Total cash	1,988,977
Receivables	
Tenants, net of allowance for doubtful accounts	8,349
Other governments	1,345
Prepaid expenses	157,333
Inventories, net	<u>29,748</u>
<b>Total current assets</b>	<u><b>2,185,752</b></u>

**Noncurrent Assets**

Capital Assets	
Nondepreciable	1,210,528
Depreciable, net of accumulated depreciation	<u>4,732,484</u>
<b>Total noncurrent assets</b>	<u><b>5,943,012</b></u>

**Total Assets**

**8,128,764**

**LIABILITIES**

**Current Liabilities**

Accounts payable	75,952
Security deposits	33,544
Accrued liabilities	7,238
Current portion of accrued compensated absences	18,314
Unearned revenue	13,599
Due to other governments	26,131
Other current liabilities	<u>500</u>
<b>Total current liabilities</b>	<u><b>175,278</b></u>

**Noncurrent Liabilities**

Compensated absences, net of current portion	<u>2,035</u>
<b>Total noncurrent liabilities</b>	<u><b>2,035</b></u>

**Total Liabilities**

**177,313**

**NET POSITION**

Investment in capital assets	5,943,012
Unrestricted	<u>2,008,439</u>
<b>Total net position</b>	<u><b>\$ 7,951,451</b></u>

See accompanying notes.

**Housing Authority of the City of Newport**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2022**

<b>Operating Revenues</b>	
Tenant revenue, gross	\$ 608,145
Less: bad debts	<u>(30,916)</u>
Tenant revenue, net	<u>577,229</u>
Governmental operating grants	\$ 970,871
Miscellaneous	<u>28,370</u>
<b>Total operating revenues</b>	<u><b>1,576,470</b></u>
<b>Operating Expenses</b>	
Administrative	405,801
Utilities	236,150
Maintenance	440,726
Protective services	2,812
Insurance	162,200
General	26,131
Other operating expenses	128,597
Depreciation	<u>435,196</u>
<b>Total operating expense</b>	<u><b>1,837,613</b></u>
<b>Operating Income (Loss)</b>	<b>(261,143)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	3,170
Gain on sale of equipment	400
Casualty losses	<u>(23,874)</u>
<b>Total non-operating revenue (expenses)</b>	<u><b>(20,304)</b></u>
<b>Income (loss) before contributions</b>	<b>(281,447)</b>
<b>Capital Contributions</b>	<u><b>97,937</b></u>
<b>Increase (decrease) in net position</b>	<b>(183,510)</b>
<b>Net Position - Beginning of Period</b>	<u><b>8,134,961</b></u>
<b>Net Position - End of Period</b>	<u><u><b>\$ 7,951,451</b></u></u>

See accompanying notes.

**Housing Authority of the City of Newport  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2022**

**Cash Flow from Operating Activities**

Receipts from tenants	\$ 579,622
Operating subsidies	990,796
Payments to suppliers	(1,099,798)
Payments to employees	(336,973)
Other receipts (payments)	28,370
Net cash provided (used) by operating activities	162,017

**Cash Flows from Capital and Related Financing Activities**

Purchases of capital assets	(99,857)
Capital contributions	97,937
Equipment	(37,487)
Casualty losses	(23,874)
Proceeds from sale of equipment	400
Net cash provided (used) by capital and related financing activities	(62,881)

**Cash Flows from Investing Activities**

Interest earned on invested cash	3,170
Net cash provided (used) by investing activities	3,170

**Net Increase (Decrease) in Cash and Cash Equivalents**

102,306

**Cash and Cash Equivalents - Beginning of Year**

1,886,671

**Cash and Cash Equivalents - End of Year**

\$ 1,988,977

**Reconciliation of Operating Income (Loss) to Net Cash  
Provided by (Used In) Operating Activities**

Operating income (loss)	\$ (261,143)
<b>Adjustments Not Affecting Cash</b>	
Depreciation and amortization	435,196
<b>Change in Assets and Liabilities</b>	
(Increase) Decrease in accounts receivable - tenants	(6,291)
(Increase) Decrease in receivables - other governments	19,925
(Increase) Decrease in inventories	1,966
(Increase) Decrease in prepaid expenses	(66,635)
Increase (Decrease) in accounts payable	28,151
Increase (Decrease) in accrued expenses	7,238
Increase (Decrease) in accrued compensated absences	(194)
Increase (Decrease) in security deposits	2,682
Increase (Decrease) in unearned revenue	6,002
Increase (Decrease) in other current liabilities	(83)
Increase (Decrease) in due to other governments	(4,797)
Total adjustments	423,160

**Net Cash Provided by (Used In) Operating Activities**

\$ 162,017

See accompanying notes.



**Housing Authority of the City of Newport**  
**Notes to the Financial Statements**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction.**

The financial statements of the Housing Authority of the City of Newport are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Housing Authority of the City of Newport are discussed below.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the entity to administer certain HUD funds.

**A. Reporting Entity.**

These financial statements present the net position and results of operations of Housing Authority of the City of Newport, a primary government. Newport Housing Solutions is a non-profit corporation that would be considered a component unit. There was no activity for Newport Housing Solutions during the current fiscal year.

**B. Basic Financial Statements.**

The authority is a public corporation, legally separate, fiscally independent and governed by a Board of Commissioners. As such, Housing Authority of the City of Newport is considered a special-purpose government. All activities of authority are considered business type activities.

All activities of the authority are reported as a proprietary fund type. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The entity's proprietary fund authority is classified as an enterprise fund.

An enterprise funds is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Housing Authority of the City of Newport is considered to be a special-purpose government since its existence is to satisfy a very specific and narrow purpose. As such, the authority presents a single set of enterprise fund financial statements. The Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The authority's net position is reported in three components:

1. Investment in capital assets – Consists of the historical cost of capital assets and related deferred outflows of resources, net of accumulated depreciation and related deferred inflows of resources and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as creditors, grantors, contributors, or laws and regulations of other governments. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
3. Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use.

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Authority Activities.**

The authority is administering the following activities and programs:

Public Housing (commonly referred to as Low-income housing or Low Rent) - The Public Housing Program provides and operates cost-effective, decent, safe and affordable housing to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD who provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties. The Capital Fund Program provides annual grant funds to the Authority for capital and management activities including modernization and correcting physical deficiencies. The CFP is awarded non-competitively and is based upon a formula that considers existing and accrual (future) modernization needs of the Authority. The Authority also received CARES ACT supplemental operating funds.

**D. Accrual Basis of Accounting.**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**E. Budget.**

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with the Authority's contract with HUD. The entity prepares annual budgets for each program. Prior to the beginning of each budget year, the entity's annual budget is approved by the entity's governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

**F. Financial Statement Amounts.**

1. Cash and Cash Equivalents. The Housing Authority of the City of Newport defines cash to include certificates of deposit, money market accounts, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.
2. Accounts Receivable. Accounts receivable consists of amounts due from tenants for rental, excess utilities and repair charges. The accounts receivable are stated net of an allowance for doubtful accounts of \$33,493.
3. Due from Other Governments. Due from other governments consists of amounts due from other Housing Authorities that are under the same management team. No provision for an allowance for doubtful accounts has been made since these amounts are considered fully collectible.

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

4. Inventories. Inventories consist of materials used in the maintenance and repair of the rental dwellings. Inventories are stated at cost determined by the first-in, first-out (FIFO) method. Inventories are stated net of an allowance for obsolete inventories of \$1,566.
5. Restricted Assets. Restricted assets consist of cash and investments that are held in trust or to satisfy specific program or purpose restrictions.
6. Capital Assets. Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:
 

Land improvements	15 Years
Buildings	40 Years
Buildings - refurbishing and improvements	20 Years
Furniture and equipment - dwelling	7 Years
Furniture and equipment - administrative	3-10 Years
7. Construction in Progress. Construction in progress consists of expenditures under HUD's Capital Fund Program (CFP). Certain expenditures under these programs are not capitalizable expenditures, and therefore are expensed as incurred.
8. Security Deposit. Security deposits consist of amounts held in trust with the Housing Authority of the City of Newport in order for tenants to secure apartment leases.
9. Compensated Absences. The authority's policy allows employees to accumulate unused sick leave hours and vacation leave hours. Sick leave is not paid upon termination, but will be paid only upon illness while employed.
10. Due to Other Governments. Due to other governments consists of amounts due local governments for payments in lieu of taxes (PILOT).
11. Long-term Liabilities. Long-term liabilities expected to be financed from proprietary funds are accounted for in the proprietary fund. Expenditures related to such debt are also included in the proprietary fund.
12. Defining Operating Revenues and Expenses. The authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services and the costs of provided those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.
13. Revenues. All authority revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Tenant revenue is reported net of bad debts in the amount of \$30,916.

Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transaction are recorded when all applicable eligibility requirements, including time requirements are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources.

14. Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

15. Depreciation. Depreciation expense of \$435,196 has been recognized during the year ended June 30, 2022.
16. Income taxes. The authority is not subject to federal or state income taxes.
17. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 - DEPOSITS**

Deposits

Regulations require that deposits with financial institutions be collateralized with collateral whose market value is equal to the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Authority.

**NOTE 3 - RESTRICTED CASH**

Restricted cash consist of the following:

Security deposits	<u>\$ 33,544</u>
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**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Beginning Balance	Additions	Reclassifications and Retirements	Ending Balance
Capital assets not being depreciated:				
Land	\$ 240,816	\$ 0	\$ 0	\$ 240,816
Construction in progress	1,227,027	99,857	(357,172)	969,712
Total capital assets not being depreciated	1,467,843	99,857	(357,172)	1,210,528
Capital assets being depreciated:				
Land improvements	1,458,903	0	139,863	1,598,766
Building	11,192,103	0	217,309	11,409,412
Equipment	596,576	37,487	0	634,063
Total capital assets being depreciated	13,247,582	37,487	357,172	13,642,241
Less accumulated depreciation for:				
Land improvements	(1,095,935)	(46,787)	0	(1,142,722)
Building	(6,868,024)	(365,565)	0	(7,233,589)
Equipment	(510,601)	(22,845)	0	(533,446)
Total accumulated depreciation	(8,474,560)	(435,197)	0	(8,909,757)
Total capital assets being depreciated, net	4,773,022	(397,710)	357,172	4,732,484
Total business-type activities capital assets, net	\$ 6,240,865	\$ (297,853)	\$ 0	\$ 5,943,012

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2022**

**NOTE 4 - CAPITAL ASSETS (CONTINUED)**

Construction in progress is composed of expenditures related to major renovation of certain buildings owned by the entity, said renovation to be fully financed by grants from HUD.

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities consist of the following:

	Interest Rate	Principal Balance
Compensated absences	None	\$ 20,349
Less current portion		(18,314)
Net noncurrent liabilities		\$ 2,035

Accrued compensated absences consist of estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination.

Changes in noncurrent liabilities are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	One Year
Compensated absences	\$ 20,543	\$ 0	\$ (194)	\$ 20,349	\$ 18,314

**NOTE 6 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority insures itself against loss by purchase of commercial insurance and participation in a public entity risk pool. The Authority also insures itself against workers' compensation claims through participation in a public entity risk pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The Authority participates in the public entity risk pool managed by the Housing Authorities Self-Insured fund (AHASIF) for its property and liability risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by AHASIF. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

The Authority participates in the public entity risk pool managed by the Municipal League Workers Compensation Trust for its workers compensation risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by the Trust. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

**NOTE 7 - RETIREMENT PLAN**

The entity provides pension benefits for all of its full-time employees through the Housing Renewal and Local Agency Retirement Plan (the "Plan"). The Plan is a single-employer defined contribution plan and is administered by a third-party administrator. The Plan was established April 1, 1998 and is authorized and may be amended by the entity's Board of Commissioners. The entity does not hold or control the assets of the plan nor does it have the ability to direct the use, exchange, or employ the assets that provide benefits to the intended beneficiaries.

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2022**

**NOTE 7 - RETIREMENT PLAN (CONTINUED)**

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings, and the forfeitures of other participant's benefits that may be allocated to such participant's account. Forfeitures of accounts of not fully vested terminated participants in excess of plan expenses shall be reallocated among the accounts of the remaining participants in accordance with the plan. There are no forfeitures reflected in pension expense recognized by the employer during the current fiscal year. Employees are eligible to participate after a six-month exclusionary period. The employee contributes 5.5% and the entity contributes 7.5% of the employee's base salary each month. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after five years of participation.

At June 30, 2022, there were six plan members.

**NOTE 8 - COMMITMENTS**

Commitments arise primarily from construction in progress. All project funds are provided by grant from HUD; therefore no additional funding is required to satisfy outstanding commitments at June 30, 2022.

**NOTE 9 - CONTINGENCIES**

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

**NOTE 10 – SUBSEQUENT EVENTS**

The Housing Authority is currently doing due diligence related to a possible Rental Assistance Demonstration (RAD) conversion on its public housing units.

**Supplemental Financial Information**



**Housing Authority of the City of Newport (AR028)**  
**NEWPORT, AR**  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,955,433		\$1,955,433		\$1,955,433
112 Cash - Restricted - Modernization and Development	\$0		\$0		\$0
113 Cash - Other Restricted	\$0		\$0		\$0
114 Cash - Tenant Security Deposits	\$33,544		\$33,544		\$33,544
115 Cash - Restricted for Payment of Current Liabilities	\$0		\$0		\$0
100 Total Cash	\$1,988,977	\$0	\$1,988,977		\$1,988,977
121 Accounts Receivable - PHA Projects	\$1,345		\$1,345		\$1,345
122 Accounts Receivable - HUD Other Projects	\$0		\$0		\$0
124 Accounts Receivable - Other Government	\$0		\$0		\$0
125 Accounts Receivable - Miscellaneous	\$0		\$0		\$0
126 Accounts Receivable - Tenants	\$41,842		\$41,842		\$41,842
126.1 Allowance for Doubtful Accounts -Tenants	-\$33,493		-\$33,493		-\$33,493
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0		\$0		\$0
128 Fraud Recovery	\$2,398		\$2,398		\$2,398
128.1 Allowance for Doubtful Accounts - Fraud	-\$2,398		-\$2,398		-\$2,398
129 Accrued Interest Receivable	\$0		\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$9,694	\$0	\$9,694		\$9,694
131 Investments - Unrestricted	\$0		\$0		\$0
132 Investments - Restricted	\$0		\$0		\$0
135 Investments - Restricted for Payment of Current Liability	\$0		\$0		\$0
142 Prepaid Expenses and Other Assets	\$157,333		\$157,333		\$157,333

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
143 Inventories	\$31,314		\$31,314		\$31,314
143.1 Allowance for Obsolete Inventories	-\$1,566		-\$1,566		-\$1,566
144 Inter Program Due From	\$0		\$0		\$0
145 Assets Held for Sale	\$0		\$0		\$0
150 Total Current Assets	\$2,185,752	\$0	\$2,185,752		\$2,185,752
161 Land	\$240,816		\$240,816		\$240,816
162 Buildings	\$11,409,412		\$11,409,412		\$11,409,412
163 Furniture, Equipment & Machinery - Dwellings	\$332,000		\$332,000		\$332,000
164 Furniture, Equipment & Machinery - Administration	\$302,063		\$302,063		\$302,063
165 Leasehold Improvements	\$1,598,766		\$1,598,766		\$1,598,766
166 Accumulated Depreciation	-\$8,909,757		-\$8,909,757		-\$8,909,757
167 Construction in Progress	\$969,712		\$969,712		\$969,712
168 Infrastructure	\$0		\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,943,012	\$0	\$5,943,012		\$5,943,012
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0		\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	\$0		\$0		\$0
173 Grants Receivable - Non Current	\$0		\$0		\$0
174 Other Assets	\$0		\$0		\$0
176 Investments in Joint Ventures	\$0		\$0		\$0
180 Total Non-Current Assets	\$5,943,012	\$0	\$5,943,012		\$5,943,012
200 Deferred Outflow of Resources	\$0		\$0		\$0

**Housing Authority of the City of Newport (AR028)**  
**NEWPORT, AR**  
**Entity Wide Balance Sheet Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
290 Total Assets and Deferred Outflow of Resources	\$8,128,764	\$0	\$8,128,764		\$8,128,764
311 Bank Overdraft	\$0		\$0		\$0
312 Accounts Payable <= 90 Days	\$75,952		\$75,952		\$75,952
313 Accounts Payable >90 Days Past Due	\$0		\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$7,238		\$7,238		\$7,238
322 Accrued Compensated Absences - Current Portion	\$18,314		\$18,314		\$18,314
324 Accrued Contingency Liability	\$0		\$0		\$0
325 Accrued Interest Payable	\$0		\$0		\$0
331 Accounts Payable - HUD PHA Programs	\$0		\$0		\$0
332 Account Payable - PHA Projects	\$0		\$0		\$0
333 Accounts Payable - Other Government	\$26,131		\$26,131		\$26,131
341 Tenant Security Deposits	\$33,544		\$33,544		\$33,544
342 Unearned Revenue	\$13,599		\$13,599		\$13,599
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	\$0		\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0		\$0		\$0
345 Other Current Liabilities	\$500		\$500		\$500
346 Accrued Liabilities - Other	\$0		\$0		\$0
347 Inter Program - Due To	\$0		\$0		\$0
348 Loan Liability - Current	\$0		\$0		\$0
310 Total Current Liabilities	\$175,278	\$0	\$175,278		\$175,278
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	\$0		\$0		\$0

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
352 Long-term Debt, Net of Current - Operating Borrowings	\$0		\$0		\$0
353 Non-current Liabilities - Other	\$0		\$0		\$0
354 Accrued Compensated Absences - Non Current	\$2,035		\$2,035		\$2,035
355 Loan Liability - Non Current	\$0		\$0		\$0
356 FASB 5 Liabilities	\$0		\$0		\$0
357 Accrued Pension and OPEB Liabilities	\$0		\$0		\$0
350 Total Non-Current Liabilities	\$2,035	\$0	\$2,035		\$2,035
300 Total Liabilities	\$177,313	\$0	\$177,313		\$177,313
400 Deferred Inflow of Resources	\$0		\$0		\$0
508.4 Net Investment in Capital Assets	\$5,943,012		\$5,943,012		\$5,943,012
511.4 Restricted Net Position	\$0		\$0		\$0
512.4 Unrestricted Net Position	\$2,008,439	\$0	\$2,008,439		\$2,008,439
513 Total Equity - Net Assets / Position	\$7,951,451	\$0	\$7,951,451		\$7,951,451
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,128,764	\$0	\$8,128,764		\$8,128,764

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$560,731		\$560,731		\$560,731
70400 Tenant Revenue - Other	\$47,414		\$47,414		\$47,414
70500 Total Tenant Revenue	\$608,145	\$0	\$608,145	\$0	\$608,145
70600 HUD PHA Operating Grants	\$933,311	\$37,560	\$970,871		\$970,871
70610 Capital Grants	\$97,937		\$97,937		\$97,937
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants	\$0		\$0		\$0
71100 Investment Income - Unrestricted	\$3,170		\$3,170		\$3,170
71200 Mortgage Interest Income	\$0		\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0		\$0		\$0
71310 Cost of Sale of Assets	\$0		\$0		\$0
71400 Fraud Recovery	\$0		\$0		\$0
71500 Other Revenue	\$28,370		\$28,370		\$28,370
71600 Gain or Loss on Sale of Capital Assets	\$400		\$400		\$400
72000 Investment Income - Restricted	\$0		\$0		\$0
70000 Total Revenue	\$1,671,333	\$37,560	\$1,708,893	\$0	\$1,708,893

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
91100 Administrative Salaries	\$119,200	\$12,633	\$131,833		\$131,833
91200 Auditing Fees	\$3,400		\$3,400		\$3,400
91300 Management Fee	\$0		\$0		\$0
91310 Book-keeping Fee	\$0		\$0		\$0
91400 Advertising and Marketing	\$329		\$329		\$329
91500 Employee Benefit contributions - Administrative	\$40,390	\$134	\$40,524		\$40,524
91600 Office Expenses	\$10,374		\$10,374		\$10,374
91700 Legal Expense	\$39,089		\$39,089		\$39,089
91800 Travel	\$1,378		\$1,378		\$1,378
91810 Allocated Overhead	\$0		\$0		\$0
91900 Other	\$178,781	\$93	\$178,874		\$178,874
91000 Total Operating - Administrative	\$392,941	\$12,860	\$405,801	\$0	\$405,801
92000 Asset Management Fee	\$0		\$0		\$0
92100 Tenant Services - Salaries	\$0		\$0		\$0
92200 Relocation Costs	\$0		\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0		\$0		\$0
92400 Tenant Services - Other	\$0		\$0		\$0
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0
93100 Water	\$56,961		\$56,961		\$56,961
93200 Electricity	\$31,846		\$31,846		\$31,846
93300 Gas	\$97,973		\$97,973		\$97,973
93400 Fuel	\$0		\$0		\$0

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
93500 Labor	\$0		\$0		\$0
93600 Sewer	\$49,370		\$49,370		\$49,370
93700 Employee Benefit Contributions - Utilities	\$0		\$0		\$0
93800 Other Utilities Expense	\$0		\$0		\$0
93000 Total Utilities	\$236,150	\$0	\$236,150	\$0	\$236,150
94100 Ordinary Maintenance and Operations - Labor	\$182,081	\$22,865	\$204,946		\$204,946
94200 Ordinary Maintenance and Operations - Materials and Other	\$76,256	\$1,065	\$77,321		\$77,321
94300 Ordinary Maintenance and Operations Contracts	\$91,253		\$91,253		\$91,253
94500 Employee Benefit Contributions - Ordinary Maintenance	\$66,436	\$770	\$67,206		\$67,206
94000 Total Maintenance	\$416,026	\$24,700	\$440,726	\$0	\$440,726
95100 Protective Services - Labor	\$0		\$0		\$0
95200 Protective Services - Other Contract Costs	\$2,812		\$2,812		\$2,812
95300 Protective Services - Other	\$0		\$0		\$0
95500 Employee Benefit Contributions - Protective Services	\$0		\$0		\$0
95000 Total Protective Services	\$2,812	\$0	\$2,812	\$0	\$2,812
96110 Property Insurance	\$139,519		\$139,519		\$139,519
96120 Liability Insurance	\$6,817		\$6,817		\$6,817
96130 Workmen's Compensation	\$3,283		\$3,283		\$3,283
96140 All Other Insurance	\$12,581		\$12,581		\$12,581
96100 Total insurance Premiums	\$162,200	\$0	\$162,200	\$0	\$162,200

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
96200 Other General Expenses	\$0		\$0		\$0
96210 Compensated Absences	\$0		\$0		\$0
96300 Payments in Lieu of Taxes	\$26,131		\$26,131		\$26,131
96400 Bad debt - Tenant Rents	\$30,916		\$30,916		\$30,916
96500 Bad debt - Mortgages	\$0		\$0		\$0
96600 Bad debt - Other	\$0		\$0		\$0
96800 Severance Expense	\$0		\$0		\$0
96000 Total Other General Expenses	\$57,047	\$0	\$57,047	\$0	\$57,047
96710 Interest of Mortgage (or Bonds) Payable	\$0		\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0		\$0		\$0
96730 Amortization of Bond Issue Costs	\$0		\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,267,176	\$37,560	\$1,304,736	\$0	\$1,304,736
97000 Excess of Operating Revenue over Operating Expenses	\$404,157	\$0	\$404,157	\$0	\$404,157
97100 Extraordinary Maintenance	\$128,597		\$128,597		\$128,597
97200 Casualty Losses - Non-capitalized	\$23,874		\$23,874		\$23,874
97300 Housing Assistance Payments	\$0		\$0		\$0
97350 HAP Portability-In	\$0		\$0		\$0
97400 Depreciation Expense	\$435,196		\$435,196		\$435,196
97500 Fraud Losses	\$0		\$0		\$0



Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense	\$0		\$0		\$0
90000 Total Expenses	\$1,854,843	\$37,560	\$1,892,403	\$0	\$1,892,403
10010 Operating Transfer In	\$119,000		\$119,000	-\$119,000	\$0
10020 Operating transfer Out	-\$119,000		-\$119,000	\$119,000	\$0
10030 Operating Transfers from/to Primary Government	\$0		\$0		\$0
10040 Operating Transfers from/to Component Unit	\$0		\$0		\$0
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss	\$0		\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0		\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0		\$0		\$0
10093 Transfers between Program and Project - In	\$0		\$0		\$0
10094 Transfers between Project and Program - Out	\$0		\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$183,510	\$0	-\$183,510	\$0	-\$183,510
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$8,134,961	\$0	\$8,134,961		\$8,134,961
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0		\$0

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2022

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	ELIM	Total
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	\$0		\$0		\$0
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	3090		3090		3090
11210 Number of Unit Months Leased	3038		3038		3038
11270 Excess Cash	\$1,717,796		\$1,717,796		\$1,717,796
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$97,937		\$97,937		\$97,937
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

**Housing Authority of the City of Newport  
Schedule of Modernization Grant Activity  
June 30, 2022**

	<u>AR37P028501-18</u>	<u>AR37P028501-19</u>	<u>AR37P028501-20</u>	<u>AR37P028501-21</u>	<u>AR37P028501-22</u>
1. Funds approved	\$ 597,312	\$ 583,224	\$ 621,939	\$ 658,611	\$ 813,835
Funds expended	<u>597,312</u>	<u>447,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of funds approved	<u>\$ -</u>	<u>\$ 135,294</u>	<u>\$ 621,939</u>	<u>\$ 658,611</u>	<u>\$ 813,835</u>
2. Funds advanced	\$ 597,312	\$ 447,930	\$ -	\$ -	\$ -
Funds expended	<u>597,312</u>	<u>447,930</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Housing Authority of the City of Newport  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2022**

<u>Federal Grantor/Program Title</u>	<u>Grant ID Number</u>	<u>Federal CFDA Number</u>	<u>Grant Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low Income Housing - Operating subsidy	AR028	14.850	\$ 814,311
Public Housing CARES Act Funding	AR02800000120DC	14.PHC	<u>37,560</u>
Total Public Housing Operating Subsidy		14.850	<u>\$ 851,871</u>
Capital Fund Program	AR37P028501	14.872	<u>216,937</u>
Total HUD and Grand Total			<u>\$ 1,068,808</u>

The accompanying notes are an integral part of this schedule.

**Housing Authority of the City of Newport**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2022**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Housing Authority of the City of Newport under programs of the federal government for the year ended June 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 Housing Authority of the City of Newport, it is not intended to and does not present the financial position, changes in net position, or cash flows of Housing Authority of the City of Newport.

**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. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – INDIRECT COST RATE**

Housing Authority of the City of Newport has not made an election to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Non-Financial Section**



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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***

Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

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 Housing Authority of the City of Newport as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents, and have issued our report thereon dated March 29, 2023.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## Purpose of this Report

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



Miller & Rose, PA  
Searcy, Arkansas

March 29, 2023





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## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Commissioners  
Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Housing Authority of the City of Newport's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Newport's major federal programs for the year ended June 30, 2022. Housing Authority of the City of Newport'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, Housing Authority of the City of Newport, 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 June 30, 2022.

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

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

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the City of Newport's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the City of Newport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Newport'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 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. Given these limitations, 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 have not been 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.



Miller & Rose, P.A.  
Searcy, Arkansas

March 29, 2023

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2022**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Housing Authority of the City of Newport.
2. No significant deficiencies or material weaknesses in internal control over financial reporting relating to the audit of the basic 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 basic financial statements of Housing Authority of the City of Newport were disclosed during this audit.
4. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of the City of Newport expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for Housing Authority of the City of Newport that are required to be reported in accordance with the Uniform Guidance.
7. The programs identified as major programs included: Public and Indian Housing, CFDA #14.850.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Housing Authority of the City of Newport was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

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

None

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2022**

There were no findings in the prior audit.

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Financial Statements  
and  
Supplemental Financial Information**

**Year Ended June 30, 2023**

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**Introductory Section**



**Housing Authority of the City of Newport  
Roster of Management Officials and Board of Commissioners  
June 30, 2023**

**Management Officials**

David Gates

**Title**

Executive Director

**Board of Commissioners**

Shane Grady

Allen Edwards

Wendell Green

Barbara Sweatt-Menley

Kathy Robinson

**Title**

Chairman

Vice Chairman

Commissioner

Commissioner

Commissioner

**Financial Section**



STEAVEN E. MILLER, JR., CPA  
L. SCOTT ROSE, CPA

1309 E. RACE AVENUE  
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## Independent Auditors' Report

Board of Commissioners  
Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of Housing Authority of the City of Newport as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Housing Authority of the City of Newport as of June 30, 2023, and the changes in its financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Housing Authority of the City of Newport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Newport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of the City of Newport'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 an opinion on the basic financial statements of the Housing Authority of the City of Newport. The accompanying financial information listed as the introductory section, the supplemental financial information in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare

the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the introductory section, the supplemental financial information in the table of contents and the schedule of expenditures of federal awards are 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 March 28, 2024, on our consideration Housing Authority of the City of Newport'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 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 the entity's internal control over financial reporting and compliance.

March 28, 2024

  
\_\_\_\_\_  
Miller & Rose, PA  
Certified Public Accountants

# **Housing Authority of the City of Newport**

Newport, AR

Management's Discussion and Analysis

June 30, 2023

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 June 1999.

## **Financial Highlights**

The most significant changes on the 2023 financial statements were in current assets, expendable fund balance, Federal Grants & Subsidy revenue, and other income.

## **Overview of the Financial Statements**

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 like 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 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 like 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 balance sheet. 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 for year-end June 30, 2023.

All 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 property (meets HUD specifications and inspections), and determines whether the Housing Authority has successfully recovered costs through its rental fees and other charges. It can also be used to measure profitability and credit worthiness.

**Housing Authority of the City of Newport (continued)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, and financing activities. It also provides answers to such questions as the source, expenditures, and change in cash 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.

### **Financial Analysis**

One of the most important questions concerning finances is the following: "Is the Housing Authority as a whole better or worse because of the achievements of the reported fiscal year?" The purpose of 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 and the Statement of Revenues, Expenses, and Changes in Fund Net Position. The Statement of Net Position provides a summary of assets and liabilities as of the close of business on June 30, 2023. 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 June 30, 2023.

The Housing Authority of the City of Newport has a low-rent program that provides housing for qualified tenants and a capital fund program for improvements to its low-rent property.

The following analysis focuses on the net position and the change in net position not the individual programs.

**Housing Authority of the City of Newport (continued)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Net Position**

June 30,

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% of Change</u>
Current Assets	\$ 2,676,264	\$ 2,185,752	\$ 490,512	22.44%
Capital Assets, Net	<u>5,529,545</u>	<u>5,943,012</u>	<u>(413,467)</u>	<u>-6.96%</u>
<b>Total Assets</b>	<b>\$ <u>8,205,809</u></b>	<b>\$ <u>8,128,764</u></b>	<b>\$ <u>77,045</u></b>	<b><u>0.95%</u></b>
Current Liabilities	197,725	175,278	22,447	12.81%
Noncurrent Liabilities	<u>16,445</u>	<u>2,035</u>	<u>14,410</u>	<u>708.11%</u>
<b>Total Liabilities</b>	<b>\$ <u>214,170</u></b>	<b>\$ <u>177,313</u></b>	<b>\$ <u>36,857</u></b>	<b><u>20.79%</u></b>
<b>Net Position:</b>				
Investment in Capital Assets	5,529,545	5,943,012	(413,467)	-6.96%
Unrestricted Net Position	<u>2,462,094</u>	<u>2,008,439</u>	<u>453,655</u>	<u>22.59%</u>
<b>Total Net Position</b>	<b>\$ <u>7,991,639</u></b>	<b>\$ <u>7,951,451</u></b>	<b>\$ <u>40,188</u></b>	<b><u>0.51%</u></b>

**Capital Assets**

(Net of Accumulated Depreciation)

June 30,

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% of Change</u>
Land	\$ 240,816	\$ 240,816	\$ 0	0.00%
Buildings	11,928,324	11,409,412	518,912	4.55%
Furniture & Equipment - Dwell	339,206	332,000	7,206	2.17%
Furniture & Equipment - Admin	303,013	302,063	950	0.31%
Leasehold Improvement	1,614,506	1,598,766	15,740	0.98%
Construction in progress	<u>449,850</u>	<u>969,712</u>	<u>(519,862)</u>	<u>-53.61%</u>
Subtotal	14,875,715	14,852,769	22,946	0.15%
Accumulated Depreciation	<u>(9,346,170)</u>	<u>(8,909,757)</u>	<u>(436,413)</u>	<u>4.90%</u>
<b>Net Capital Assets</b>	<b>\$ <u>5,529,545</u></b>	<b>\$ <u>5,943,012</u></b>	<b>\$ <u>(413,467)</u></b>	<b><u>-6.96%</u></b>

**Net Position**

Total assets consist of current and capital assets. Current assets are resources that are reasonably expected, based on plans and intentions, to be converted into cash or its equivalent during the current operating cycle. Capital assets are long-term tangible assets obtained because of past transactions, events, or circumstances and include buildings, equipment, and improvements to buildings and land.



**Housing Authority of the City of Newport (continued)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

Total liabilities consist of current and noncurrent payables. Current liabilities are current debts that are owed and due within 12 months. It is expected that current liabilities will consume current financial resources to satisfy debt. Noncurrent liabilities are debts that are owed but not due within 12 months. It is not expected that these liabilities will consume current financial resources to satisfy the debt.

Total assets increased due to net cash provided by operating activities. The change in vendor payables, payment in lieu of taxes, and accrued compensated absences (sick leave) increased total liabilities.

The Housing Authority had \$2,193,770 in Capital Grant revenue to draw down and spend in the future.

**Total Net Position**

As of June 30, 2023, the Housing Authority had \$7,991,639 invested in total net position. Of this amount, \$2,462,094 of unrestricted net position may be used to meet the Authority's future ongoing expenses and obligations. The remainder of \$5,529,545 represents the investment in capital assets of land, buildings, furnishings, equipment, leasehold improvements, and construction in progress.

**Debt**

The Authority had no long-term obligations such as notes or bonds payable.

**Expendable Fund Balance**

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% of Change</u>
<b>Expendable Fund Balance</b>	\$ <u>2,440,346</u>	\$ <u>1,980,726</u>	\$ <u>459,620</u>	<u>23.20%</u>
<b>Number of Months Expendable Fund</b>	<u>20.23</u>	<u>16.66</u>	<u>3.56</u>	<u>21.39%</u>

**Expendable Fund Balance**

If current assets, less materials inventory, were converted to cash and all current liabilities were paid, the Authority's cash balance (expendable fund balance) would be \$2,440,346 which increased \$459,620.

**Number of Months Expendable Fund Balance**

The expendable fund balance is divided by average monthly expense (total expenses for the year, less depreciation, divided by twelve (12) to determine the number of months expendable fund balance. This factor indicates the number of months the entity could operate without relying on additional funding. As of the fiscal year-end, the Authority could continue operations for 20.23 months.

**Housing Authority of the City of Newport (continued)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**Changes in Net Position**

For the Year Ended June 30

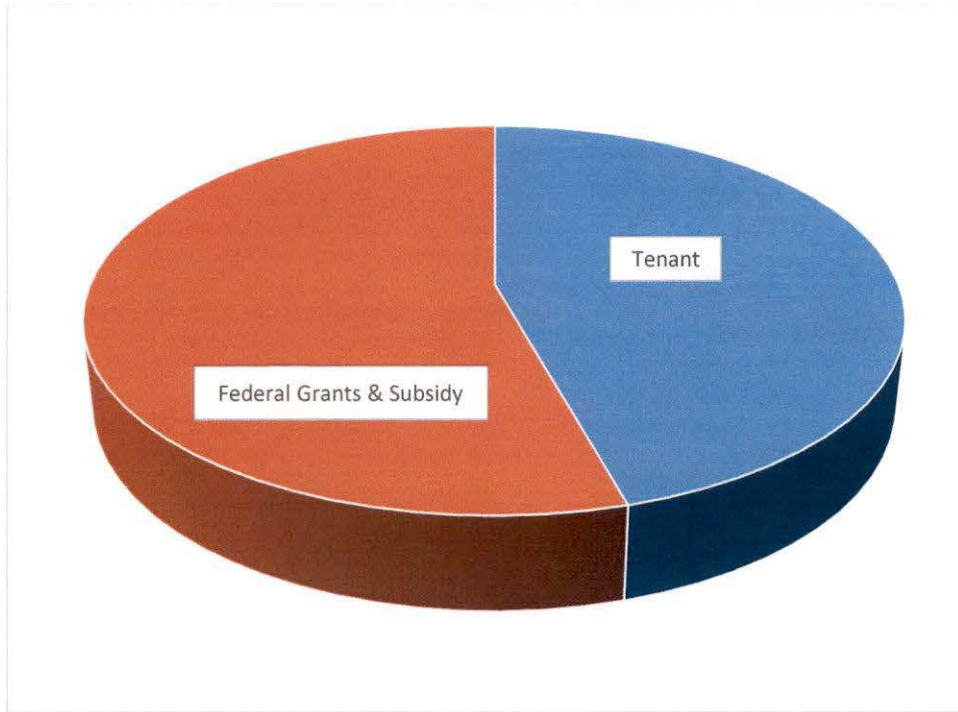
	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% of Change</u>
<b>Revenue:</b>				
Tenant Revenue	\$ 688,821	\$ 577,229	\$ 111,542	19.33%
Federal Grants & Subsidy	867,791	1,068,808	(201,017)	-18.81%
Investment	57,471	3,170	54,301	1712.97%
Other Income	310,154	28,370	281,784	993.25%
Gain/Loss on the Sale of Assets	0	400	(400)	-100.00%
<b>Total Revenue</b>	<u><b>1,924,237</b></u>	<u><b>1,677,977</b></u>	<u><b>246,260</b></u>	<u><b>14.68%</b></u>
<b>Expenses:</b>				
Administrative	529,422	405,801	123,621	30.46%
Utilities	268,214	236,150	32,064	13.58%
Routine Maintenance	401,748	440,726	(38,978)	-8.84%
Protective Services	4,378	2,812	1,566	55.69%
General	220,360	188,331	32,029	17.01%
Nonroutine	23,514	128,597	(105,083)	-81.71%
Casualty Loss	0	23,874	(23,874)	-100.00%
Depreciation	436,413	435,196	1,217	0.28%
<b>Total Operating Expenses</b>	<u><b>1,884,049</b></u>	<u><b>1,861,487</b></u>	<u><b>22,562</b></u>	<u><b>1.21%</b></u>
<b>Increase (Decrease) in Net Position</b>	<u><b>\$ 40,188</b></u>	<u><b>\$ (183,510)</b></u>	<u><b>\$ 223,698</b></u>	<u><b>-121.90%</b></u>

**Changes in Net Position**

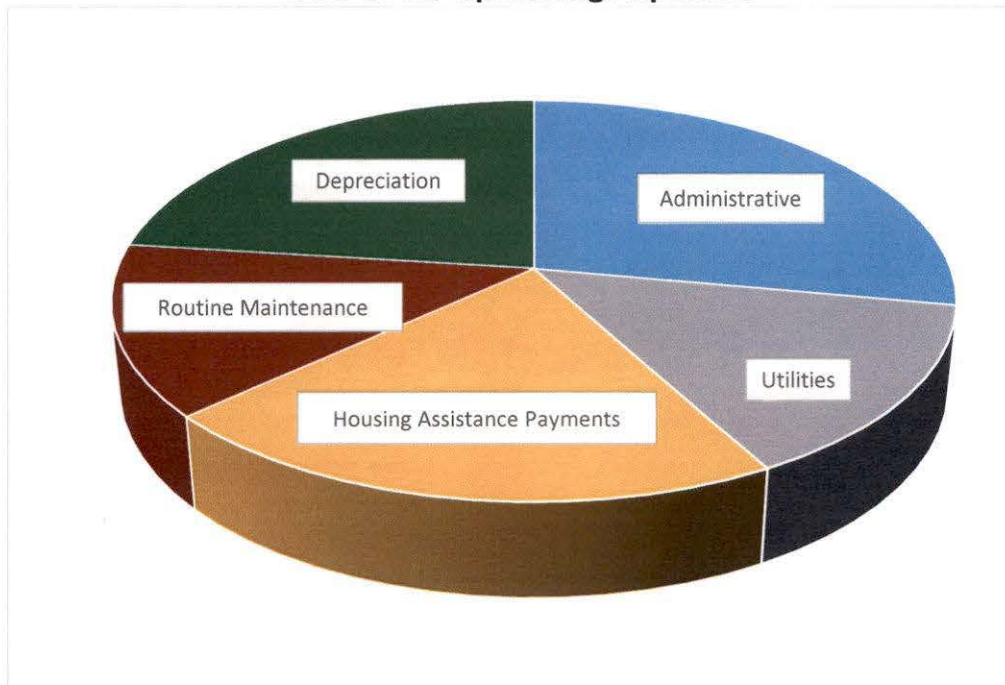
As part of a litigation settlement with HUD, the Authority received compensatory damages which increased total revenue. Total operating remained materially consistent with prior year operating expenses. The net effect was an increase in changes in net position.

Housing Authority of the City of Newport (continued)  
Management's Discussion and Analysis  
June 30, 2023

2023 Total Revenue



2023 Total Operating Expenses



**Housing Authority of the City of Newport (continued)**  
**Management's Discussion and Analysis**  
**June 30, 2023**

**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.

**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 Authority's finances and to show accountability for money it receives. If you have questions or need further clarification regarding the financial statements contact David Gates, Executive Director, Housing Authority of the City of Newport, 945 Hout Circle, Newport, AR 72112-2945, telephone number (870) 523-2195.

**Basic Financial Statements**

**Housing Authority of the City of Newport  
Statement of Net Position  
Proprietary Funds  
June 30, 2023**

**ASSETS**

**Current Assets**

Cash	\$	2,199,946
Restricted cash		33,985
Total cash		2,233,931
Receivables		
Tenants, net of allowance for doubtful accounts		5,061
Prepaid expenses		124,641
Prepaid RAD expenses		274,438
Inventories, net		38,193
<b>Total current assets</b>		<b>2,676,264</b>

**Noncurrent Assets**

Capital Assets		
Nondepreciable		690,666
Depreciable, net of accumulated depreciation		4,838,879
<b>Total noncurrent assets</b>		<b>5,529,545</b>

**Total Assets**

**8,205,809**

**LIABILITIES**

**Current Liabilities**

Accounts payable		90,486
Security deposits		33,985
Accrued liabilities		10,598
Current portion of accrued compensated absences		10,165
Unearned revenue		11,247
Due to other governments		40,744
Other current liabilities		500
<b>Total current liabilities</b>		<b>197,725</b>

**Noncurrent Liabilities**

Compensated absences, net of current portion		16,445
<b>Total noncurrent liabilities</b>		<b>16,445</b>

**Total Liabilities**

**214,170**

**NET POSITION**

Investment in capital assets		5,529,545
Unrestricted		2,462,094
<b>Total net position</b>	\$	<b>7,991,639</b>

See accompanying notes.

**Housing Authority of the City of Newport**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2023**

<b>Operating Revenues</b>	
Tenant revenue, gross	\$ 728,824
Less: bad debts	<u>(40,003)</u>
Tenant revenue, net	<u>688,821</u>
Governmental operating grants	867,791
Miscellaneous	<u>8,317</u>
<b>Total operating revenues</b>	<u><b>1,564,929</b></u>
<b>Operating Expenses</b>	
Administrative	529,422
Utilities	268,214
Maintenance	425,262
Protective services	4,378
Insurance	179,616
General	40,744
Depreciation	<u>436,413</u>
<b>Total operating expense</b>	<u><b>1,884,049</b></u>
<b>Operating Income (Loss)</b>	<b>(319,120)</b>
<b>Non-Operating Revenues (Expenses)</b>	
Interest income	57,471
PHADA lawsuit proceeds	<u>301,837</u>
Total non-operating revenue (expenses)	<u><b>359,308</b></u>
<b>Increase (decrease) in net position</b>	<b>40,188</b>
<b>Net Position - Beginning of Period</b>	<u><b>7,951,451</b></u>
<b>Net Position - End of Period</b>	<u><b>\$ 7,991,639</b></u>

See accompanying notes.

**Housing Authority of the City of Newport  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2023**

<b>Cash Flow from Operating Activities</b>	
Receipts from tenants	\$ 690,198
Operating subsidies	869,136
Payments to suppliers	(1,290,943)
Payments to employees	(345,345)
Other receipts (payments)	<u>(14,454)</u>
Net cash provided (used) by operating activities	<u>(91,408)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Purchases of capital assets	(22,946)
PHADA lawsuit proceeds	<u>301,837</u>
Net cash provided (used) by capital and related financing activities	<u>278,891</u>
<b>Cash Flows from Investing Activities</b>	
Interest earned on invested cash	<u>57,471</u>
Net cash provided (used) by investing activities	<u>57,471</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>244,954</b>
<b>Cash and Cash Equivalents - Beginning of Year</b>	<u>1,988,977</u>
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 2,233,931</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities</b>	
Operating income (loss)	<u>\$ (319,120)</u>
<b>Adjustments Not Affecting Cash</b>	
Depreciation and amortization	436,413
<b>Change in Assets and Liabilities</b>	
(Increase) Decrease in accounts receivable - tenants	3,288
(Increase) Decrease in receivables - other governments	1,345
(Increase) Decrease in inventories	(8,445)
(Increase) Decrease in prepaid expenses	(241,746)
Increase (Decrease) in accounts payable	14,534
Increase (Decrease) in accrued expenses	3,360
Increase (Decrease) in accrued compensated absences	6,261
Increase (Decrease) in security deposits	441
Increase (Decrease) in unearned revenue	(2,352)
Increase (Decrease) in due to other governments	<u>14,613</u>
Total adjustments	<u>227,712</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>\$ (91,408)</u>

See accompanying notes.



**Housing Authority of the City of Newport**  
**Notes to the Financial Statements**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction.**

The financial statements of the Housing Authority of the City of Newport are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Housing Authority of the City of Newport are discussed below.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs in the United States. Accordingly, HUD has contracted with the entity to administer certain HUD funds.

**A. Reporting Entity.**

These financial statements present the net position and results of operations of Housing Authority of the City of Newport, a primary government. There are no component units to be included in the Housing Authority of the City of Newport's reporting entity.

**B. Basic Financial Statements.**

The authority is a public corporation, legally separate, fiscally independent and governed by a Board of Commissioners. As such, Housing Authority of the City of Newport is considered a special-purpose government. All activities of authority are considered business type activities.

All activities of the authority are reported as a proprietary fund type. The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The entity's proprietary fund authority is classified as an enterprise fund.

An enterprise funds is required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

The Housing Authority of the City of Newport is considered to be a special-purpose government since its existence is to satisfy a very specific and narrow purpose. As such, the authority presents a single set of enterprise fund financial statements. The Statement of Net Position is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The authority's net position is reported in three components:

1. Investment in capital assets – Consists of the historical cost of capital assets and related deferred outflows of resources, net of accumulated depreciation and related deferred inflows of resources and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction, or improvements of those assets.
2. Restricted net position – Net position is considered restricted if their use is constrained to a particular purpose. Restrictions are imposed by external organizations such as creditors, grantors, contributors, or laws and regulations of other governments. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets.
3. Unrestricted net position – Consists of all other net position that does not meet the definition of the above two components and is available for general use.

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Authority Activities.**

The authority is administering the following activities and programs:

Public Housing (commonly referred to as Low-income housing or Low Rent) - The Public Housing Program provides and operates cost-effective, decent, safe and affordable housing to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD who provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Public Housing Program also includes the Capital Fund Program (CFP), which is the primary funding source for physical and management improvements to the Authority's properties. The Capital Fund Program provides annual grant funds to the Authority for capital and management activities including modernization and correcting physical deficiencies. The CFP is awarded non-competitively and is based upon a formula that considers existing and accrual (future) modernization needs of the Authority.

Business Activities - represents non-HUD resources developed from a variety of activities. During the current fiscal year, the Authority received \$301,837 in proceeds from a lawsuit related to HUD's calculation of operating subsidy in a prior year.

**D. Accrual Basis of Accounting.**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Proprietary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

**E. Budget.**

Enterprise Fund service delivery levels are determined by the extent of consumer demand. Because Enterprise Fund revenues and expenses fluctuate with changing service delivery levels, generally accepted accounting principles do not require the financial statements to include budgetary comparisons and, accordingly, these comparisons have not been included.

Budgets are prepared for regulatory purposes in accordance with the Authority's contract with HUD. The entity prepares annual budgets for each program. Prior to the beginning of each budget year, the entity's annual budget is approved by the entity's governing body. Budgetary amendments require approval by the governing body. All budgetary appropriations lapse at the end of each year. Budgets for Capital Fund Programs are approved in the Authority's 5-year and annual plans.

**F. Financial Statement Amounts.**

1. Cash and Cash Equivalents. The Housing Authority of the City of Newport defines cash to include certificates of deposit, money market accounts, savings accounts, demand deposits, and other short-term securities with original maturities of three months or less; consequently, the cost, carrying value, and market value are equivalent.
2. Accounts Receivable. Accounts receivable consists of amounts due from tenants for rental, excess utilities and repair charges. The accounts receivable are stated net of an allowance for doubtful accounts of \$7,591.

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

3. **Inventories.** Inventories consist of materials used in the maintenance and repair of the rental dwellings. Inventories are stated at cost determined by the first-in, first-out (FIFO) method. Inventories are stated net of an allowance for obsolete inventories of \$1,566.
4. **Restricted Assets.** Restricted assets consist of cash and investments that are held in trust or to satisfy specific program or purpose restrictions.
5. **Capital Assets.** Capital assets purchased or acquired with an original cost of \$500 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:
 

Land improvements	15 Years
Buildings	40 Years
Buildings - refurbishing and improvements	20 Years
Furniture and equipment - dwelling	7 Years
Furniture and equipment - administrative	3-10 Years
6. **Construction in Progress.** Construction in progress consists of expenditures under HUD's Capital Fund Program (CFP). Certain expenditures under these programs are not capitalizable expenditures, and therefore are expensed as incurred.
7. **Security Deposit.** Security deposits consist of amounts held in trust with the Housing Authority of the City of Newport in order for tenants to secure apartment leases.
8. **Compensated Absences.** The authority's policy allows employees to accumulate unused sick leave and vacation leave hours. Sick leave is not paid upon termination, but will be paid only upon illness while employed.
9. **Due to Other Governments.** Due to other governments consists of amounts due local governments for payments in lieu of taxes (PILOT).
10. **Long-term Liabilities.** Long-term liabilities expected to be financed from proprietary funds are accounted for in the proprietary fund. Expenditures related to such debt are also included in the proprietary fund.
11. **Use of Restricted Resources.** When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Housing Authority of the City of Newport's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.
12. **Defining Operating Revenues and Expenses.** The authority distinguishes between operating and nonoperating revenues and expenses. Operating revenues and expenses consist of charges for services and the costs of provided those services, including depreciation and excluding interest cost. All other revenues and expenses are reported as nonoperating.
13. **Revenues.** All authority revenues are accrued. These revenues consist of user charges for rents, utilities, repairs and other miscellaneous charges. Monies received from customers for security deposits are recorded as a liability upon receipt. Tenant revenue is reported net of bad debts in the amount of \$40,003.

Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transaction are recorded when all applicable eligibility requirements, including time requirements are met. Resources received before all eligibility requirements are met are reported as deferred inflows of resources.

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2023**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Expenditures. Expenditures are recognized when the liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the years purchased.
15. Depreciation. Depreciation expense of \$436,413 has been recognized during the year ended June 30, 2023.
16. Income taxes. The authority is not subject to federal or state income taxes.
17. Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles as applied to governmental units require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
18. Adoption of New Accounting Pronouncements: The GASB has issued several statements implemented by the Authority. The Standards which will impact the Authority are as follows:

1. GASB Statement No. 87, *Leases*, issued June 2017, originally effective December 31, 2020, though GASB extended the implementation date and was adopted by the Authority beginning with its fiscal year ending June 30, 2023. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. Under this statement, a government entity that is a lessee must recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. In addition, the Authority must recognize (1) amortization expense for using the asset over the shorter of the term of the lease or the useful life of the underlying asset, (2) interest expense on the lease liability and (3) note disclosures about the lease. The Statement provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. This statement also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements), and leases with related parties.

The Authority leases its owned housing units to eligible low-income applicants under twelve-month terms. As such, these leases are excluded from the requirements of GASB Statement No. 87. Other longer-term leases (copiers and postage meters) are immaterial to the financial statements as a whole.

2. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, issued May 2020 and was adopted by the Authority beginning with its fiscal year ending June 30, 2023. Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. Under this Statement, a government should recognize a right-to-use subscription asset-an intangible asset-and a corresponding subscription liability.

The Authority has entered into a subscription-based IT agreement with MRI Software for its industry-specific tenant eligibility and accounting applications. This agreement is for a contract term of twelve months and thus are excluded from the requirements of GASB Statement No. 96. Other SBITAs for word processing, etc. are considered immaterial to the financial statements as a whole.

3. GASB Statement No. 100, *Accounting Changes and Error Corrections*, issued June 2022 and was adopted by the Authority beginning with its fiscal year ending June 30, 2023. Statement No. 100 provides guidance on the accounting and financial reporting for each type of accounting change and error corrections.
4. GASB Statement No. 101, *Compensated Absences*, issued June 2022 and was adopted by the Authority beginning with its fiscal year ending June 30, 2023. Statement No. 101 provides guidance on the recognition and measurement guidance for compensated absences.

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2023**

**NOTE 2 - DEPOSITS**

Regulations require that deposits with financial institutions be collateralized with collateral whose market value is equal to the uninsured amount of the deposits. The collateral must be placed by the depository bank in an escrow account in a second bank for the benefit of the Authority.

**NOTE 3 - RESTRICTED CASH**

Restricted cash consist of the following:

Security deposits	\$ 33,985
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**NOTE 4 - CAPITAL ASSETS**

Changes in capital assets are as follows:

	Beginning Balance	Additions	Reclassifications and Retirements	Ending Balance
<b>Capital assets not being depreciated:</b>				
Land	\$ 240,816	\$ 0	\$ 0	\$ 240,816
Construction in progress	969,712	0	(519,862)	449,850
Total capital assets not being depreciated	1,210,528	0	(519,862)	690,666
<b>Capital assets being depreciated:</b>				
Land improvements	1,598,766	15,740	0	1,614,506
Building	11,409,412	0	518,912	11,928,324
Equipment	634,063	7,206	950	642,219
Total capital assets being depreciated	13,642,241	22,946	519,862	14,185,049
<b>Less accumulated depreciation for:</b>				
Land improvements	(1,142,722)	(44,598)	0	(1,187,320)
Building	(7,233,589)	(367,244)	0	(7,600,833)
Equipment	(533,446)	(24,571)	0	(558,017)
Total accumulated depreciation	(8,909,757)	(436,413)	0	(9,346,170)
Total capital assets being depreciated, net	4,732,484	(413,467)	519,862	4,838,879
Total business-type activities capital assets, net	\$ 5,943,012	\$ (413,467)	\$ 0	\$ 5,529,545

Construction in progress is composed of expenditures related to major renovation of certain buildings owned by the entity, said renovation to be fully financed by grants from HUD.

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

**Housing Authority of the City of Newport  
Notes to the Financial Statements (Continued)  
June 30, 2023**

**NOTE 5 - NONCURRENT LIABILITIES**

Noncurrent liabilities consist of the following:

	Interest Rate	Principal Balance
Compensated absences	None	\$ 26,610
Less current portion		(10,165)
Net noncurrent liabilities		\$ 16,445

Accrued compensated absences consist of estimated liability for employees accrued vacation and sick leave for which employees are entitled to be paid upon termination.

Changes in noncurrent liabilities are as follows:

Description	Beginning Balance	Additions	Reductions	Ending Balance	One Year
Compensated absences	\$ 20,349	\$ 6,261	\$ 0	\$ 26,610	\$ 10,165

**NOTE 6 - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the Authority insures itself against loss by purchase of commercial insurance and participation in a public entity risk pool. The Authority also insures itself against workers' compensation claims through participation in a public entity risk pool. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The Authority participates in the public entity risk pool managed by the Arkansas Housing Authorities Self-Insured Fund, Inc. (AHASIF) for its property and liability risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by AHASIF. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

The Authority participates in the public entity risk pool managed by the Municipal League Workers Compensation Trust for its workers compensation risk of loss coverage. The Authority, along with other participating entities, is responsible for paying annual premiums to the pool as determined by the Municipal League. The pool administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

**NOTE 7 - RETIREMENT PLAN**

The entity provides pension benefits for all of its full-time employees through the Housing Renewal and Local Agency (the "Plan"). The Plan is a single-employer defined contribution plan and is administered by a third-party administrator. The Plan was established April 1, 1998 and is authorized and may be amended by the entity's Board of Commissioners. The entity does not hold or control the assets of the plan nor does it have the ability to direct the use, exchange, or employ the assets that provide benefits to the intended beneficiaries.

**Housing Authority of the City of Newport**  
**Notes to the Financial Statements (Continued)**  
**June 30, 2023**

**NOTE 7 - RETIREMENT PLAN (CONTINUED)**

In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings, and the forfeitures of other participant's benefits that may be allocated to such participant's account. Forfeitures of accounts of not fully vested terminated participants in excess of plan expenses shall be reallocated among the accounts of the remaining participants in accordance with the plan. There are no forfeitures reflected in pension expense recognized by the employer during the current fiscal year. Employees are eligible to participate after a six-month exclusionary period. The employee contributes 5.5% and the entity contributes 7.5% of the employee's base salary each month. The entity's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after five years of participation.

**NOTE 8 - COMMITMENTS**

Commitments arise primarily from construction in progress. All project funds are provided by grant from HUD; therefore no additional funding is required to satisfy outstanding commitments at June 30, 2023.

**NOTE 9 - CONTINGENCIES**

The entity is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refunds by the entity to federal grantors and/or program beneficiaries.

**NOTE 10 - SUBSEQUENT EVENTS**

The Housing Authority is currently doing due diligence related to a possible Rental Assistance Demonstration (RAD) conversion on its public housing units. Expenses related to this possible conversion are reported as prepaid expenses on the Statement of Net Position.

**Supplemental Financial Information**



Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$1,902,966	\$296,980	\$2,199,946		\$2,199,946
112 Cash - Restricted - Modernization and Development	\$0		\$0		\$0
113 Cash - Other Restricted	\$0		\$0		\$0
114 Cash - Tenant Security Deposits	\$33,985		\$33,985		\$33,985
115 Cash - Restricted for Payment of Current Liabilities	\$0		\$0		\$0
100 Total Cash	\$1,936,951	\$296,980	\$2,233,931	\$0	\$2,233,931
121 Accounts Receivable - PHA Projects	\$0		\$0		\$0
122 Accounts Receivable - HUD Other Projects	\$0		\$0		\$0
124 Accounts Receivable - Other Government	\$0		\$0		\$0
125 Accounts Receivable - Miscellaneous	\$0		\$0		\$0
126 Accounts Receivable - Tenants	\$12,652		\$12,652		\$12,652
126.1 Allowance for Doubtful Accounts - Tenants	-\$7,591		-\$7,591		-\$7,591
126.2 Allowance for Doubtful Accounts - Other	\$0		\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current	\$0		\$0		\$0
128 Fraud Recovery	\$7,343		\$7,343		\$7,343
128.1 Allowance for Doubtful Accounts - Fraud	-\$7,343		-\$7,343		-\$7,343
129 Accrued Interest Receivable	\$0		\$0		\$0
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$5,061	\$0	\$5,061	\$0	\$5,061
131 Investments - Unrestricted	\$0		\$0		\$0
132 Investments - Restricted	\$0		\$0		\$0
135 Investments - Restricted for Payment of Current Liability	\$0		\$0		\$0
142 Prepaid Expenses and Other Assets	\$399,079		\$399,079		\$399,079
143 Inventories	\$39,759		\$39,759		\$39,759

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
143.1 Allowance for Obsolete Inventories	-\$1,566		-\$1,566		-\$1,566
144 Inter Program Due From	\$180		\$180	-\$180	\$0
145 Assets Held for Sale	\$0		\$0		\$0
150 Total Current Assets	\$2,379,464	\$296,980	\$2,676,444	-\$180	\$2,676,264
161 Land	\$240,816		\$240,816		\$240,816
162 Buildings	\$11,928,324		\$11,928,324		\$11,928,324
163 Furniture, Equipment & Machinery - Dwellings	\$339,206		\$339,206		\$339,206
164 Furniture, Equipment & Machinery - Administration	\$303,013		\$303,013		\$303,013
165 Leasehold Improvements	\$1,614,506		\$1,614,506		\$1,614,506
166 Accumulated Depreciation	-\$9,346,170		-\$9,346,170		-\$9,346,170
167 Construction in Progress	\$449,850		\$449,850		\$449,850
168 Infrastructure	\$0		\$0		\$0
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,529,545	\$0	\$5,529,545	\$0	\$5,529,545
171 Notes, Loans and Mortgages Receivable - Non-Current	\$0		\$0		\$0
172 Notes, Loans, & Mortgages Receivable - Non Current - Past	\$0		\$0		\$0
173 Grants Receivable - Non Current	\$0		\$0		\$0
174 Other Assets	\$0		\$0		\$0
176 Investments in Joint Ventures	\$0		\$0		\$0
180 Total Non-Current Assets	\$5,529,545	\$0	\$5,529,545	\$0	\$5,529,545
200 Deferred Outflow of Resources	\$0		\$0		\$0
290 Total Assets and Deferred Outflow of Resources	\$7,909,009	\$296,980	\$8,205,989	-\$180	\$8,205,809

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft	\$0		\$0		\$0
312 Accounts Payable <= 90 Days	\$90,486		\$90,486		\$90,486
313 Accounts Payable >90 Days Past Due	\$0		\$0		\$0
321 Accrued Wage/Payroll Taxes Payable	\$10,598		\$10,598		\$10,598
322 Accrued Compensated Absences - Current Portion	\$10,165		\$10,165		\$10,165
324 Accrued Contingency Liability	\$0		\$0		\$0
325 Accrued Interest Payable	\$0		\$0		\$0
331 Accounts Payable - HUD PHA Programs	\$0		\$0		\$0
332 Account Payable - PHA Projects	\$0		\$0		\$0
333 Accounts Payable - Other Government	\$40,744		\$40,744		\$40,744
341 Tenant Security Deposits	\$33,985		\$33,985		\$33,985
342 Unearned Revenue	\$11,247		\$11,247		\$11,247
343 Current Portion of Long-term Debt - Capital	\$0		\$0		\$0
344 Current Portion of Long-term Debt - Operating Borrowings	\$0		\$0		\$0
345 Other Current Liabilities	\$500		\$500		\$500
346 Accrued Liabilities - Other	\$0		\$0		\$0
347 Inter Program - Due To	\$0	\$180	\$180	-\$180	\$0
348 Loan Liability - Current	\$0		\$0		\$0
310 Total Current Liabilities	\$197,725	\$180	\$197,905	-\$180	\$197,725
351 Long-term Debt, Net of Current - Capital Projects/Mortgage	\$0		\$0		\$0
352 Long-term Debt, Net of Current - Operating Borrowings	\$0		\$0		\$0
353 Non-current Liabilities - Other	\$0		\$0		\$0
354 Accrued Compensated Absences - Non Current	\$16,445		\$16,445		\$16,445
355 Loan Liability - Non Current	\$0		\$0		\$0
356 FASB 5 Liabilities	\$0		\$0		\$0

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
357 Accrued Pension and OPEB Liabilities	\$0		\$0		\$0
350 Total Non-Current Liabilities	\$16,445	\$0	\$16,445	\$0	\$16,445
300 Total Liabilities	\$214,170	\$180	\$214,350	-\$180	\$214,170
400 Deferred Inflow of Resources	\$0		\$0		\$0
508.4 Net Investment in Capital Assets	\$5,529,545		\$5,529,545		\$5,529,545
511.4 Restricted Net Position	\$0		\$0		\$0
512.4 Unrestricted Net Position	\$2,165,294	\$296,800	\$2,462,094		\$2,462,094
513 Total Equity - Net Assets / Position	\$7,694,839	\$296,800	\$7,991,639	\$0	\$7,991,639
600 Total Liabilities, Deferred Inflows of Resources and Equity -	\$7,909,009	\$296,980	\$8,205,989	-\$180	\$8,205,809

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$691,413		\$691,413		\$691,413
70400 Tenant Revenue - Other	\$37,411		\$37,411		\$37,411
70500 Total Tenant Revenue	\$728,824	\$0	\$728,824	\$0	\$728,824
70600 HUD PHA Operating Grants	\$867,791		\$867,791		\$867,791
70610 Capital Grants	\$0		\$0		\$0
70710 Management Fee					
70720 Asset Management Fee					
70730 Book Keeping Fee					
70740 Front Line Service Fee					
70750 Other Fees					
70700 Total Fee Revenue			\$0	\$0	\$0
70800 Other Government Grants	\$0		\$0		\$0
71100 Investment Income - Unrestricted	\$57,193	\$278	\$57,471		\$57,471
71200 Mortgage Interest Income	\$0		\$0		\$0
71300 Proceeds from Disposition of Assets Held for Sale	\$0		\$0		\$0
71310 Cost of Sale of Assets	\$0		\$0		\$0
71400 Fraud Recovery	\$0		\$0		\$0
71500 Other Revenue	\$8,317	\$301,837	\$310,154		\$310,154
71600 Gain or Loss on Sale of Capital Assets	\$0		\$0		\$0
72000 Investment Income - Restricted	\$0		\$0		\$0
70000 Total Revenue	\$1,662,125	\$302,115	\$1,964,240	\$0	\$1,964,240
91100 Administrative Salaries	\$156,529		\$156,529		\$156,529

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
91200 Auditing Fees	\$11,200		\$11,200		\$11,200
91300 Management Fee	\$0		\$0		\$0
91310 Book-keeping Fee	\$0		\$0		\$0
91400 Advertising and Marketing	\$618		\$618		\$618
91500 Employee Benefit contributions - Administrative	\$47,500		\$47,500		\$47,500
91600 Office Expenses	\$13,770		\$13,770		\$13,770
91700 Legal Expense	\$46,774		\$46,774		\$46,774
91800 Travel	\$5,150		\$5,150		\$5,150
91810 Allocated Overhead	\$0		\$0		\$0
91900 Other	\$242,566	\$5,315	\$247,881		\$247,881
91000 Total Operating - Administrative	\$524,107	\$5,315	\$529,422	\$0	\$529,422
92000 Asset Management Fee	\$0		\$0		\$0
92100 Tenant Services - Salaries	\$0		\$0		\$0
92200 Relocation Costs	\$0		\$0		\$0
92300 Employee Benefit Contributions - Tenant Services	\$0		\$0		\$0
92400 Tenant Services - Other	\$0		\$0		\$0
92500 Total Tenant Services	\$0	\$0	\$0	\$0	\$0
93100 Water	\$56,947		\$56,947		\$56,947
93200 Electricity	\$26,259		\$26,259		\$26,259
93300 Gas	\$135,975		\$135,975		\$135,975
93400 Fuel	\$0		\$0		\$0
93500 Labor	\$0		\$0		\$0
93600 Sewer	\$49,033		\$49,033		\$49,033
93700 Employee Benefit Contributions - Utilities	\$0		\$0		\$0

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Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
93800 Other Utilities Expense	\$0		\$0		\$0
93000 Total Utilities	\$268,214	\$0	\$268,214	\$0	\$268,214
94100 Ordinary Maintenance and Operations - Labor	\$195,077		\$195,077		\$195,077
94200 Ordinary Maintenance and Operations - Materials and	\$49,407		\$49,407		\$49,407
94300 Ordinary Maintenance and Operations Contracts	\$102,158		\$102,158		\$102,158
94500 Employee Benefit Contributions - Ordinary Maintenance	\$55,106		\$55,106		\$55,106
94000 Total Maintenance	\$401,748	\$0	\$401,748	\$0	\$401,748
95100 Protective Services - Labor	\$0		\$0		\$0
95200 Protective Services - Other Contract Costs	\$4,378		\$4,378		\$4,378
95300 Protective Services - Other	\$0		\$0		\$0
95500 Employee Benefit Contributions - Protective Services	\$0		\$0		\$0
95000 Total Protective Services	\$4,378	\$0	\$4,378	\$0	\$4,378
96110 Property Insurance	\$154,624		\$154,624		\$154,624
96120 Liability Insurance	\$5,941		\$5,941		\$5,941
96130 Workmen's Compensation	\$4,420		\$4,420		\$4,420
96140 All Other Insurance	\$14,631		\$14,631		\$14,631
96100 Total insurance Premiums	\$179,616	\$0	\$179,616	\$0	\$179,616
96200 Other General Expenses	\$0		\$0		\$0
96210 Compensated Absences	\$0		\$0		\$0
96300 Payments in Lieu of Taxes	\$40,744		\$40,744		\$40,744
96400 Bad debt - Tenant Rents	\$40,003		\$40,003		\$40,003
96500 Bad debt - Mortgages	\$0		\$0		\$0

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Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
96600 Bad debt - Other	\$0		\$0		\$0
96800 Severance Expense	\$0		\$0		\$0
96000 Total Other General Expenses	\$80,747	\$0	\$80,747	\$0	\$80,747
96710 Interest of Mortgage (or Bonds) Payable	\$0		\$0		\$0
96720 Interest on Notes Payable (Short and Long Term)	\$0		\$0		\$0
96730 Amortization of Bond Issue Costs	\$0		\$0		\$0
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$1,458,810	\$5,315	\$1,464,125	\$0	\$1,464,125
97000 Excess of Operating Revenue over Operating Expenses	\$203,315	\$296,800	\$500,115	\$0	\$500,115
97100 Extraordinary Maintenance	\$23,514		\$23,514		\$23,514
97200 Casualty Losses - Non-capitalized	\$0		\$0		\$0
97300 Housing Assistance Payments	\$0		\$0		\$0
97350 HAP Portability-In	\$0		\$0		\$0
97400 Depreciation Expense	\$436,413		\$436,413		\$436,413
97500 Fraud Losses	\$0		\$0		\$0
97600 Capital Outlays - Governmental Funds					
97700 Debt Principal Payment - Governmental Funds					
97800 Dwelling Units Rent Expense	\$0		\$0		\$0
90000 Total Expenses	\$1,918,737	\$5,315	\$1,924,052	\$0	\$1,924,052
10010 Operating Transfer In	\$35,912		\$35,912	-\$35,912	\$0
10020 Operating transfer Out	-\$35,912		-\$35,912	\$35,912	\$0

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Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
10030 Operating Transfers from/to Primary Government	\$0		\$0		\$0
10040 Operating Transfers from/to Component Unit	\$0		\$0		\$0
10050 Proceeds from Notes, Loans and Bonds					
10060 Proceeds from Property Sales					
10070 Extraordinary Items, Net Gain/Loss	\$0		\$0		\$0
10080 Special Items (Net Gain/Loss)	\$0		\$0		\$0
10091 Inter Project Excess Cash Transfer In	\$0		\$0		\$0
10092 Inter Project Excess Cash Transfer Out	\$0		\$0		\$0
10093 Transfers between Program and Project - In	\$0		\$0		\$0
10094 Transfers between Project and Program - Out	\$0		\$0		\$0
10100 Total Other financing Sources (Uses)	\$0	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total	-\$256,612	\$296,800	\$40,188	\$0	\$40,188
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$7,951,451	\$0	\$7,951,451		\$7,951,451
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 Liability					
11080 Changes in Special Term/Severance Benefits Liability					
11090 Changes in Allowance for Doubtful Accounts - Dwelling					
11100 Changes in Allowance for Doubtful Accounts - Other					
11170 Administrative Fee Equity	\$0		\$0		\$0
11180 Housing Assistance Payments Equity					

Housing Authority of the City of Newport (AR028)

NEWPORT, AR

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 06/30/2023

	Project Total	1 Business Activities	Subtotal	ELIM	Total
11190 Unit Months Available	3096		3096		3096
11210 Number of Unit Months Leased	3021		3021		3021
11270 Excess Cash	\$1,622,900		\$1,622,900		\$1,622,900
11610 Land Purchases	\$0		\$0		\$0
11620 Building Purchases	\$0		\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0		\$0		\$0
11650 Leasehold Improvements Purchases	\$0		\$0		\$0
11660 Infrastructure Purchases	\$0		\$0		\$0
13510 CFFP Debt Service Payments	\$0		\$0		\$0
13901 Replacement Housing Factor Funds	\$0		\$0		\$0

**Housing Authority of the City of Newport  
 Schedule of Modernization Grant Activity  
 June 30, 2023**

	<u>AR37P028501-19</u>	<u>AR37P028501-20</u>	<u>AR37P028501-21</u>	<u>AR37P028501-22</u>
1. Funds approved	\$ 583,224	\$ 621,939	\$ 658,611	\$ 813,835
Funds expended	<u>483,842</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of funds approved	<u>\$ 99,382</u>	<u>\$ 621,939</u>	<u>\$ 658,611</u>	<u>\$ 813,835</u>
2. Funds advanced	\$ 483,842	\$ -	\$ -	\$ -
Funds expended	<u>483,842</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of funds advanced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Housing Authority of the City of Newport  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2023**

<u>Federal Grantor/Program Title</u>	<u>Grant ID Number</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Disbursements/ Expenditures</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Low Income Housing - Operating subsidy	AR028	14.850	\$ 831,879
Capital Fund Program	AR37P028501	14.872	<u>35,912</u>
Total HUD and Grand Total			<u>\$ 867,791</u>

The accompanying notes are an integral part of this schedule.

**Housing Authority of the City of Newport**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**June 30, 2023**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Housing Authority of the City of Newport under programs of the federal government for the year ended June 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 Housing Authority of the City of Newport, it is not intended to and does not present the financial position, changes in net position, or cash flows of Housing Authority of the City of Newport.

**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. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

**NOTE 3 – INDIRECT COST RATE**

Housing Authority of the City of Newport has not made an election to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Non-Financial Section**



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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***

Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

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 Housing Authority of the City of Newport as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents, and have issued our report thereon dated March 28, 2024.

**Report on Internal Control Over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

## Purpose of this Report

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



Miller & Rose, PA  
Searcy, Arkansas

March 28, 2024





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## **Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Commissioners  
Housing Authority of the City of Newport  
945 Hout Circle  
Newport, AR 72112

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Housing Authority of the City of Newport's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Housing Authority of the City of Newport's major federal programs for the year ended June 30, 2023. Housing Authority of the City of Newport'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, Housing Authority of the City of Newport, 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 June 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 Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Housing Authority of the City of Newport's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of the City of Newport's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Housing Authority of the City of Newport's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of the City of Newport'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 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. Given these limitations, 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 have not been 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.



Miller & Rose, P.A.  
Searcy, Arkansas

March 28, 2024

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2023**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of Housing Authority of the City of Newport.
2. No significant deficiencies or material weaknesses in internal control over financial reporting relating to the audit of the basic 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 basic financial statements of Housing Authority of the City of Newport were disclosed during this audit.
4. No significant deficiencies or material weaknesses in internal control relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the Housing Authority of the City of Newport expresses an unmodified opinion.
6. There are no audit findings relative to the major federal award programs for Housing Authority of the City of Newport that are required to be reported in accordance with the Uniform Guidance.
7. The programs identified as major programs included: Public and Indian Housing, CFDA #14.850.
8. The threshold for distinguishing Types A and B programs was \$750,000.
9. Housing Authority of the City of Newport was determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

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

None

**Housing Authority of the City of Newport  
Newport, Arkansas**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2023**

There were no findings in the prior audit.