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| Streamlined Annual PHA Plan (HCV Only PHAs) | U.S. Department of Housing and Urban Development Office of Public and Indian Housing | OMB No. 2577-0226 Expires 03/31/2024 |
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Purpose. The 5-Year and Annual PHA Plans provide a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, including changes to these policies, and informs HUD, families served by the PHA, and members of the public of the PHA's mission, goals and objectives for serving the needs of low- income, very low- income, and extremely low- income families

Applicability. The Form HUD-50075-HCV is to be completed annually by **HCV-Only PHAs**. PHAs that meet the definition of a Standard PHA, Troubled PHA, High Performer PHA, Small PHA, or Qualified PHA do not need to submit this form. Where applicable, separate Annual PHA Plan forms are available for each of these types of PHAs.

Definitions.

- (1) **High-Performer PHA** – A PHA that owns or manages more than 550 combined public housing units and housing choice vouchers, and was designated as a high performer on both the most recent Public Housing Assessment System (PHAS) and Section Eight Management Assessment Program (SEMAP) assessments if administering both programs, or PHAS if only administering public housing.
- (2) **Small PHA** - A PHA that is not designated as PHAS or SEMAP troubled, that owns or manages less than 250 public housing units and any number of vouchers where the total combined units exceed 550.
- (3) **Housing Choice Voucher (HCV) Only PHA** - A PHA that administers more than 550 HCVs, was not designated as troubled in its most recent SEMAP assessment and does not own or manage public housing.
- (4) **Standard PHA** - A PHA that owns or manages 250 or more public housing units and any number of vouchers where the total combined units exceed 550, and that was designated as a standard performer in the most recent PHAS and SEMAP assessments.
- (5) **Troubled PHA** - A PHA that achieves an overall PHAS or SEMAP score of less than 60 percent.
- (6) **Qualified PHA** - A PHA with 550 or fewer public housing dwelling units and/or housing choice vouchers combined and is not PHAS or SEMAP troubled.

| A. | PHA Information. | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| A.1 | <p> PHA Name: <u>Kingsport Housing & Redevelopment Authority</u> PHA Code: <u>TN006</u> PHA Plan for Fiscal Year Beginning: (MM/YYYY): <u>04/2024</u> PHA Inventory (Based on Annual Contributions Contract (ACC) units at time of FY beginning, above) Number of Housing Choice Vouchers (HCVs) <u>1761</u> (with up to 50 additional pending enhanced vouchers) PHA Plan Submission Type: <input checked="" type="checkbox"/> Annual Submission <input type="checkbox"/> Revised Annual Submission </p> <p> Availability of Information. In addition to the items listed in this form, PHAs must have the elements listed below readily available to the public. A PHA must identify the specific location(s) where the proposed PHA Plan, PHA Plan Elements, and all information relevant to the public hearing and proposed PHA Plan are available for inspection by the public. Additionally, the PHA must provide information on how the public may reasonably obtain additional information of the PHA policies contained in the standard Annual Plan but excluded from their streamlined submissions. At a minimum, PHAs must post PHA Plans, including updates, at the main office or central office of the PHA. PHAs are strongly encouraged to post complete PHA Plans on their official website. </p> <p> <u>The PHA Plan is available at the Kingsport Housing & Redevelopment Authority Administrative Office at 906 E Sevier Ave. Kingsport, Tennessee 37660. The Authority's hours of operation are Monday through Friday 8:00 am to 4:00 pm. The plan is also posted to the KHRA website upon HUD approval.</u> </p> <p> <input type="checkbox"/> PHA Consortia: (Check box if submitting a joint Plan and complete table below) </p> <table border="1" style="width: 100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width: 25%;">Participating PHAs</th> <th style="width: 10%;">PHA Code</th> <th style="width: 25%;">Program(s) in the Consortia</th> <th style="width: 25%;">Program(s) not in the Consortia</th> <th style="width: 15%;">No. of Units in Each Program</th> </tr> </thead> <tbody> <tr> <td>Lead HA:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | Participating PHAs | PHA Code | Program(s) in the Consortia | Program(s) not in the Consortia | No. of Units in Each Program | Lead HA: | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| B. | Plan Elements. | | | | |
| B.1 | <p>Revision of Existing PHA Plan Elements.</p> <p>a) Have the following PHA Plan elements been revised by the PHA since its last Annual Plan submission?</p> <p>Y N</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Statement of Housing Needs and Strategy for Addressing Housing Needs.</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Financial Resources.</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> Rent Determination.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Operation and Management.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Informal Review and Hearing Procedures.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Homeownership Programs.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Self Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Substantial Deviation.</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/> Significant Amendment/Modification.</p> <p>(b) If the PHA answered yes for any element, describe the revisions for each element(s):</p> <p>The revisions of the existing PHA plan elements are attached as Exhibit B.1.b Eligibility Selection Admissions and Exhibit B.1.b Rent Determination.</p> | | | | |
| B.2 | New Activities. – Not Applicable | | | | |
| B.3 | <p>Progress Report.</p> <p>Provide a description of the PHA’s progress in meeting its Mission and Goals described in its 5-Year PHA Plan.</p> <p>The PHA has maintained its focus to transform and empower our community. KHRA is working toward obtaining High Performer Status. Please see attached exhibit B.3 for more information.</p> | | | | |
| B.4 | Capital Improvements. – Not Applicable | | | | |
| B.5 | <p>Most Recent Fiscal Year Audit.</p> <p>(a) Were there any findings in the most recent FY Audit?</p> <p>Y N N/A</p> <p><input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>(b) If yes, please describe:</p> <p>A narrative explaining the finding from the most recent audit and the 3/31/23 KHRA Audit are attached as Exhibit B.5 KHRA Audit Narrative, and the full audit is attached as Exhibit B.5 KHRA Audit Report</p> | | | | |
| C. | Other Document and/or Certification Requirements. | | | | |
| C.1 | <p>Resident Advisory Board (RAB) Comments.</p> <p>(a) Did the RAB(s) have comments to the PHA Plan?</p> <p>Y N</p> <p><input type="checkbox"/> <input checked="" type="checkbox"/></p> <p>(b) If yes, comments must be submitted by the PHA as an attachment to the PHA Plan. PHAs must also include a narrative describing their analysis of the RAB recommendations and the decisions made on these recommendations.</p> | | | | |
| C.2 | <p>Certification by State or Local Officials.</p> <p>Form HUD 50077-SL, <i>Certification by State or Local Officials of PHA Plans Consistency with the Consolidated Plan</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan.</p> | | | | |

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| C.3 | <p>Civil Rights Certification/ Certification Listing Policies and Programs that the PHA has Revised since Submission of its Last Annual Plan.</p> <p>Form HUD-50077-ST-HCV-HP, <i>PHA Certifications of Compliance with PHA Plan, Civil Rights, and Related Laws and Regulations Including PHA Plan Elements that Have Changed</i>, must be submitted by the PHA as an electronic attachment to the PHA Plan.</p> |
| C.4 | <p>Challenged Elements. If any element of the PHA Plan is challenged, a PHA must include such information as an attachment with a description of any challenges to Plan elements, the source of the challenge, and the PHA’s response to the public.</p> <p>(a) Did the public challenge any elements of the Plan?</p> <p style="margin-left: 40px;">Y N</p> <p style="margin-left: 40px;"><input type="checkbox"/> <input checked="" type="checkbox"/></p> <p>If yes, include Challenged Elements.</p> |

D. Affirmatively Furthering Fair Housing (AFFH).

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| D.1 | <p>Affirmatively Furthering Fair Housing (AFFH).</p> <p>Provide a statement of the PHA’s strategies and actions to achieve fair housing goals outlined in an accepted Assessment of Fair Housing (AFH) consistent with 24 CFR § 5.154(d)(5). Use the chart provided below. (PHAs should add as many goals as necessary to overcome fair housing issues and contributing factors.) Until such time as the PHA is required to submit an AFH, the PHA is not obligated to complete this chart. The PHA will fulfill, nevertheless, the requirements at 24 CFR § 903.7(o) enacted prior to August 17, 2015. See Instructions for further detail on completing this item.</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="background-color: #e0e0e0; padding: 5px;">Fair Housing Goal: Nondiscrimination</td> </tr> <tr> <td style="padding: 5px;"> <p><u><i>Describe fair housing strategies and actions to achieve the goal</i></u></p> <p>The PHA implements policies and procedures within the KHRA Admin plan to affirmatively further fair housing. Chapter 2 of the KHRA Admin plan details these goals and policies. Full PHA Policy attached as Exhibit D.1 Part 1 – Nondiscrimination.</p> <p>The PHA shall not discriminate because of race, color, sex, religion, familial status, age, disability or national origin (called “protected classes”)</p> <p>Familial status includes children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18.</p> <p>The PHA will not discriminate on the basis of marital status, gender identity, or sexual orientation [FR Notice 02/03/12; Executive Order 13988].</p> <p><u>PHA Policy</u></p> <p>The PHA does not identify any additional protected classes.</p> <p>The PHA will not use any of these factors to:</p> <ul style="list-style-type: none"> • Deny to any family the opportunity to apply for housing, nor deny to any qualified applicant the opportunity to participate in the housing choice voucher program • Provide housing that is different from that provided to others • Subject anyone to segregation or disparate treatment • Subject anyone to sexual harassment • Restrict anyone's access to any benefit enjoyed by others in connection with the housing program • Treat a person differently in determining eligibility or other requirements for admission • Steer an applicant or participant toward or away from a particular area based any of these factors • Deny anyone access to the same level of services • Deny anyone the opportunity to participate in a planning or advisory group that is an integral part of the housing program • Discriminate in the provision of residential real estate transactions • Discriminate against someone because they are related to or associated with a member of a protected class • Publish or cause to be published an advertisement or notice indicating the availability of housing that prefers or excludes persons who are members of a protected class <p>The PHA provides civil rights information to families and owners through briefings:</p> <ul style="list-style-type: none"> • All briefing packets contain Fair Housing brochures complete with descriptions, resources, contact information for legal aid, etc. </td> </tr> </table> | Fair Housing Goal: Nondiscrimination | <p><u><i>Describe fair housing strategies and actions to achieve the goal</i></u></p> <p>The PHA implements policies and procedures within the KHRA Admin plan to affirmatively further fair housing. 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- The PHA has a written policy regarding discrimination complaints and procedures
 - The PHA provides written documentation in all briefing packets detailing how to file grievance procedures for tenants and landlords.

Fair Housing Goal: Provide Persons with Disabilities Equal Opportunity

Describe fair housing strategies and actions to achieve the goal

The PHA ensures that persons with disabilities have full access to the PHA’s programs and services and continues through every aspect of the program. Full PHA Policy attached as Exhibit D.1 Part 2 – Policies Related to Persons with Disabilities.

PHA Policy

The PHA will ask all applicants and participants if they require any type of accommodations, in writing, on the intake application, reexamination documents, and notices of adverse action by the PHA, by including the following language:

“If you or anyone in your family is a person with disabilities, and you require a specific accommodation in order to fully utilize our programs and services, please contact the housing authority.”

A specific name and phone number of designated staff will be provided to process requests for accommodation.

The PHA will display posters and other housing information and signage in locations throughout the PHA’s office in such a manner as to be easily readable from a wheelchair.

- The KHRA Admin plan details the process by which an applicant or participants may request a reasonable accommodation.
 - The PHA will encourage the family to make its request in writing using a reasonable accommodation request form.
 - However, the PHA will consider the accommodation any time the family indicates that an accommodation is needed whether or not a formal written request is submitted.
 - Before providing an accommodation, the PHA must determine that the person meets the definition of a person with a disability, and that the accommodation will enhance the family’s access to the PHA’s programs and services.
 - When verifying a disability, the PHA will follow the verification policies provided in Chapter 7. All information related to a person’s disability will be treated in accordance with the confidentiality policies provided in Chapter 16. In addition to the general requirements that govern all verification efforts
 - After a request for an accommodation is presented, the PHA will respond, in writing, within 10 business days
 - The PHA provides TTD/TTY communication to meet the needs of persons with hearing impairments
 - The PHA provides physical accessibility per Section 504 requirements, in accordance with Notice PIH- 2010-26, the Americans with Disabilities Act, The Architectural Barriers Act, and the Fair Housing Act.

Fair Housing Goal: Improve Access for Persons with Limited English Proficiency (LEP)

Describe fair housing strategies and actions to achieve the goal

The PHA takes affirmative steps to communicate with people who need services or information in a language other than English by offering competent interpretation services free of charge, upon request, to the LEP person. Full PHA Policy is attached as Exhibit D.1 Part 3 -Improving Access to Services for Persons with LEP.

PHA Policy

The PHA will utilize a language line for telephone interpreter services.

When exercising the option to conduct remote briefings, informal reviews, or hearings, however, the PHA will coordinate with a remote interpretation service which, when available, uses video conferencing technology rather than voice-only interpretation.

Where LEP persons desire, they will be permitted to use, at their own expense, an interpreter of their own choosing, in place of or as a supplement to the free language services offered by the PHA. The PHA, at its discretion, may choose to use the language services even when LEP persons desire to use an interpreter of their choosing. The interpreter may be a family member or friend. If the interpreter chosen by the family is a minor, the PHA will not rely on the minor to serve as the interpreter.

The PHA will analyze the various kinds of contacts it has with the public, to assess language needs and decide what reasonable steps should be taken. "Reasonable steps" may not be reasonable where the costs imposed substantially exceed the benefits.

Where feasible and possible, according to its language assistance plan (LAP), the PHA will train and hire bilingual staff to be available to act as interpreters and translators, will pool resources with other PHAs, and will standardize documents.

- If there are fewer than 50 persons in a language group that reaches the 5 percent trigger, the PHA does not translate vital written materials, but provides written notice in the primary language of the LEP language group of the right to receive competent oral interpretation of those written materials, free of cost.
- If the PHA determines that it is not necessary to develop a written implementation plan, the absence of a written plan does not obviate the underlying obligation to ensure meaningful access by LEP persons to the PHA's Housing Choice Voucher program and services.
- The PHA employs one full-time bilingual (Spanish and English) employee who can provide oral translation services
- The PHA utilizes area translation services such as Tri-Cities Bilingual in the event that the on-staff person is unavailable.
- The PHA will consider alternative ways to articulate, in a reasonable manner, a plan for providing meaningful access to any LEP clients it serves.

Instructions for Preparation of Form HUD-50075-HCV Annual PHA Plan for HCV-Only PHAs

A. PHA Information. All PHAs must complete this section. (24 CFR §903.4)

A.1 Include the full **PHA Name**, **PHA Code**, **PHA Type**, **PHA Fiscal Year Beginning** (MM/YYYY), **Number of Housing Choice Vouchers (HCVs)**, **PHA Plan Submission Type**, and the **Availability of Information**, specific location(s) of all information relevant to the public hearing and proposed PHA Plan.

PHA Consortia: Check box if submitting a Joint PHA Plan and complete the table. ([24 CFR §943.128\(a\)](#))

B. Plan Elements. All PHAs must complete this section. ([24 CFR §903.11\(c\)\(3\)](#))

B.1 Revision of Existing PHA Plan Elements. PHAs must:

Identify specifically which plan elements listed below that have been revised by the PHA. To specify which elements have been revised, mark the “yes” box. If an element has not been revised, mark “no.”

Statement of Housing Needs and Strategy for Addressing Housing Needs. Provide a statement addressing the housing needs of low-income, very low-income and extremely low-income families and a brief description of the PHA’s strategy for addressing the housing needs of families who reside in the jurisdiction served by the PHA and other families who are on the Section 8 tenant-based assistance waiting lists. The statement must identify the housing needs of (i) families with incomes below 30 percent of area median income (extremely low-income); (ii) elderly families (iii) households with individuals with disabilities, and households of various races and ethnic groups residing in the jurisdiction or on the public housing and Section 8 tenant-based assistance waiting lists. The statement of housing needs shall be based on information provided by the applicable Consolidated Plan, information provided by HUD, and generally available data. The identification of housing needs must address issues of affordability, supply, quality, accessibility, size of units, and location. Once the PHA has submitted an Assessment of Fair Housing (AFH), which includes an assessment of disproportionate housing needs in accordance with 24 CFR 5.154(d)(2)(iv), information on households with individuals with disabilities and households of various races and ethnic groups residing in the jurisdiction or on the waiting lists no longer needs to be included in the Statement of Housing Needs and Strategy for Addressing Housing Needs. (24 CFR § 903.7(a)).

The identification of housing needs must address issues of affordability, supply, quality, accessibility, size of units, and location. ([24 CFR §903.7\(a\)\(2\)\(i\)](#)) Provide a description of the ways in which the PHA intends, to the maximum extent practicable, to address those housing needs in the upcoming year and the PHA’s reasons for choosing its strategy. ([24 CFR §903.7\(a\)\(2\)\(ii\)](#))

Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions. A statement of the PHA’s policies that govern resident or tenant eligibility, selection and admission including admission preferences for HCV. ([24 CFR §903.7\(b\)](#))

Financial Resources. A statement of financial resources, including a listing by general categories, of the PHA’s anticipated resources, such as PHA HCV funding and other anticipated Federal resources available to the PHA, as well as tenant rents and other income available to support tenant-based assistance. The statement also should include the non-Federal sources of funds supporting each Federal program, and state the planned use for the resources. ([24 CFR §903.7\(c\)](#))

Rent Determination. A statement of the policies of the PHA governing rental contributions of families receiving tenant-based assistance, discretionary minimum tenant rents, and payment standard policies. ([24 CFR §903.7\(d\)](#))

Operation and Management. A statement that includes a description of PHA management organization, and a listing of the programs administered by the PHA. ([24 CFR §903.7\(e\)](#)).

Informal Review and Hearing Procedures. A description of the informal hearing and review procedures that the PHA makes available to its applicants. ([24 CFR §903.7\(f\)](#))

Homeownership Programs. A statement describing any homeownership programs (including project number and unit count) administered by the agency under section 8y of the 1937 Act, or for which the PHA has applied or will apply for approval. ([24 CFR §903.7\(k\)](#))

Self Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements. A description of any PHA programs relating to services and amenities coordinated, promoted, or provided by the PHA for assisted families, including those resulting from the PHA’s partnership with other entities, for the enhancement of the economic and social self-sufficiency of assisted families, including programs provided or offered as a result of the PHA’s partnerships with other entities, and activities subject to Section 3 of the Housing and Community Development Act of 1968 (24 CFR Part 135) and under requirements for the Family Self-Sufficiency Program and others. Include the program’s size (including required and actual size of the FSS program) and means of allocating assistance to households. ([24 CFR §903.7\(l\)\(i\)](#)) Describe how the PHA will comply with the requirements of section 12(c) and (d) of the 1937 Act that relate to treatment of income changes resulting from welfare program requirements. ([24 CFR §903.7\(l\)\(iii\)](#)).

Substantial Deviation. PHA must provide its criteria for determining a “substantial deviation” to its 5-Year Plan. ([24 CFR §903.7\(r\)\(2\)\(i\)](#))

Significant Amendment/Modification. PHA must provide its criteria for determining a “Significant Amendment or Modification” to its 5-Year and Annual Plan.

If any boxes are marked “yes”, describe the revision(s) to those element(s) in the space provided.

B.2 New Activities. This section refers to new capital activities which is not applicable for HCV-Only PHAs.

B.3 Progress Report. For all Annual Plans following submission of the first Annual Plan, a PHA must include a brief statement of the PHA's progress in meeting the mission and goals described in the 5-Year PHA Plan. (24 CFR §903.11(c)(3), 24 CFR §903.7(r)(1))

B.4 Capital Improvements. This section refers to PHAs that receive funding from the Capital Fund Program (CFP) which is not applicable for HCV-Only PHAs

B.5 Most Recent Fiscal Year Audit. If the results of the most recent fiscal year audit for the PHA included any findings, mark "yes" and describe those findings in the space provided. (24 CFR §903.7(p))

C. Other Document and/or Certification Requirements.

C.1 Resident Advisory Board (RAB) comments. If the RAB had comments on the annual plan, mark "yes," submit the comments as an attachment to the Plan and describe the analysis of the comments and the PHA's decision made on these recommendations. (24 CFR §903.13(c), 24 CFR §903.19)

C.2 Certification by State of Local Officials. Form HUD-50077-SL, *Certification by State or Local Officials of PHA Plans Consistency with the Consolidated Plan*, must be submitted by the PHA as an electronic attachment to the PHA Plan. (24 CFR §903.15). Note: A PHA may request to change its fiscal year to better coordinate its planning with planning done under the Consolidated Plan process by State or local officials as applicable.

C.3 Civil Rights Certification/ Certification Listing Policies and Programs that the PHA has Revised since Submission of its Last Annual Plan. Provide a certification that the following plan elements have been revised, provided to the RAB for comment before implementation, approved by the PHA board, and made available for review and inspection by the public. This requirement is satisfied by completing and submitting form HUD-50077 ST-HCV-HP, *PHA Certifications of Compliance with PHA Plan, Civil Rights, and Related Laws and Regulations Including PHA Plan Elements that Have Changed*. Form HUD-50077-ST-HCV-HP, *PHA Certifications of Compliance with PHA Plan, Civil Rights, and Related Laws and Regulations Including PHA Plan Elements that Have Changed* must be submitted by the PHA as an electronic attachment to the PHA Plan. This includes all certifications relating to Civil Rights and related regulations. A PHA will be considered in compliance with the certification requirement to affirmatively further fair housing if the PHA fulfills the requirements of §§ 903.7(o)(1) and 903.15(d) and: (i) examines its programs or proposed programs; (ii) identifies any fair housing issues and contributing factors within those programs, in accordance with 24 CFR 5.154; or 24 CFR 5.160(a)(3) as applicable (iii) specifies actions and strategies designed to address contributing factors, related fair housing issues, and goals in the applicable Assessment of Fair Housing consistent with 24 CFR 5.154 in a reasonable manner in view of the resources available; (iv) works with jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement; (v) operates programs in a manner consistent with any applicable consolidated plan under 24 CFR part 91, and with any order or agreement, to comply with the authorities specified in paragraph (o)(1) of this section; (vi) complies with any contribution or consultation requirement with respect to any applicable AFH, in accordance with 24 CFR 5.150 through 5.180; (vii) maintains records reflecting these analyses, actions, and the results of these actions; and (viii) takes steps acceptable to HUD to remedy known fair housing or civil rights violations, impediments to fair housing choice within those programs; addresses those impediments in a reasonable fashion in view of the resources available; works with the local jurisdiction to implement any of the jurisdiction's initiatives to affirmatively further fair housing; and assures that the annual plan is consistent with any applicable Consolidated Plan for its jurisdiction. (24 CFR §903.7(o)).

C.4 Challenged Elements. If any element of the Annual PHA Plan or 5-Year PHA Plan is challenged, a PHA must include such information as an attachment to the Annual PHA Plan or 5-Year PHA Plan with a description of any challenges to Plan elements, the source of the challenge, and the PHA's response to the public.

D. Affirmatively Furthering Fair Housing (AFFH).

D.1 Affirmatively Furthering Fair Housing. The PHA will use the answer blocks in item D.1 to provide a statement of its strategies and actions to implement each fair housing goal outlined in its accepted Assessment of Fair Housing (AFH) consistent with 24 CFR § 5.154(d)(5) that states, in relevant part: "To implement goals and priorities in an AFH, strategies and actions shall be included in program participants' ... PHA Plans (including any plans incorporated therein) Strategies and actions must affirmatively further fair housing" Use the chart provided to specify each fair housing goal from the PHA's AFH for which the PHA is the responsible program participant – whether the AFH was prepared solely by the PHA, jointly with one or more other PHAs, or in collaboration with a state or local jurisdiction – and specify the fair housing strategies and actions to be implemented by the PHA during the period covered by this PHA Plan. If there are more than three fair housing goals, add answer blocks as necessary.

Until such time as the PHA is required to submit an AFH, the PHA will not have to complete section D., nevertheless, the PHA will address its obligation to affirmatively further fair housing in part by fulfilling the requirements at 24 CFR 903.7(o)(3) enacted prior to August 17, 2015, which means that it examines its own programs or proposed programs; identifies any impediments to fair housing choice within those programs; addresses those impediments in a reasonable fashion in view of the resources available; works with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement; and maintain records reflecting these analyses and actions. Furthermore, under Section 5A(d)(15) of the U.S. Housing Act of 1937, as amended, a PHA must submit a civil rights certification with its Annual PHA Plan, which is described at 24 CFR 903.7(o)(1) except for qualified PHAs who submit the Form HUD-50077-CR as a standalone document.

This information collection is authorized by Section 511 of the Quality Housing and Work Responsibility Act, which added a new section 5A to the U.S. Housing Act of 1937, as amended, which introduced the Annual PHA Plan. The Annual PHA Plan provides a ready source for interested parties to locate basic PHA policies, rules, and requirements concerning the PHA's operations, programs, and services, and informs HUD, families served by the PHA, and members of the public for serving the needs of low- income, very low- income, and extremely low- income families.

Public reporting burden for this information collection is estimated to average 6.02 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

Privacy Act Notice. The United States Department of Housing and Urban Development is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Responses to the collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality

Exhibit B.1.b Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions.

KHRA establishes a system of local preferences for selection of families admitted to the program. KHRA selection preferences are described in the KHRA Administrative Plan. KHRA is in the process of amending the local preference system having removed the Residency and Elderly/Disabled/Veteran preferences in the 2023 plan year. KHRA has asked for the approval of the Board to update the Substandard/Homeless preference definition from HUD's definition of literally homeless to the McKinney-Vento Homeless Assistance Act definition per 42 U.S.C. 11302. KHRA increased efforts to serve homeless families by awarding higher points in the local preferences to Substandard/Homeless families with dependent children. The Board of Commissioners approved the posting of the preferences update with the following resolution:

Resolution 2023-92 Admin Plan Changes – Local Preferences and Verification

Motion: Commissioner Perdue moved (seconded by Rodolphe) to approve the posting of changes to the KHRA Admin Plan for the required public comment period regarding local preferences, Section 4-III.C. Selection Method and Section and 7-II.H. Verification of Preference Status.
Motion carried – unanimous.

Rescission to be implemented January 2024:

4-III.C. SELECTION METHOD

PHAs must describe the method for selecting applicant families from the waiting list, including the system of admission preferences that the PHA will use [24 CFR 982.202(d)].

Local Preferences [24 CFR 982.207; HCV p. 4-16]

PHAs are permitted to establish local preferences, and to give priority to serving families that meet those criteria. HUD specifically authorizes and places restrictions on certain types of local preferences. HUD also permits the PHA to establish other local preferences, at its discretion. Any local preferences established must be consistent with the PHA plan and the consolidated plan, and must be based on local housing needs and priorities that can be documented by generally accepted data sources.

PHA Policy

The PHA will use the following local preferences:

1. The PHA will offer a preference to any family that has been terminated from its HCV program due to insufficient program funding.
2. The PHA will offer a preference to families that include victims of domestic violence, dating violence, sexual assault, or stalking who have either been referred by a partnering service agency or consortia or is seeking an emergency transfer under VAWA from the PHA's public housing program or other covered housing program operated by the PHA.

The PHA will work with the following partnering service agencies:

Branch House
CHIPS
Shepherd's Inn
Safe Passage
Safe House, Inc.
Johnson Co. Safe Haven

The applicant must certify that the abuser will not reside with the applicant unless the PHA gives prior written approval.

The PHA will first assist families that have been terminated from the HCV program due to insufficient funding and then assist families that qualify for the VAWA preference.

The KHRA will offer public notice when changing its preference system and the notice will be publicized using the same guidelines as those for opening and closing the waiting list.

KHRA will select families from the waiting list based on the preference criteria shown below. In descending order, each preference criteria shall carry more weight than the cumulative total weight of all criteria below it on the list. All applicants are selected based on weighted preference along with date and time applied. Verification of preferences are defined in Section 7-II.H of this Plan. If there are no weighted preferences to select from then KHRA will select by date and time of completed application.

The PHA uses the following local preference system:

1. **Involuntarily displaced families (ref. 4-III.G): (20 points)**
Families who have been involuntarily displaced because of an act(s) of God/natural disaster/fire, flood, tornado etc., which occurred no more than six (6) months from the date of certification, and have not secured permanent replacement housing. These applicants will be required to provide the proper documentation to KHRA in order to qualify for this preference.
2. **Victims of domestic violence: (20points)**
The KHRA will offer a local preference to families that have been subjected to or victimized by a member of the family or household within the past 6 months. The KHRA will require evidence that the family has been displaced as a result of fleeing violence in the home. Families are also eligible for this preference if there is proof that the family is currently living in situation where they are being subjected to victimize by violence in the home.
3. **Substandard/Homeless Preference: (10 points) **15 points for substandard/homeless families with dependent children****
 - a. Preference available to applicants who, at time of application, meet the individuals and families that meet the definition of homeless under section 103 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11302). KHRA will require documentation of homeless status in order to apply this preference to the applicant's case.

- b. Are currently residing in a sub-standard housing such as housing that lacks functioning plumbing, heating or electrical systems, and/or which is structurally unsound to the extent that the housing envelope does not adequately prevent incursion by precipitation, or is in imminent danger of collapse.

7-II.H. VERIFICATION OF PREFERENCE STATUS

The PHA must verify any preferences claimed by an applicant that determined placement on the waiting list.

PHA Policy

The PHA will offer a preference to any family that has been terminated from its HCV program due to insufficient program funding. The PHA will verify this preference using the PHA's termination records.

The PHA also offers preferences for:

- i) involuntary displacement: the PHA will verify this preference through written verification from the displacing agency of government or by a service agency such as the Red Cross.
- ii) victims of domestic violence, dating violence, sexual assault, or stalking, as described in Section 4-III.C. To verify that applicants qualify for the preference, the PHA will follow documentation requirements outlined in Section 16-IX.D.
- iii) homelessness/substandard housing: the PHA will verify this preference through a referral from certified social service, mental health, and local/state educational agencies as well organizations recognized by the CoC as part of the CoC inventory.

Current Admin Plan:

4-III.C. SELECTION METHOD

PHAs must describe the method for selecting applicant families from the waiting list, including the system of admission preferences that the PHA will use [24 CFR 982.202(d)].

Local Preferences [24 CFR 982.207; HCV p. 4-16]

PHAs are permitted to establish local preferences, and to give priority to serving families that meet those criteria. HUD specifically authorizes and places restrictions on certain types of local preferences. HUD also permits the PHA to establish other local preferences, at its discretion. Any local preferences established must be consistent with the PHA plan and the consolidated plan, and must be based on local housing needs and priorities that can be documented by generally accepted data sources.

PHA Policy

The PHA will use the following local preferences:

3. The PHA will offer a preference to any family that has been terminated from its HCV program due to insufficient program funding.
4. The PHA will offer a preference to families that include victims of domestic violence, dating violence, sexual assault, or stalking who have either been referred by a partnering service agency or consortia or is seeking an emergency transfer under VAWA from the PHA's public housing program or other covered housing program operated by the PHA.

The PHA will work with the following partnering service agencies:

[Insert name of agencies]

The applicant must certify that the abuser will not reside with the applicant unless the PHA gives prior written approval.

The PHA will first assist families that have been terminated from the HCV program due to insufficient funding and then assist families that qualify for the VAWA preference.

The KHRA will offer public notice when changing its preference system and the notice will be publicized using the same guidelines as those for opening and closing the waiting list.

KHRA will select families from the waiting list based on the preference criteria shown below. In descending order, each preference criteria shall carry more weight than the cumulative total weight of all criteria below it on the list. All applicants are selected based on weighted preference along with date and time applied. If there are no weighted preferences to select from then KHRA will select by date and time of completed application.

The PHA uses the following local preference system:

4. **Involuntarily displaced families (ref. 4-III.G): (20 points)**
Families who have been involuntarily displaced because of an act(s) of God/natural disaster/fire, flood, tornado etc., which occurred no more than six (6) months from the date of certification, and have not secured permanent replacement housing. These applicants will be required to provide the proper documentation to KHRA in order to qualify for this preference.
5. **Victims of domestic violence: (20points)**
The KHRA will offer a local preference to families that have been subjected to or victimized by a member of the family or household within the past 6 months. The KHRA will require evidence that the family has been displaced as a result of fleeing violence in the home. Families are also eligible for this preference if there is proof that the family is currently living in situation where they are being subjected to victimize by violence in the home.
6. **Substandard/Homeless Preference (10 points)**
 - c. **Preference available to applicants who, at time of application, meet the Housing and Urban Development (HUD) definition of literally homeless. KHRA will require documentation of homeless status in order to apply this preference to the applicant's case.**



- d. **Are currently residing in a sub-standard housing such as housing that lacks functioning plumbing, heating or electrical systems, and/or which is structurally unsound to the extent that the housing envelope does not adequately prevent incursion by precipitation, or is in imminent danger of collapse.**

7-II.H. VERIFICATION OF PREFERENCE STATUS

The PHA must verify any preferences claimed by an applicant that determined placement on the waiting list.

PHA Policy

The PHA will offer a preference to any family that has been terminated from its HCV program due to insufficient program funding. The PHA will verify this preference using the PHA's termination records.

The PHA also offers a preference for victims of domestic violence, dating violence, sexual assault, or stalking, as described in Section 4-III.C. To verify that applicants qualify for the preference, the PHA will follow documentation requirements outlined in Section 16-IX.D.





Exhibit B.1.b Rent Determination

The Agency Plan Handbook specifies that PHAs can set the Section 8 voucher payment standard (or maximum subsidy level) at a level from 90% to 110% of the Fair Market Rent. Kingsport Housing & Redevelopment Authority, with HUD guidance, made the discretionary choice to increase the Voucher Payment Standard to 120% of Fair Market Rent to better accommodate the inflating rental prices posed by the rental stock shortage within this region.

KHRA is eligible for the Streamlined Waiver Process to assist the PHA in managing the ongoing challenges related to rental market fluctuations. KHRA is in the process of requesting the streamlined waiver process in reference to HUD notice PIH 2023-29 for the following:

The proposed duration we are requesting is through 12/31/2024.

1. KHRA is requesting a waiver to regulation 982.503(b) to increase our voucher payment standard to 120% of the Fair Market Rent.
2. KHRA is requesting a waiver to regulation 982.503(b)(1)(iii) to increase the SAFMR to 120% of the Fair Market Rent.

The KHRA Board of Commissioners voted to approve the Voucher Payment Standard to 120% of Fair Market Value in the previous plan year with the below resolution:

Resolution 2022-47 120% FMR

Motion: Commissioner Calvert moved (seconded by Rodolphe) to approve and implement the new voucher payment standard at 120% of fair market rent as advised by HUD. Motion carried – unanimous.

The KHRA Board of Commissioners voted to approve the use of Small Area Fair Market Rents per HUD guidance with the below resolution:

Resolution 2023-39 Small Area FMR

Motion: Commissioner Jennings moved (seconded by Calvert) to approve the update to utilize Small Area FMRs. Motion carried - unanimous.



Exhibit B.3 KHRA Progress Report

This includes a report on the progress the PHA has made in meeting the goals and objectives described in the previous 5-Year Plan.

1.) Performance Excellence:

KHRA is working toward achieving High Performer Status. Currently the PHA is rated as a Standard Performer. KHRA has implemented personnel changes to abate the unawarded points from previous SEMAP submissions. KHRA dissolved its business partnership with Landmark Inspection Services, LLC and hired an in-house inspector. KHRA hopes to improve scoring in the following performance indicator:

- INDICATOR 12 Annual HQS Inspections (24 CFR 982.405(a))

Performance Indicator 12 is worth 10 points which would bring KHRA's overall performance rating within range of High Performer

2.) Employee Organizational Update

The Authority continually employs hiring methods and selection recommendations to be made objectively with absolute impartiality, absent of bias, and in accordance with the principles of equal opportunity.

3.) Safety and Security

The Authority continues to work cooperatively with Kingsport Police Department, Kingsport Fire Department, and Tennessee Highway Patrol to ensure Disaster Preparedness and provide a safe and healthy environment for residents and employees. KHRA participates annually in TOSHA Public Sector inspections. KHRA works cooperatively with the designated Occupational Safety Specialist to abate any safety violations and create a safe environment in which employees work.

Additional security measures were implemented in 2022 and 2023 with the purchase of Verkada security cameras. A total of 214 Verkada security cameras were placed across seven of KHRA's sites as well as the administrative building to increase safety measures for residents and staff. An MOU was drafted and implemented by KHRA staff in cooperation with City of Kingsport and the Kingsport Police Department. The MOU allows for the sharing of live feed and footage to maintain the safety and security on KHRA property and the general welfare by sharing information, sharing and enforcing a no-trespass list, and other aid. The MOU sets forth the terms by which the City may use this access, and the agreement was entered into in May 2023.

4.) Fair Housing

KHRA has provided Fair Housing and Anti-Harassment trainings on an annual basis to ensure compliance and in accordance with governing law. The training for 2023 was provided by Wilson Worley on March 29, 2023 for all staff.

5.) Supportive Services

KHRA has sought and marketed positions that include Title 3 hires and VISTA AmeriCorps positions. The supportive services offered through KHRA including FSS, HOPWA, CoC, etc. have grown and now include additional supportive services in the form of the Financial Opportunity Center and the Digital Navigator Services. Increased efforts to end homelessness were secured with multiple ESG awards layered with CDBG funds to create and hire two additional staff positions for Street Outreach Coordinators. Additionally, GKAD leveraged these funds to operate a homeless shelter at the Green Valley Manor site in Kingsport, TN for up to six units during the height of the Covid-19 pandemic.

6.) Leveraging Additional Funding

KHRA secured various forms of financing beginning in 2018 to complete the RAD conversion of 381 total units with funding from State and Federal Housing Trust Fund programs and 4% tax credits with an allocation for project-based vouchers. RAD Completion Certification for Robert E. Lee Homes/Dogwood Terrace/Holly Hills, TN006000001B was accepted on June 15, 2023. In prior plan years, KHRA secured grant funding from TDMHSAS in the form of the Creating Affordable Housing (CAH) grant and THDA's Creating Homes Initiative-2 (CHI-2) grants to rehab/build additional affordable housing for tenants who are suffering from mental illness and recovering from opioid/opioid derivative addiction. Ongoing, KHRA has been awarded the National Housing Trust Fund (NHTF) 2022 grant to begin construction on 12 one-bedroom units where all units will be set aside for extremely low-income individuals whose income does not exceed 30% of the area median income, to be reserved as housing for the elderly, which means individuals sixty-two (62) years of age or older.

KHRA's nonprofit arm has continued to experience enormous success in securing new grant funding. Gap funding in the amount of \$205,000 was secured from THDA allowing the new construction build of the previously-awarded, \$500,000, CHI-2, sober living, group home to achieve zero debt service. \$545,000 was awarded from THDA for a first-time, HOME-ARP Supportive Services Grant. GKAD was awarded \$300,000 from THDA for Eviction Prevention under the ERA-EPP 2023 program. Additionally, grants in the amounts of \$99,000 and \$178,000 from Tennessee Department of Mental Health and Substance Abuse Services for the rehabilitation of blighted housing to serve clients with a mental health and/or cooccurring substance abuse diagnoses were awarded. \$10,100 and \$7,400 for CDBG activities from the City of Kingsport were also awarded to GKAD, and many of these grants were written to substantially rehabilitate blighted housing serving low-income members of our community, cover existing administrative costs, and create new positions within the Authority.



KINGSFORT HOUSING & REDEVELOPMENT AUTHORITY

906 East Sevier Avenue
Kingsport, TN 37660-0044

To Transform and Empower Communities

Exhibit B.5 KHRA Audit Narrative

Schedule of Findings and Questioned Costs For the Year Ended March 31, 2023:

Finding 2023-001: HUD Field Office Compliance Report

Criteria: In accordance with Government Auditing Standards (GAS) finding from other government audits must be reported in the auditors' report when the audit is conducted under GAS.

Condition: Nashville, TN field office performed an onsite monitoring on May 15, 2023, and noted noncompliance with HUD policies and procedures resulting in a compliance report from the field office.

Context: HUD field office reviewed all internal policies, procurement process, financial policies, administrative plan and HCV program activity.

Cause: Most policy noncompliance was due to outdated policies not updated for new HUD guidance.

Effect: Housing Authority must complete a Corrective Action Plan and submit the plan to the field office.

Recommendations: Smith Marion auditors recommend the Housing Authority complete the CAP and submit the CAP to the field office.

Full Audit is attached as "Exhibit B.5 KHRA Audit Report"





KINGSPORT HOUSING & REDEVELOPMENT AUTHORITY

Financial Statements & Independent Auditors' Report

For the Year Ended March 31, 2023



smithmarion

Kingsport Housing and Redevelopment Authority

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- t: (615) 309-8959
- f: (909) 825-9900
- 4068 rural plains circle #180
- franklin, tn 37064



Board of Commissioners
Kingsport Housing and Redevelopment Authority
Kingsport, TN

Independent Auditors' Report

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities, and the aggregate discretely presented component units of Kingsport Housing and Redevelopment Authority, as of and for the year ended March 31, 2023, and the related notes to financial statements, which collectively comprise Kingsport Housing and Redevelopment Authority's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the business-type activities, and the aggregate discretely presented component units of Kingsport Housing and Redevelopment Authority, as of March 31, 2023, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the discretely presented component units (Myrtle St Management L.L.C.), which represent 87 percent, 80 percent, and 92 percent, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report has been furnished to us, and in our opinion, insofar as it relates to the amounts included for Kingsport Housing and Redevelopment Authority, is based solely on the report of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Kingsport Housing and Redevelopment Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of the aggregate discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

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

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



Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Kingsport Housing and Redevelopment Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Kingsport Housing and Redevelopment Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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



Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kingsport Housing and Redevelopment Authority's basic financial statements. The Schedule of Expenditures of Federal Awards and the schedules list on 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 and the schedules list on the table of contents information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the schedules list on the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2023, on our consideration of Kingsport Housing and Redevelopment Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kingsport Housing and Redevelopment Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Kingsport Housing and Redevelopment Authority's internal control over financial reporting and compliance.

September 28, 2023

KINGSPORT HOUSING & REDEVELOPMENT AUTHORITY
MANAGEMENT DISCUSSION & ANALYSIS
FISCAL YEAR ENDED MARCH 31, 2023

This section of the Authority's annual financial report presents management's analysis of the Authority's financial performance during the Fiscal Year Ended March 31, 2023.

FINANCIAL HIGHLIGHTS AND CONCLUSIONS:

The Kingsport Housing & Redevelopment Authority has made the transition to the Governmental Accounting Standards Board Statement No. 34 (GASB 34) in prior periods which require this executive narrative. The financial statements for 2023 have been reviewed by key management staff to assess the financial health of the Authority. The reader of this report should also understand that the interfund accounts, which balance between all funds, have been eliminated from the consolidated report and from this analysis. Financial highlights of this past year are as follows:

- During FY 2023, the Authority's grant funding decreased by \$842,771 or 7.28% from FY 2022.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$22,470,149 (net position) as opposed to \$22,168,726 for the prior fiscal year, an increase of \$301,423 or 1.36%.
- The Authority's cash and investments balance decreased by \$1,679,364 as a result of investments and advances to tax credit properties during the year.
- Total revenues decreased by \$111,827 or 0.86%, while total expenses increased by \$323,191 or 2.62%.

REQUIRED FINANCIAL STATEMENTS:

The Financial Statements of the Authority report information using accounting methods similar to those used by private sector companies (Enterprise Fund).

The Statement of Net Position (Balance Sheet) includes all of the Authority's assets and liabilities and provides information about the amounts and investments in assets and the obligations to Authority creditors. It also provides a basis of assessing the liquidity and financial flexibility of the Authority. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Authority is improving or deteriorating.

The current year's revenues, expenses, and changes in net position are accounted for in the Statement of Revenues, Expenses, and Changes in Net Position. This statement measures the success of the Authority's operations over the past fiscal year.

The Statement of Cash Flows is to provide information about the Authority’s cash receipts and disbursements during the reporting period. The statement reports net changes in cash resulting from operations, investing, and financing activities.

FINANCIAL ANALYSIS OF THE AUTHORITY:

One question frequently asked about an Authority’s finances is “Did the Authority’s operations and financial position improve or deteriorate over the previous fiscal year?” The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position report information about the Authority’s activities and are summarized in the following sections.

To begin our analysis, a summary of the Authority’s Statement of Net Position is presented in Table I.

**Kingsport Housing & Redevelopment Authority
Comparative Statement of Net Position
Table I**

| | <u>2023</u> | <u>2022</u> | <u>Total Change</u> | <u>% Change</u> |
|---|-----------------------------|-----------------------------|--------------------------|-----------------|
| Current Assets | \$ 3,439,238 | \$ 3,380,771 | \$ 58,467 | 1.73% |
| Capital Assets | 8,435,194 | 8,080,367 | 354,827 | 4.39% |
| Noncurrent Assets | <u>14,123,854</u> | <u>14,124,512</u> | <u>(658)</u> | 0.00% |
| Total Assets | \$ <u>25,998,286</u> | \$ <u>25,585,650</u> | \$ <u>412,636</u> | 1.61% |
| Current Liabilities | \$ 1,716,309 | \$ 1,535,562 | \$ 180,747 | 11.77% |
| Noncurrent Liabilities | <u>1,811,828</u> | <u>1,881,362</u> | <u>(69,534)</u> | -3.70% |
| Total Liabilities | <u>3,528,137</u> | <u>3,416,924</u> | <u>111,213</u> | 3.25% |
| Net investment in capital assets | 5,393,992 | 5,151,595 | 242,397 | 4.71% |
| Restricted | 14,710,455 | 15,043,193 | (332,738) | -2.21% |
| Unrestricted | <u>2,365,702</u> | <u>1,973,938</u> | <u>391,764</u> | 19.85% |
| Total Net Position | <u>22,470,149</u> | <u>22,168,726</u> | <u>301,423</u> | 1.36% |
| Total Liabilities & Net Position | \$ <u>25,998,286</u> | \$ <u>25,585,650</u> | \$ <u>412,636</u> | 1.61% |

Total assets increased by \$412,636 or 1.61%, total liabilities increased by \$111,213 or 3.25%, and the overall net position increased by \$301,423 or 1.36%.

Current Assets increased by \$58,467 or 1.73%. The primary increase was due to increased tenants accounts receivable of \$142,237 or 524.86% due to post-covid issues with residents not paying rent, and legal processes to evict. Additionally, there was a decrease in cash and investments of \$1,679,364 with a corresponding increase in miscellaneous receivables of \$1,601,042. This increase in receivables was interim financing to help fund development and tax credit properties. Capital Assets increased by \$354,827 or 4.39%, which was due to increases in land, buildings, and administrative furniture and equipment.

Current Liabilities increased by \$180,747 or 11.77%. This was due primarily to an increase in the current maturities of long-term debt of \$249,308. Noncurrent liabilities decreased by \$69,534 or 3.70% which is mainly due to decreases in the noncurrent portion of long-term debt of \$136,878.

While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position breaks down our revenues and expenses further. Table II, which follows, provides a comparative statement of these changes:

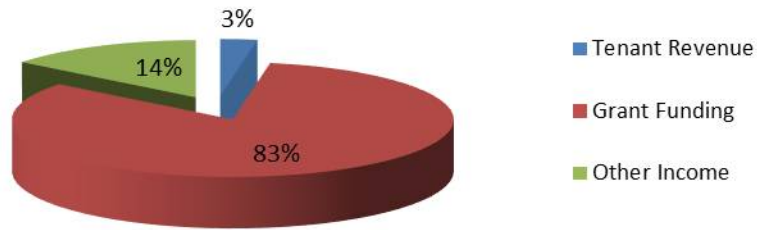
Kingsport Housing & Redevelopment Authority
Comparative Statement of Revenues, Expenses, and Changes in Net Position
Table II

| | <u>2023</u> | <u>2022</u> | <u>Total Change</u> | <u>% Change</u> |
|-----------------------------|-----------------------------|-----------------------------|--------------------------|-----------------|
| Dwelling Rent, net | \$ 351,500 | \$ 358,070 | \$ (6,570) | -1.83% |
| Government Grants | 10,734,547 | 11,577,318 | (842,771) | -7.28% |
| Interest Income | 368,704 | 4,052 | 364,652 | 8999.31% |
| Other Income | <u>1,503,272</u> | <u>1,130,410</u> | <u>372,862</u> | 32.98% |
| Total Revenue | <u>12,958,023</u> | <u>13,069,850</u> | <u>(111,827)</u> | -0.86% |
| Administrative | 1,946,602 | 2,133,286 | (186,684) | -8.75% |
| Tenant Services | 376,382 | 488,928 | (112,546) | -23.02% |
| Utilities | 162,594 | 129,276 | 33,318 | 25.77% |
| Maintenance | 705,013 | 495,208 | 209,805 | 42.37% |
| Interest and Amortization | 161,775 | 152,455 | 9,320 | 6.11% |
| General | 753,875 | 110,693 | 643,182 | 581.05% |
| Housing Assistance Payments | 8,353,314 | 8,645,437 | (292,123) | -3.38% |
| Depreciation | <u>197,045</u> | <u>178,126</u> | <u>18,919</u> | 10.62% |
| Total Expenses | <u>12,656,600</u> | <u>12,333,409</u> | <u>323,191</u> | 2.62% |
| Changes in Net Position | 301,423 | 736,441 | (435,018) | -59.07% |
| Operating transfers | - | (193,700) | - | 100.00% |
| Equity transfers | - | - | - | 100.00% |
| Beginning Net Position | <u>22,168,726</u> | <u>21,625,985</u> | <u>542,741</u> | 2.51% |
| Ending Net Position | <u>\$ 22,470,149</u> | <u>\$ 22,168,726</u> | <u>\$ 301,423</u> | 1.36% |

REVENUES:

In reviewing the Statement of Revenues, Expenses, and Changes in Net Position, you will find that 83% of the Authority's revenues are derived from grants from the Department of Housing and Urban Development and other government sources. The Authority received revenue from tenants for dwelling rental charges and miscellaneous charges comprising 3% of total revenue. Other Revenue including Interest from Investments, management fees and other income comprise the remaining 14%. Compared to the Fiscal Year Ended March 31, 2022, Total Revenues decreased by \$111,827 or 0.86%.

2023 Revenues



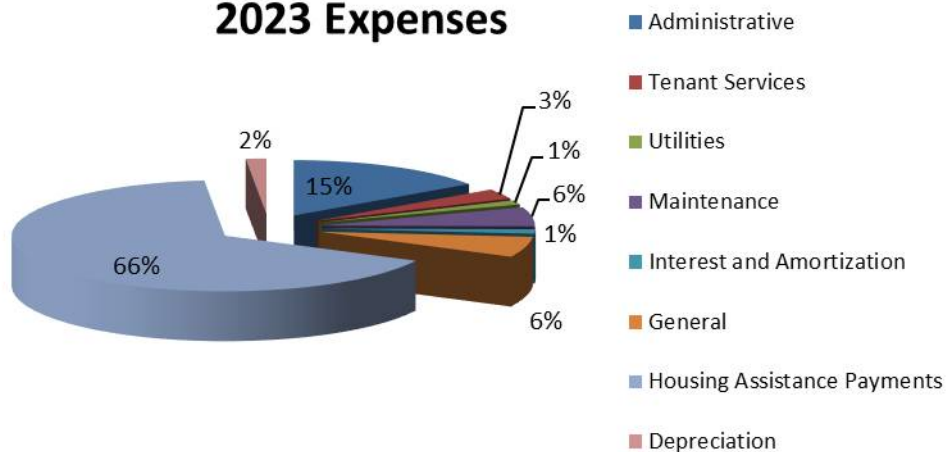
Tenant Revenue – Total tenant revenues, rents and other charges, less bad debt expense, decreased by \$6,570 or 1.83%.

Program Grants/Subsidies – The Authority had a decrease of \$842,771 or 7.28% in government grants, due to COVID-19 grant funds received of \$825,585 in the prior year with nothing received in the current year.

Interest and Other Income – Interest income increased during the year by \$364,652 due to advances or loans to the tax credit properties resulted in mortgage interest income. Other revenue also increased by \$372,862 mainly due to TIF funds during the year.

EXPENSES:

2023 Expenses



The Kingsport Housing and Redevelopment Authority experienced an increase in Total Expenses for the current year of \$323,191 or 2.62%. The highlights of the expenses for the current year were as follows:

Administrative – Administrative costs include all non-maintenance and non-resident service personnel costs (including benefits and accrued leave), legal costs, auditing costs, travel and training costs, and other administrative costs such as supplies, telephone expense, etc. Compared to 2022, administrative costs decreased by \$186,684 or 8.75%, mainly due to a transition from Public Housing to conversion to tax credit properties.

Tenant Services – Tenant services costs include all costs incurred by the Authority to provide social services to the residents. Tenant services costs decreased by \$112,546 or 23.02% due to renovations and transfer of public housing to tax credit properties.

Utilities – The total utilities expense for the Authority increased by \$33,318 or 25.77%.

Maintenance – Maintenance costs are all costs incurred by the Authority to maintain the Public Housing units available for occupancy, which are owned by the Authority, in a safe and sanitary manner. Costs include personnel costs, materials used to maintain the units, contracts for waste management, casualty losses, extraordinary maintenance, etc. Maintenance expenses increased by \$209,805 or 42.37% due to increased contract costs and materials. These expenses are expected to continue to increase in the coming year while we deal with record high inflation and supply chain issues.

General Expenses – General expenses include insurance costs (property, auto, liability, workers' compensation, public officials' liability, etc.), compensated absences, other general expenses, and PILOT. General expenses increased by \$643,182 due mainly to an increase in other general expense of \$629,657 which is due mainly due from the TIF fund expenditures during the year.

Interest and Amortization Expenses – Financial expenses include interest expense on notes payable and mortgages payable and bond amortization. During FY 2023, financial expense increased by \$9,320 or 6.11% due to additional debt acquired during the year.

Housing Assistance Program Payments – HAP payments consists of rental payments to owners of private property for which the housing authority has a HAP agreement with the tenant and the owner for the difference between the tenants rent and the applicable payment standard. During the year, the HAP expense decreased by \$292,123 or 3.38% due to decreased utilization.

Depreciation – Because the costs of all capitalized additions are spread over the estimated useful life of an asset, the estimated current year costs of capitalized items are recorded as depreciation. Depreciation expense for the current year increased by \$18,919 or 10.62%.

CAPITAL ASSETS:

A statement of capital asset activity is shown below for 2022 and 2023.

Kingsport Housing & Redevelopment Authority
Comparative Statement of Capital Assets
Table III

| | <u>2023</u> | | <u>2022</u> | | <u>Total Change</u> | <u>% Change</u> |
|-----------------------------|----------------------------|-----------|-------------------------|-----------|-----------------------|---------------------|
| Land | \$ 5,795,406 | \$ | 5,508,735 | \$ | 286,671 | 5.20% |
| Buildings | 4,986,199 | | 4,870,960 | | 115,239 | 2.37% |
| Equipment | 384,769 | | 355,732 | | 29,037 | 8.16% |
| Construction in Progress | 141,082 | | 20,155 | | 120,927 | 599.99% |
| Accumulated Depreciation | <u>(2,872,262)</u> | | <u>(2,675,215)</u> | | <u>(197,047)</u> | 7.37% |
| Total Capital Assets | \$ <u>8,435,194</u> | \$ | <u>8,080,367</u> | \$ | <u>354,827</u> | 4.39% |
| | | | | | | |
| Balance at April 1, 2022 | | | | | \$ 8,080,367 | |
| Capital Asset Purchases | | | | | 551,872 | |
| Depreciation Expense | | | | | <u>(197,045)</u> | |
| Balance at March 31, 2023 | | | | | <u>\$ 8,435,194</u> | |

DEBT ADMINISTRATION:

As of March 31, 2023, the Kingsport Housing & Redevelopment Authority had \$3,041,202 of debt outstanding, an increase of \$112,430 or 3.84%. New debt of \$1,284,783 was acquired during the audit period with New Peoples Bank for property improvements and acquisition. The following is a summary in the changes of total debt obligations for the year ended March 31, 2023:

| | |
|--|---------------------|
| Balance at the beginning of the period | \$ 2,928,772 |
| Debt issued | 1,284,783 |
| Principal payments | <u>(1,172,353)</u> |
| Balance at March 31, 2023 | <u>\$ 3,041,202</u> |

ECONOMIC FACTORS AND EVENTS AFFECTING OPERATIONS:

The current inflation rate in the United States is the highest it has been in over forty years. This is causing prices to skyrocket and is making it more expensive for the Housing Authority to operate and may make it more difficult for tenants to pay their rent. The inflation rate has decreased during the current year, and it has yet to be determined if governmental assistance will be increased in the next calendar year.

CONCLUSIONS:

Overall, the Kingsport Housing & Redevelopment Authority is making the transition to the new financial environment. Its management is committed to staying abreast of regulations and appropriations as well as maintaining an ongoing analysis of all budgets and expenses to ensure that the Authority continues to operate at the highest standards established by the Real Estate Assessment Center and the Department of Housing and Urban Development.

This financial report is designed to provide our residents, the citizens of Kingsport, TN, all federal and state regulatory bodies, and any creditors with a general overview of the Authority's finances. If you have any questions regarding these financial statements or supplemental information, you may write to the Kingsport Housing & Redevelopment Authority, Terry W. Cunningham, Executive Director, PO Box 44, Kingsport, TN 37662.

Kingsport Housing and Redevelopment Authority

Statement of Net Position

March 31, 2023

| | Primary Government | Discretely Presented Component Units |
|---------------------------------------|-----------------------|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | | |
| Unrestricted | \$ 499,446 | \$ 591,752 |
| Restricted | 806,239 | 4,150,924 |
| Subtotal | 1,305,685 | 4,742,676 |
| Certificates of Deposit | 200,000 | - |
| Accounts receivable, net | 1,854,660 | 544,497 |
| Prepaid expenses | 78,893 | - |
| Notes and lease receivable current | - | - |
| Total Current Assets | 3,439,238 | 5,287,173 |
| Non-Current Assets | | |
| Notes and leases receivable | 14,117,440 | - |
| Intangibles, net | 6,414 | 234,305 |
| Capital assets, net | 8,435,194 | 44,536,969 |
| Total Non-Current Assets | 22,559,048 | 44,771,274 |
| TOTAL ASSETS | 25,998,286 | 50,058,447 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| | - | - |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | 111,084 | 924,483 |
| Accrued liabilities | 26,206 | 1,419,543 |
| Deposits held in trust | 19,186 | 90,730 |
| Compensated absences current | 22,292 | - |
| Unearned revenue | 18,224 | 28,114 |
| Other liabilities current | 28,949 | - |
| Debt and leases payable current | 1,490,368 | 171,070 |
| Total Current Liabilities | 1,716,309 | 2,633,940 |
| Non-Current Liabilities | | |
| Compensated absences | 66,956 | - |
| Funds held in trust | 194,038 | - |
| Debt and leases payable | 1,550,834 | 37,856,041 |
| Total Non-Current Liabilities | 1,811,828 | 37,856,041 |
| TOTAL LIABILITIES | 3,528,137 | 40,489,981 |
| DEFERRED INFLOWS OF RESOURCES | | |
| | - | - |
| Net Position | | |
| Net investment in capital assets | 5,393,992 | 6,680,928 |
| Restricted | 14,710,455 | 4,060,194 |
| Unrestricted | 2,365,702 | (1,172,656) |
| TOTAL NET POSITION | \$ 22,470,149 | \$ 9,568,466 |

Kingsport Housing and Redevelopment Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended March 31, 2023

| | Primary Government | Discretely Presented Component Units |
|---|-------------------------------|---|
| <u>Operating Revenues</u> | | |
| Rental revenues, net | \$ 351,500 | \$ 3,918,158 |
| Government grants | 10,734,547 | - |
| Other income | 1,503,272 | 8,249 |
| Total Operating Revenues | <u>12,589,319</u> | <u>3,926,407</u> |
| <u>Operating Expenses</u> | | |
| Administration | 1,946,602 | 1,127,628 |
| Tenant services | 376,382 | - |
| Utilities | 162,594 | 855,577 |
| Maintenance and operations | 705,013 | 863,790 |
| Protective services | - | - |
| Insurance expense | 115,640 | 213,678 |
| General expense | 638,235 | 94,777 |
| Housing Assistance Payments | 8,353,314 | 4,203 |
| Depreciation and amortization | 197,045 | 1,424,950 |
| OPERATING INCOME (LOSS) | <u>12,494,825</u> | <u>4,584,603</u> |
| NET OPERATING INCOME (LOSS) | <u>94,494</u> | <u>(658,196)</u> |
| <u>Non-Operating Revenues (Expenses)</u> | | |
| Interest income | 368,704 | 11,347 |
| Interest expense | (161,775) | (1,323,969) |
| Total Non-Operating Revenues (Expenses) | <u>206,929</u> | <u>(1,312,622)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | <u>301,423</u> | <u>(1,970,818)</u> |
| Capital Contributions and Transfers | | |
| Capital contributions | - | 832,369 |
| Transfers | - | - |
| Total Capital Contributions and Transfers | <u>-</u> | <u>832,369</u> |
| CHANGE IN NET POSITION | <u>301,423</u> | <u>(1,138,449)</u> |
| BEGINNING NET POSITION | 22,168,726 | 10,453,088 |
| Prior Period Adjustment | - | 253,827 |
| ENDING NET POSITION | <u>\$ 22,470,149</u> | <u>\$ 9,568,466</u> |

Kingsport Housing and Redevelopment Authority

Statement of Cash Flows
For the Year Ended March 31, 2023

| | |
|--|-------------------------------------|
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | |
| Receipts from tenants and users | \$ 353,134 |
| Receipts from operating grants | 11,075,888 |
| Payments for goods and services | (2,925,273) |
| Payments for Housing Assistance Payments | (8,391,741) |
| Payments to employees for services | (1,340,969) |
| NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES | <u>(1,228,961)</u> |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | |
| Capital asset purchases | (1,572,437) |
| Payments on leases and loans | (312,905) |
| Proceeds from loans | 1,284,783 |
| Capital contributions and transfers | - |
| NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(600,559)</u> |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | |
| Proceeds from investment activities | 368,704 |
| Transfers | (218,548) |
| (Purchase) or redemption of CD | - |
| NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES | <u>150,156</u> |
| NET INCREASE (DECREASE) IN CASH | (1,679,364) |
| BEGINNING CASH | <u>2,985,049</u> |
| ENDING CASH | <u><u>\$ 1,305,685</u></u> |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | |
| Operating income (loss) | \$ 94,494 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | 197,703 |
| Change in Assets and Liabilities | |
| (Increase) decrease in accounts receivable | (1,810,881) |
| (Increase) decrease in inventory and prepaid | 13,938 |
| Increase (decrease) in accounts payable | 296,649 |
| Increase (decrease) in accrued liabilities | (36,283) |
| Increase (decrease) in unearned revenue | 786 |
| Increase (decrease) in deposits held in trust | 14,633 |
| Total Adjustments | <u>(1,323,455)</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ (1,228,961)</u></u> |
| Interest Paid | <u><u>\$ 161,775</u></u> |

NOTE 01 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of Kingsport Housing and Redevelopment Authority (the Authority) have been prepared in accordance with Generally Accepted Accounting Principles (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The Authority has previously implemented GASB Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis-for State and Local Governments*. Certain significant changes in the statements are as follows: The financial statements will include a *Management's Discussion and Analysis* (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.

Kingsport Housing and Redevelopment Authority is a special-purpose government engaged only in business-type activities and, therefore, presents only the financial statements required for enterprise funds, in accordance with GASB Statement 34, paragraph 138 and GASB 63. For these governments, basic financial statements and required supplemental information consist of:

- Management Discussion and Analysis (MD&A)
- Enterprise fund financial statements consisting of:
 - Statement of Net Position
 - Statement of Revenues, Expenses and Changes in Net Position
 - Statement of Cash Flows
- Notes to Financial Statements
- Required supplemental information other than MD&A

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 Authority to administer certain HUD funds.

Reporting Entity

GASB established criteria for determining the governmental reporting entity. Under provisions of this statement, Kingsport Housing and Redevelopment Authority is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state and local governments. Fiscally independent means that the Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, control collection and disbursements of funds, maintain responsibility for funding deficits and operating deficiencies, and issue bonded debt.

GASB Statement No. 61 establish criteria for determining which, if any, component units should be considered part of Kingsport Housing and Redevelopment Authority for financial reporting purposes. The basic criteria for including a potential component unit organization within the Authority's reporting entity includes whether:

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

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

Based on the aforementioned criteria and relationship between Kingsport Housing and Redevelopment Authority and the City of Kingsport, the Authority has determined not to be a component unit of the City of Kingsport based on the follow:

Financial Accountability - The Authority is responsible for its debts, does not impose a financial burden on the City of Kingsport and is entitled to all surpluses. No separate agency receives a financial benefit nor imposes a financial burden on the Authority.

Appointment of a Voting Majority - The Authority is governed by a five-member Board appointed by the Mayor and has governance responsibilities over all activities related to all housing activities within the City of Kingsport.

Imposition of Will - The City of Kingsport has no influence over the management, budget, or policies of the Authority. The Authority's Board has the responsibility to significantly influence the Authority's operations.

Based on the aforementioned criteria, and the control and relationship between Kingsport Housing and Redevelopment Authority and the component units, the Authority has determined that the following entities are considered component units of Kingsport Housing and Redevelopment Authority and are required to be blended within the Authority's financial statements:

Greater Kingsport Alliance for Development, Inc. (GKAD) - GKAD is a non-profit corporation chartered under the laws of the State of Tennessee. GKAD was organized for charitable and nonprofit purposes to include such things as acquiring, developing, rehabilitating, construction, and the transfer of property to provide quality housing to low and moderate-income persons. A separate audit report and tax return for March 31, 2023, is available from Kingsport Housing and Redevelopment Authority.

Holston Terrace, Inc. - Holston Terrace, Inc., is a non-profit corporation chartered under the laws of the State of Tennessee. Holston Terrace is a multifamily housing project with direct HUD funding. A separate audit report and tax return for March 31, 2023, is available from Kingsport Housing and Redevelopment Authority.

Fresh Start, Inc. - Fresh Start, Inc., is a non-profit corporation chartered under the laws of the State of Tennessee. Tax return for March 31, 2023, is available from Kingsport Housing and Redevelopment Authority.

The following entities are considered component units of Kingsport Housing and Redevelopment Authority and based on the GASB Statement No. 61 established criteria, and the control and relationship between Kingsport Housing and Redevelopment Authority and the component units, the Authority has determined these component units are required to be discretely presented on the Authority's financial statements. The entities all reporting on a different year end then Kingsport Housing and Redevelopment Authority all discretely presented component units are reporting on the year end of December 31, 2022.

Myrtle Street Redevelopment, L.L.C. - Myrtle Street Redevelopment, L.L.C., is a limited liability corporation that qualifies for federal low-income housing tax credits and is organized for the purpose of engaging in the business of low-income housing, and in such other related business as agreed upon by the stakeholders. (Report issued under separate cover. It may be obtained at Kingsport Housing and Redevelopment Authority). The corporation operates a 381-unit facility. Financial information for the year ended December 31, 2022, is discretely presented in this report.

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

Riverview Place, L.P. - Riverview Place, L.P., is a limited partnership established for the purpose of acquiring, mortgaging, owning, developing, constructing, leasing, managing, maintaining, and operating low-income rental housing project (the Project). The Project consist of 38 project-based vouchers that were converted from the Rental Assistance Demonstration to project-based voucher units. (Report issued under separate cover. It may be obtained at Kingsport Housing and Redevelopment Authority). Financial information for the year ended December 31, 2022, is discretely presented in this report.

Myrtle Street Management, LP. - is a limited partnership established for the purpose of managing, maintaining, and operating low-income rental housing projects. No report issued. Financial information for the year ended December 31, 2022, is discretely presented in this report.

The main programs of the Authority are as follows:

Low Rent Public Housing Program - Under the Conventional Public Housing Program, Kingsport Housing and Redevelopment Authority operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides an operating subsidy to enable the Authority to provide the housing at a rent that is based upon 30% of household income.

Public Housing Capital Fund Programs - The primary funding source for the modernization, demolition and redevelopment of public housing is the Capital Fund Programs and Stimulus Grant Fund Programs.

Housing Choice Voucher Program - Designed to aid very low-income families in obtaining decent, safe, and sanitary rental housing. The Authority administers contracts with independent landlords that own property and rent that property to families that have applied for housing assistance through the Authority. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Central Office Cost Center - The Central Office Cost Center (COCC) is a business unit within the Authority that generates revenues from fees income and other business activities. The COCC consist of activities funded through these revenue sources.

Other programs administered by the Authority are designed to give assistance to residents in a manner which encourages independence and upward mobility.

Basic Financial Statements/Funds

All activities of Kingsport Housing and Redevelopment Authority are reported in proprietary fund types. 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. Enterprise funds are 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 secured by the Authority's capital assets and 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.

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

In the Statement of Net Position, equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balance of any notes or other borrowings attributable to those capital assets.
- b) *Restricted net position* - Consists of assets with constraints placed on the use either by external groups, such as grantors or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* - All other assets that do not meet the definition of “restricted” or “net investment in capital assets”.

When both restricted and unrestricted net positions are available for use, generally it is the Authority’s policy to use restricted resources first.

Accrual Basis of Accounting

Basis of accounting refers to the point at which revenues or 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.

Budgetary Data

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 Kingsport Housing and Redevelopment Authority’s contract with HUD. The Authority prepares annual budgets for each program. Prior to the beginning of each budget year, the Authority’s annual budget is approved by its 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.

Cash

The Authority defines cash to include Certificates of Deposit, Money Market funds, 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.

Certificates of Deposits

The authority has two Certificates of Deposits with Citizens Bank that are greater than three months but not greater than one year, therefore they are measured at cost and are reported as a separate line on the financial statements.

Accounts Receivable

Accounts receivable consists of all amounts earned at year end and not yet received. Allowances for uncollectible accounts are based upon historical trends and periodic aging of accounts receivable.

Accounts for which no possibility of collection is anticipated are charged to bad debts expense which is netted against tenant revenues on the Statement of Revenues, Expenses, and Changes in Net Position. The amount of bad debt related to tenant receivables written off for the year ended March 31, 2023, was \$7,225.

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

Restricted Cash

Restricted cash consists of cash set aside by HUD for the Housing Choice Voucher Program, cash that are held in trust, reserves, and escrows, as well as other cash that are restricted for specific purposes.

Security Deposits

Security deposits consist of amounts held in trust with Kingsport Housing and Redevelopment Authority in order for tenants to secure apartment leases.

Compensated Absences

Compensated absences are absences for which employees will be paid i.e., sick leave, vacation, and other approved leaves. The Authority's policy allows employees to accumulate unused sick leave up to 1,040 hours and vacation leave up to 240 hours. Sick leave is not paid upon termination, but only upon illness while employed.

Unearned Revenue

Unearned revenues consist of rental payments made by tenants in advance of their due date, and rental supplements to be paid to owners of private dwellings during the first month of the next fiscal year.

Deferred Inflows/Outflows of Resources

In accordance with GASB, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, Deferred Outflows of Resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Authority has no items that meet this criterion.

Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, Deferred Inflows of Resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Authority has no items that meet this criterion.

Capital Assets

Capital assets purchased or acquired with an original cost of \$5,000 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:

| <u>Category</u> | <u>Useful Life (YR)</u> |
|----------------------------|-------------------------|
| Land improvements | 15 - 30 Years |
| Buildings and improvements | 15 - 30 Years |
| Furniture and equipment | 3 - 7 Years |

Long-Term Debt

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.

Revenues

All Kingsport Housing and Redevelopment 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. Subsidies and grants, which finance current operations, are reported as operating revenues. Subsidies and grants, which finance capital operations, gain/loss on sale of fixed assets, and interest income/expense, are reported as non-operating revenues. Revenues for government-mandated and voluntary exchange transactions, 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.

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

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.

Depreciation

Depreciation expense of \$197,045 has been recognized during the year ended March 31, 2023.

Income Taxes

Kingsport Housing and Redevelopment Authority is not subject to federal or state income taxes.

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.

Interfund Eliminations

All interfund receivables and payables between program and blended component units have been eliminated in the financial statements. As have any inter-program or company revenues and expenses.

Subsequent Events

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through September 28, 2023, (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statement.

Leasing Activities

The Authority is the lessor of dwelling units to eligible residents. The rents under the leases are determined generally by the residents' income as adjusted for eligible deductions regulated by HUD, although the residents may opt for a flat rent. Leases may be cancelled at any time or renewed annually. The Authority may cancel the leases only for a cause. Revenues associated with these leases are recorded in the accompanying financial statements and related schedules within dwelling rent revenue.

Governance

The following table lists the Board Members and their respective terms as of March 31, 2023:

| Name | Position | Term |
|----------------|--------------|-------------------|
| Seth Jervis | Chair | February 28, 2027 |
| Linda Calvert | Vice-Chair | February 28, 2025 |
| Greg Purdue | Commissioner | April 30, 2024 |
| Tony Jennings | Commissioner | February 28, 2028 |
| Ester Rodolphe | Commissioner | March 31, 2026 |

In addition to the above Commissioners, the Administrator of the Authority is Terry Cunningham, who served as the Board Secretary and Executive Director.

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

NOTE 02 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of March 31, 2023, Kingsport Housing and Redevelopment Authority categorized the following breakdown:

| | |
|--|---------------------|
| Unrestricted | |
| Checking and Money Market | \$ 499,446 |
| Subtotal | <u>499,446</u> |
| Restricted | |
| Security deposits - tenants | 19,186 |
| Family Self Sufficiency deposits | 194,038 |
| Housing Assistance Payments | 223,800 |
| Other restricted funds | 369,215 |
| Subtotal | <u>806,239</u> |
| Total Cash and Cash Equivalents | <u>\$ 1,305,685</u> |
| | |
| Certificates of Deposits | \$ 200,000 |
| Total Certificates of Deposits | <u>\$ 200,000</u> |

Deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. The collateral must meet certain requirements and must have a total minimum market value of 105% of the value of the deposits placed in the institutions less the amount protected by federal depository insurance. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's collateral pool. The State of Tennessee Local Government Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

All deposits of the Authority are with financial institutions meeting State and Federal deposit requirements.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rate, the Authority's typically limits its investment portfolio to maturities of 60-days or more. The Authority's policy to limit its exposure to declines in fair value of its investment portfolio is to only invest in HUD allowed investments and to monitor investments. As of March 31, 2023, the Authority was not exposed to interest rate risk since they have minimal investments.

Credit Risk - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. It is the Authority's policy to follow the HUD regulations by only having direct investments and investments through mutual funds to direct obligations, guaranteed obligations, or obligations of the agencies of the United States of America. As of March 31, 2023, the Authority was not exposed to credit risk.

Custodial Credit Risk - For an investment, the custodial credit risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of their investment or collateral securities that are in the possession of an outside party. The Authority does have a deposit policy for custodial credit risk, which requires collateral to be held in the Authority's name by its agent or by the bank's trust department. As of March 31, 2023, none of the Authority's bank balance were exposed to custodial credit risk.

Concentration of Credit Risk - The Authority places no limit on the amount that it may invest in Certificates of Deposit. The Authority has no policy regarding credit risk.

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

NOTE 03 – ACCOUNTS RECEIVABLE

Accounts receivable consisted of the following as of March 31, 2023:

| | |
|---------------------------------|---------------------|
| Tenant receivables | \$ 169,337 |
| Allowance for doubtful accounts | <u>(9,230)</u> |
| Subtotal | 160,107 |
| HUD receivables | - |
| Other receivables | <u>1,694,553</u> |
| Net receivables | <u>\$ 1,854,660</u> |

NOTE 04 – CAPITAL ASSETS

The following is a summary of changes in the net capital assets during the year ended March 31, 2023:

| | Balance at 03/31/22 | Additions | Deletions | Balance at 03/31/23 |
|--------------------------|--------------------------------|-------------------|------------------|--------------------------------|
| <i>Nondepreciable:</i> | | | | |
| Land | \$ 5,508,735 | \$ 286,671 | \$ - | \$ 5,795,406 |
| Construction in process | 20,155 | 120,927 | - | 141,082 |
| Total nondepreciable | <u>5,528,890</u> | <u>407,598</u> | <u>-</u> | <u>5,936,488</u> |
| <i>Depreciable:</i> | | | | |
| Buildings | 4,870,960 | 115,239 | - | 4,986,199 |
| Furniture and equipment | 355,732 | 29,037 | - | 384,769 |
| Total depreciable | <u>5,226,692</u> | <u>144,276</u> | <u>-</u> | <u>5,370,968</u> |
| Accumulated depreciation | <u>(2,675,215)</u> | <u>(197,047)</u> | <u>-</u> | <u>(2,872,262)</u> |
| Net depreciable | <u>2,551,477</u> | <u>(52,771)</u> | <u>-</u> | <u>2,498,706</u> |
| Net capital assets | <u>\$ 8,080,367</u> | <u>\$ 354,827</u> | <u>\$ -</u> | <u>\$ 8,435,194</u> |

Construction in progress is composed of expenditures related to renovation of certain buildings owned by the entity.

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Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

NOTE 05 – RELATED PARTY NOTES RECEIVABLE

The notes receivable consists solely of amounts due from the discretely presented component units to the Authority. As of March 31, 2023, notes receivable was composed of the following:

| Related Party Loans to Discretely Presented Component Units | Totals |
|--|-----------------------------|
| On December 28, 2018, the Authority entered into an agreement with Myrtle Street Redevelopment, L.L.C. (the Maker) for the purchase of various apartment developments known as Tiffany Court, Holly Hills, Dogwood Terrace, Charlemont Apartments and Frank L. Cloud Apartments for \$8,400,000. The note receivable has an annual interest rate of 3.31%. The note receivable is payable on an annual basis out of Net Cash Flow of the Maker. All unpaid principal and interest of the note receivable shall be repaid in full upon December 28, 2058. There is no amounts considered to be current. | \$ 10,017,341 |
| On July 15, 2010, the Authority entered into an agreement with Riverview Place, L.P. To lend \$4,100,099 to the L.P. non-interest bearing loan. The repayment of the loan is based on cash flow of the L.P., with the unpaid principal due in 40 years. There is no amounts considered to be current. | <u>4,100,099</u> |
| Total related party notes receivable | <u><u>\$ 14,117,440</u></u> |

NOTE 06 – OTHER NON-CURRENT LIABILITIES

As of March 31, 2023, other non-current liabilities consisted of the following:

| | Balance at 03/31/22 | Additions | Deletions | Balance at 03/31/23 |
|-------------------------------------|--------------------------------|-------------------|---------------------|--------------------------------|
| Funds held in trust | \$ 153,185 | \$ 128,801 | \$ (87,948) | \$ 194,038 |
| Compensated absences | 40,465 | 88,431 | (61,940) | 66,956 |
| Total other non-current liabilities | <u>\$ 193,650</u> | <u>\$ 217,232</u> | <u>\$ (149,888)</u> | <u>\$ 260,994</u> |

NOTE 07 – DEFERRED COMPENSATION PLAN

The Authority provides pension benefits for all of its full-time employees through the Kingsport Housing Authority Pension Plan (the Plan). The Plan is a single employer defined contribution trust and is administered by the Authority. The Plan was established April 1, 1970, and is authorized and may be amended by the Authority's Board.

In a defined contribution plan, benefits depend solely on amount contributed to the plan, plus investment earnings. Employees are eligible to participate after six-month exclusionary period. The employee is not required to contribute, and the Authority contributes 11.49% of the employee's base salary each month. The Authority's contributions for each employee (and interested allocated to the employee's account) are vest 50% of the first year and increases 10% annually for each year of participation. An employee is fully vested after 5 years of participation. The Authority's total payroll in fiscal year ended March 31, 2023, was \$1,589,795. The Authority's contributions were calculated using the base salary amount of \$1,449,773. Contributions to the plan totaled \$163,039. All required remittances were made by the Authority during the fiscal year.

Other than the above-mentioned pension plans, the Authority does not participate in other Post-Employment Benefits.

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

NOTE 08 – LONG-TERM DEBT

Long-term debt consisted of the following:

| | Balance 3/31/23 |
|--|----------------------------|
| Note payable for a 4-unit apartment complex located at 101 Tennessee Street in Kingsport, TN was acquired in 2016. The direct borrowing has an interest rate of 4.50% fixed and a maturity date of five years. The loan is collateralized by the building. | \$ 80,953 |
| A direct borrowing with Citizens Bank bears interest at 3.85%, and is due in monthly installments of \$4,642, including principal and interest through January 2024. Secured by real property. | 581,237 |
| A direct borrowing with First Trust Bank bears interest at 4.50% and is due in monthly installments of \$823, including principal and interest and maturity of February 2023. Secured by real property. | 90,959 |
| A direct borrowing with Home Trust Bank bears interest at 5.49% and is due in monthly installments of \$447, including principal and interest and maturity of May 2028. Secured by real property. | 68,033 |
| A direct borrowing with Bank of TN bears interest at 5.50% and is due in monthly installments of \$356, including principal and interest and maturity of May 2028. Secured by real property. | 11,145 |
| A direct borrowing with First Community Bank bears interest at 6.25%, is due in monthly installments of \$7,994, including principal and interest and maturity of April 2033. Secured by real property. | 709,496 |
| A direct borrowing with First Tennessee Development District bears interest at 0.00% and is forgiven after an Affordability period of ten years. Secured by real property. | 121,294 |
| Line of credit, a direct borrowing, with New Peoples Bank with a maximum amount of \$1,250,000 the loan comes due in full on March 31, 2021. Secured by real property. | 1,284,783 |
| Line of credit, a direct borrowing, with Bank of Tennessee Bank with a maximum amount of \$1,500,000 the loan comes due in full on March 31, 2021. Secured by real property. | 93,302 |
| | \$ 3,041,202 |

Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

| | | |
|--|----------------|---------------------|
| Beginning balance of financing arrangements, | March 31, 2022 | \$ 2,928,772 |
| New debt acquired | | 1,284,783 |
| Principal payments of financing arrangements | | <u>(1,172,353)</u> |
| | | |
| Ending balance of financing arrangements, | March 31, 2022 | <u>\$ 3,041,202</u> |

Maturities are as follows:

| March 31, | Principal | Interest | Total |
|-----------------------|---------------------|----------------|------------------|
| 2024 | \$ 1,490,368 | \$ 132,500 | \$ 1,622,868 |
| 2025 | 118,196 | 70,741 | 188,937 |
| 2026 | 240,409 | 64,501 | 304,910 |
| 2027 | 126,618 | 58,043 | 184,661 |
| 2028 | 133,544 | 51,148 | 184,692 |
| 2029 - 2033 | 721,850 | 142,871 | 864,721 |
| 2034 - 2038 | 210,217 | 14,266 | 224,483 |
| 2039 - 2043 | - | - | - |
| | <u>3,041,202</u> | <u>534,070</u> | <u>3,575,272</u> |
| Less: current portion | <u>(1,490,368)</u> | | |
| Debt - long-term | <u>\$ 1,550,834</u> | | |

NOTE 09 – NET POSITION

The Authority has net position classified in Note 01. The net positions are made up of the following:

| | |
|--|-----------------------------|
| Capital assets, net of depreciation | \$ 8,435,194 |
| Debt related to capital assets | <u>(3,041,202)</u> |
| Net Investment in Capital Assets | <u>\$ 5,393,992</u> |
| | |
| Restricted cash and Certificates of Deposits | \$ 806,239 |
| Notes receivable from RAD sale | 14,117,440 |
| Security deposit liability | (19,186) |
| FSS escrow liability | <u>(194,038)</u> |
| Restricted Net Position | <u>\$ 14,710,455</u> |

NOTE 10 – ECONOMIC DEPENDENCY AND CONCENTRATIONS

The Housing Choice Voucher Programs are economically dependent on annual contributions and grants from HUD. The programs operate at a loss prior to receiving the contributions and grants. The Authority receives approximately 90% of revenues from HUD.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Legal: The Authority is party to no pending or threatened legal actions arising from the normal course of its operations.

Grants and Contracts: The Authority participates in various federally assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional based upon compliance with terms and conditions of grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from a federal audit may become a liability of the Authority. There were no such liabilities recorded as of March 31, 2023.

NOTE 12 – OTHER RELATED PARTY TRANSACTIONS

During the year Kingsport Housing and Redevelopment Authority earned fees in accordance with operating agreements, for services performed on behalf of its discrete component units. These services included management, administration, bookkeeping, and asset management. The total fees earned by the Authority for the year ended March 31, 2023, amounted to \$268,721.

The Authority also has related party notes receivable discussed in detail in Note 05.

NOTE 13 – CONDUIT DEBT

The Authority has entered into an agreement with the City of Kingsport, Tennessee (the City) and Sullivan County, Tennessee (the County) to implement a redevelopment plan on their behalf. In connection with the redevelopment plan, the Authority has issued tax increment revenue bonds to facilitate the development of certain real estate properties deemed to be in the best interest of the general public. These bonds are special limited obligations of the Authority, payable solely from the property taxes generated from these developments. The bonds do not constitute a debt or pledge of the faith and credit of the Authority, City, or County, and accordingly have not been reported in the accompanying financial statements.

NOTE 14 – 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 disaster for which the Authority insures itself against loss by 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 reductions in coverage from the prior year and settlement have not exceeded coverage in the past three years.

The Authority participates in the public entity risk pool managed by the Tennessee Housing Authority Risk Management Trust (THARMT) 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 THARMT. THARMT 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 Tennessee Municipal League Risk Management Pool (TML) 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 TML. TML administers the pooled resources to provide risk of loss protection for each participating municipality by purchasing commercial excess insurance.

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Kingsport Housing and Redevelopment Authority

Notes to Financial Statements
For the Year Ended March 31, 2023

NOTE 15 - CONDENSED FINANCIAL STATEMENTS

As required by GASB the condensed financial statements with elimination, for additional information see the detail supplementary information schedules.

| | Housing Authority | Total Blended Component Units | Eliminations | Primary Government Totals |
|--|----------------------|-------------------------------------|------------------|---------------------------------|
| <u>Condensed Statement of Net Position</u> | | | | |
| Current assets | \$ 4,069,519 | \$ 351,767 | \$ (982,048) | \$ 3,439,238 |
| Capital assets | 4,312,276 | 4,122,918 | - | 8,435,194 |
| Other assets | 14,117,440 | 6,414 | - | 14,123,854 |
| Total Assets | 22,499,235 | 4,481,099 | (982,048) | 25,998,286 |
| Deferred outflow of resources | - | - | - | - |
| Current liabilities | 356,110 | 2,342,247 | (982,048) | 1,716,309 |
| Noncurrent liabilities | 331,917 | 1,479,911 | - | 1,811,828 |
| Total Liabilities | 688,027 | 3,822,158 | (982,048) | 3,528,137 |
| Deferred inflow of resources | - | - | - | - |
| Net investment in capital assets | 4,231,323 | 1,162,669 | - | 5,393,992 |
| Restricted net position | 14,585,033 | 125,422 | - | 14,710,455 |
| Unrestricted net position | 2,994,852 | (629,150) | - | 2,365,702 |
| Net Position | \$ 21,811,208 | \$ 658,941 | \$ - | \$ 22,470,149 |
| <u>Condensed Statement of Revenues, Expenses and Change in Net Position</u> | | | | |
| Operating revenues | \$ 12,391,472 | \$ 834,905 | \$ (637,058) | \$ 12,589,319 |
| Depreciation expense | (44,732) | (152,313) | - | (197,045) |
| Other operating expenses | (11,883,234) | (1,051,604) | 637,058 | (12,297,780) |
| Operating Income (Loss) | 463,506 | (369,012) | - | 94,494 |
| Nonoperating revenues | 368,318 | 386 | - | 368,704 |
| Nonoperating expenses | (10,708) | (151,067) | - | (161,775) |
| Nonoperating Revenue (Expense) | 357,610 | (150,681) | - | 206,929 |
| Income (Loss) Before Transfers and Capital Contributions | 821,116 | (519,693) | - | 301,423 |
| Transfers | (441,168) | 441,168 | - | - |
| Capital contributions | - | - | - | - |
| Change in Net Position | 379,948 | (78,525) | - | 301,423 |
| Net position, beginning of year | 21,431,260 | 737,466 | - | 22,168,726 |
| Prior Period Adjustment | - | - | - | - |
| Net position, end of year | \$ 21,811,208 | \$ 658,941 | \$ - | \$ 22,470,149 |
| <u>Condensed Statement of Cash Flows</u> | | | | |
| Net cash flows provided/(used) by operating activities | \$ (1,178,322) | \$ (50,639) | \$ - | \$ (1,228,961) |
| Net cash flows provided/(used) by capital and related financing activities | (513,432) | (87,127) | - | (600,559) |
| Net cash flows provided/(used) by investing activities | 149,770 | 386 | - | 150,156 |
| Net increase/(decrease) in cash and cash equivalents | (1,541,984) | (137,380) | - | (1,679,364) |
| Cash, beginning of year | 2,651,389 | 333,660 | - | 2,985,049 |
| Cash, end of year | \$ 1,109,405 | \$ 196,280 | \$ - | \$ 1,305,685 |

Kingsport Housing and Redevelopment Authority

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2023

| | <u>Assistance Listing Number(s)</u> | <u>Award Type</u> | <u>Expenditures</u> |
|---|---|-----------------------|----------------------|
| <u>U.S. Department of HUD</u> | | | |
| Housing Choice Vouchers | 14.871 | Direct | \$ 8,523,014 |
| Total Housing Voucher Center Cluster | | | 8,523,014 |
| Housing Opportunities of Persons with AIDS | 14.241 | Direct | 353,575 |
| Public Housing Capital Fund Program | 14.872 | Direct | 231,166 |
| Emergency Shelter Grants Program | 14.231 | Direct | 494,792 |
| Continuum of Care Program | 14.267 | Direct | 625,092 |
| PIH Family Self-Sufficiency Program | 14.896 | Direct | 85,266 |
| Totals U.S. Department of HUD | | | 10,312,905 |
| Total Expenditures of Federal Awards | | | \$ 10,312,905 |
| <u>Award Type</u> | | | |
| Direct | | | \$ 10,312,905 |
| Indirect | | | - |
| | | | <u>\$ 10,312,905</u> |

NOTE 1: SCOPE OF PRESENTATION

The accompanying schedule presents the expenditures incurred (and related awards received) by the Kingsport Housing and Redevelopment Authority (the Authority) that are reimbursable under federal programs of federal agencies providing financial assistance awards. For the purpose of this schedule, only the portion of the program expenditures reimbursable with such federal funds is reported in the accompanying schedule. Program expenditures in excess of the maximum federal reimbursement authorized or the portion of the program expenditures that were funded with local or other nonfederal funds are excluded from the accompanying schedule. This schedule also only includes the amounts expended by the Authority, none of the amount expended, if any, by the blend or discretely present component units have been included.

NOTE 2: BASIS OF ACCOUNTING

The expenditures included in the accompanying schedule were reported on the accrual basis of accounting. Expenditures are recognized in the accounting period in which the related liability is incurred. Expenditures reported included any property or equipment acquisitions incurred under the federal program. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 3: 10% DE MINIMIS INDIRECT COST RATE

The Authority has not elected to use the 10% de minimis indirect cost rate as allowed in the Uniform Guidance, section 414.

Kingsport Housing and Redevelopment Authority

Statement and Certification of Actual Costs

March 31, 2023

1. The Actual Costs of the Authority was as follows:

| Grant | Funds Approved | Funds Disbursed | Funds Expended | Balance Unspent |
|-----------------------|-----------------------|------------------------|-----------------------|------------------------|
| <i>TN43P007501-20</i> | \$ 649,838 | \$ 548,403 | \$ 548,403 | \$ 101,435 |
| <i>TN43P007501-21</i> | \$ 684,337 | \$ 205,300 | \$ 205,300 | \$ 479,037 |

2. The distribution of costs as shown on the Financial Statement of Costs accompanying the Actual Cost Certificate submitted to HUD for approval, is in agreement with the Authority's records.
3. For the above completed grants, all costs have been paid and all related liabilities have been discharged through payment.

Kingsport Housing and Redevelopment Authority

Combining Statement of Net Position - Business Activities

March 31, 2023

| | Blended Component Units | | | | | Primary Government Total |
|---------------------------------------|-------------------------|-----------------|------------------|-------------------|------------------|--------------------------------|
| | Housing Authority | Holston Terrace | GKAD | Fresh Start, Inc. | Eliminations | |
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and cash equivalents | | | | | | |
| Unrestricted | \$ 447,774 | \$ 5,448 | \$ (8,749) | \$ 54,973 | \$ - | \$ 499,446 |
| Restricted | 661,631 | 126,417 | 18,191 | - | - | 806,239 |
| Subtotal | 1,109,405 | 131,865 | 9,442 | 54,973 | - | 1,305,685 |
| Certificates of Deposit | 200,000 | - | - | - | - | 200,000 |
| Accounts receivable, net | 1,699,173 | 79,540 | 75,947 | - | - | 1,854,660 |
| Prepaid expenses | 78,893 | - | - | - | - | 78,893 |
| Notes and lease receivable current | - | - | - | - | - | - |
| Interfund due from | 982,048 | - | - | - | (982,048) | - |
| Total Current Assets | 4,069,519 | 211,405 | 85,389 | 54,973 | (982,048) | 3,439,238 |
| Non-Current Assets | | | | | | |
| Notes and leases receivable | 14,117,440 | - | - | - | - | 14,117,440 |
| Intangibles, net | - | 6,414 | - | - | - | 6,414 |
| Capital assets, net | 4,312,276 | 355,117 | 3,767,801 | - | - | 8,435,194 |
| Total Non-Current Assets | 18,429,716 | 361,531 | 3,767,801 | - | - | 22,559,048 |
| TOTAL ASSETS | 22,499,235 | 572,936 | 3,853,190 | 54,973 | (982,048) | 25,998,286 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - | - | - |

Kingsport Housing and Redevelopment Authority

Combining Statement of Net Position - Business Activities

March 31, 2023

| | Blended Component Units | | | | | Primary Government Total |
|--------------------------------------|-------------------------|---------------------|---------------------|-------------------|------------------|--------------------------------|
| | Housing Authority | Holston Terrace | GKAD | Fresh Start, Inc. | Eliminations | |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | 34,873 | 18,050 | 58,161 | - | - | 111,084 |
| Accrued liabilities | 22,527 | 1,041 | 2,638 | - | - | 26,206 |
| Deposits held in trust | - | 12,052 | 7,134 | - | - | 19,186 |
| Compensated absences current | 21,884 | 408 | - | - | - | 22,292 |
| Unearned revenue | 786 | 2,941 | 14,497 | - | - | 18,224 |
| Other liabilities current | 6,347 | - | 22,602 | - | - | 28,949 |
| Debt and leases payable current | 8,398 | 52,534 | 1,429,436 | - | - | 1,490,368 |
| Interfund due to | 261,295 | 247,856 | 472,897 | - | (982,048) | - |
| Total Current Liabilities | 356,110 | 334,882 | 2,007,365 | - | (982,048) | 1,716,309 |
| Non-Current Liabilities | | | | | | |
| Compensated absences | 65,324 | 1,632 | - | - | - | 66,956 |
| Funds held in trust | 194,038 | - | - | - | - | 194,038 |
| Debt and leases payable | 72,555 | 656,962 | 821,317 | - | - | 1,550,834 |
| Total Non-Current Liabilities | 331,917 | 658,594 | 821,317 | - | - | 1,811,828 |
| TOTAL LIABILITIES | 688,027 | 993,476 | 2,828,682 | - | (982,048) | 3,528,137 |
| DEFERRED INFLOWS OF RESOURCES | - | - | - | - | - | - |
| Net Position | | | | | | |
| Net investment in capital assets | 4,231,323 | (354,379) | 1,517,048 | - | - | 5,393,992 |
| Restricted | 14,585,033 | 114,365 | 11,057 | - | - | 14,710,455 |
| Unrestricted | 2,994,852 | (180,526) | (503,597) | 54,973 | - | 2,365,702 |
| TOTAL NET POSITION | \$ 21,811,208 | \$ (420,540) | \$ 1,024,508 | \$ 54,973 | \$ - | \$ 22,470,149 |

Kingsport Housing and Redevelopment Authority

Combining Statement of Revenues, Expenses, and Changes in Net Position - Business Activities

For the Year Ended March 31, 2023

| | Blended Component Units | | | | | Primary Government Total |
|---|-------------------------|---------------------|---------------------|----------------------|------------------|--------------------------------|
| | Housing Authority | Holston Terrace | GKAD | Fresh Start, Inc. | Eliminations | |
| <u>Operating Revenues</u> | | | | | | |
| Rental revenues, net | \$ - | \$ 167,238 | \$ 184,262 | \$ - | \$ - | \$ 351,500 |
| Government grants | 10,449,361 | 147,399 | 137,787 | - | - | 10,734,547 |
| Other income | 1,942,111 | 2,160 | 137,557 | 58,502 | (637,058) | 1,503,272 |
| Total Operating Revenues | 12,391,472 | 316,797 | 459,606 | 58,502 | (637,058) | 12,589,319 |
| <u>Operating Expenses</u> | | | | | | |
| Administration | 2,314,515 | 75,216 | 193,855 | 74 | (637,058) | 1,946,602 |
| Tenant services | 69,569 | - | 306,813 | - | - | 376,382 |
| Utilities | 47,889 | 75,031 | 39,674 | - | - | 162,594 |
| Maintenance and operations | 357,031 | 103,013 | 244,969 | - | - | 705,013 |
| Protective services | - | - | - | - | - | - |
| Insurance expense | 111,259 | 2,754 | 1,627 | - | - | 115,640 |
| General expense | 629,657 | 7,225 | 1,353 | - | - | 638,235 |
| Housing Assistance Payments | 8,353,314 | - | - | - | - | 8,353,314 |
| Depreciation and amortization | 44,732 | 49,567 | 102,746 | - | - | 197,045 |
| Total Operating Expenses | 11,927,966 | 312,806 | 891,037 | 74 | (637,058) | 12,494,825 |
| OPERATING INCOME (LOSS) | 463,506 | 3,991 | (431,431) | 58,428 | - | 94,494 |
| <u>Non-Operating Revenues (Expenses)</u> | | | | | | |
| Interest income | 368,318 | 377 | 9 | - | - | 368,704 |
| Interest expense | (10,708) | (49,367) | (101,700) | - | - | (161,775) |
| Total Non-Operating Revenues (Expenses) | 357,610 | (48,990) | (101,691) | - | - | 206,929 |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | 821,116 | (44,999) | (533,122) | 58,428 | - | 301,423 |
| <u>Capital Contributions and Transfers</u> | | | | | | |
| Capital contributions | - | - | - | - | - | - |
| Transfers | (441,168) | - | 441,168 | - | - | - |
| Total Capital Contributions and Transfers | (441,168) | - | 441,168 | - | - | - |
| CHANGE IN NET POSITION | 379,948 | (44,999) | (91,954) | 58,428 | - | 301,423 |
| BEGINNING NET POSITION | 21,431,260 | (375,541) | 1,116,462 | (3,455) | - | 22,168,726 |
| Prior Period Adjustment | - | - | - | - | - | - |
| ENDING NET POSITION | \$ 21,811,208 | \$ (420,540) | \$ 1,024,508 | \$ 54,973 | \$ - | \$ 22,470,149 |

See Auditors' report on supplementary information

Kingsport Housing and Redevelopment Authority

Combining Statement of Cash Flows - Business Activities

For the Year Ended March 31, 2023

| | <u>Blended Component Units</u> | | | | | Primary Government Total |
|--|--------------------------------|----------------------------|------------------|--------------------------|---------------------|---|
| | Housing Authority | Holston Terrace | GKAD | Fresh Start, Inc. | Eliminations | |
| <u>CASH FLOWS FROM OPERATING ACTIVITIES</u> | | | | | | |
| Receipts from tenants and users | \$ (20,001) | \$ 109,798 | \$ 263,289 | \$ 48 | \$ - | \$ 353,134 |
| Receipts from operating grants | 10,790,702 | 147,399 | 137,787 | - | - | 11,075,888 |
| Payments for goods and services | (2,290,119) | (180,173) | (454,907) | (74) | - | (2,925,273) |
| Payments for Housing Assistance Payments | (8,391,741) | - | - | - | - | (8,391,741) |
| Payments to employees for services | (1,267,163) | - | (73,806) | - | - | (1,340,969) |
| NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES | (1,178,322) | 77,024 | (127,637) | (26) | - | (1,228,961) |
| <u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u> | | | | | | |
| Capital asset purchases | - | (21,741) | (1,550,696) | - | - | (1,572,437) |
| Payments on leases and loans | (72,264) | (103,263) | (137,378) | - | - | (312,905) |
| Proceeds from loans | - | - | 1,284,783 | - | - | 1,284,783 |
| Capital contributions and transfers | (441,168) | - | 441,168 | - | - | - |
| NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | (513,432) | (125,004) | 37,877 | - | - | (600,559) |
| <u>CASH FLOWS FROM INVESTING ACTIVITIES</u> | | | | | | |
| Proceeds from investment activities | 368,318 | 377 | 9 | - | - | 368,704 |
| Transfers | (218,548) | - | - | - | - | (218,548) |
| (Purchase) or redemption of CD | - | - | - | - | - | - |
| NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES | 149,770 | 377 | 9 | - | - | 150,156 |
| NET INCREASE (DECREASE) IN CASH | (1,541,984) | (47,603) | (89,751) | (26) | - | (1,679,364) |
| BEGINNING CASH | 2,651,389 | 179,468 | 99,193 | 54,999 | - | 2,985,049 |
| ENDING CASH | \$ 1,109,405 | \$ 131,865 | \$ 9,442 | \$ 54,973 | \$ - | \$ 1,305,685 |

Kingsport Housing and Redevelopment Authority

Combining Statement of Cash Flows - Business Activities

For the Year Ended March 31, 2023

| | <u>Blended Component Units</u> | | | | | Primary Government Total |
|---|--------------------------------|----------------------------|---------------------|--------------------------|---------------------|---|
| | Housing Authority | Holston Terrace | GKAD | Fresh Start, Inc. | Eliminations | |
| <u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</u> | | | | | | |
| Operating income (loss) | \$ 463,506 | \$ 3,991 | \$ (431,431) | \$ 58,428 | \$ - | \$ 94,494 |
| Non-Cash Adjustments: | | | | | | |
| Depreciation | 44,732 | 50,225 | 102,746 | - | - | 197,703 |
| Change in Asset and Liabilities | | | | | | |
| (Increase) decrease in accounts receivable | (1,680,011) | (61,849) | (69,021) | - | - | (1,810,881) |
| (Increase) decrease in inventory and prepaid | 13,938 | - | - | - | - | 13,938 |
| Increase (decrease) in accounts payable | (56,148) | 83,957 | 268,840 | - | - | 296,649 |
| Increase (decrease) in accrued liabilities | (23,579) | (2,442) | (10,262) | - | - | (36,283) |
| Increase (decrease) in unearned revenue | 786 | - | - | - | - | 786 |
| Increase (decrease) in deposits held in trust | - | 3,142 | 11,491 | - | - | 14,633 |
| Net interfunds | 58,454 | - | - | (58,454) | - | - |
| Total Adjustments | (1,641,828) | 73,033 | 303,794 | (58,454) | - | (1,323,455) |
| Net Cash Provided (Used) by Operating Activities | \$ (1,178,322) | \$ 77,024 | \$ (127,637) | \$ (26) | \$ - | \$ (1,228,961) |

Kingsport Housing and Redevelopment Authority
Combining Statement of Net Position - Discretely Presented Component Unit
March 31, 2023

| ASSETS | Riverview Place, L.P. | Myrtle St. Management L.L.C. | Myrtle St. Redevelopment L.L.C. | DPCU Total |
|---------------------------------------|----------------------------------|---|--|-------------------|
| Current Assets | | | | |
| Cash and cash equivalents | | | | |
| Unrestricted | \$ 85 | \$ 591,555 | \$ 112 | \$ 591,752 |
| Restricted | 205,549 | 3,945,375 | - | 4,150,924 |
| Subtotal | 205,634 | 4,536,930 | 112 | 4,742,676 |
| Certificates of Deposit | - | - | - | - |
| Accounts receivable, net | 102,399 | 442,098 | - | 544,497 |
| Prepaid expenses | - | - | - | - |
| Notes and lease receivable current | - | - | - | - |
| Interfund due from | - | - | - | - |
| Total Current Assets | 308,033 | 4,979,028 | 112 | 5,287,173 |
| Non-Current Assets | | | | |
| Notes and leases receivable | - | - | - | - |
| Intangibles, net | (40,398) | 274,703 | - | 234,305 |
| Capital assets, net | 6,064,466 | 38,472,503 | - | 44,536,969 |
| Total Non-Current Assets | 6,024,068 | 38,747,206 | - | 44,771,274 |
| TOTAL ASSETS | 6,332,101 | 43,726,234 | 112 | 50,058,447 |
| DEFERRED OUTFLOWS OF RESOURCES | - | - | - | - |

Kingsport Housing and Redevelopment Authority

Combining Statement of Net Position - Discretely Presented Component Unit

March 31, 2023

| | Riverview Place, L.P. | Myrtle St. Management L.L.C. | Myrtle St. Redevelopment L.L.C. | DPCU Total |
|--------------------------------------|--------------------------|------------------------------------|---------------------------------------|---------------------|
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Accounts payable | 296,989 | 624,701 | 2,793 | 924,483 |
| Accrued liabilities | 573 | 1,418,970 | - | 1,419,543 |
| Deposits held in trust | 7,381 | 83,349 | - | 90,730 |
| Compensated absences current | - | - | - | - |
| Unearned revenue | 3,511 | 24,603 | - | 28,114 |
| Other liabilities current | - | - | - | - |
| Debt and leases payable current | - | 171,070 | - | 171,070 |
| Interfund due to | - | - | - | - |
| Total Current Liabilities | 308,454 | 2,322,693 | 2,793 | 2,633,940 |
| Non-Current Liabilities | | | | |
| Compensated absences | - | - | - | - |
| Funds held in trust | - | - | - | - |
| Debt and leases payable | 4,100,098 | 33,755,943 | - | 37,856,041 |
| Total Non-Current Liabilities | 4,100,098 | 33,755,943 | - | 37,856,041 |
| TOTAL LIABILITIES | 4,408,552 | 36,078,636 | 2,793 | 40,489,981 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| | - | - | - | - |
| Net Position | | | | |
| Net investment in capital assets | 1,964,368 | 4,716,560 | - | 6,680,928 |
| Restricted | 198,168 | 3,862,026 | - | 4,060,194 |
| Unrestricted | (238,987) | (930,988) | (2,681) | (1,172,656) |
| TOTAL NET POSITION | \$ 1,923,549 | \$ 7,647,598 | \$ (2,681) | \$ 9,568,466 |

Kingsport Housing and Redevelopment Authority
Combining Statement of Revenues, Expenses, and Changes in Net Position - Discretely Present Component Unit
For the Year Ended March 31, 2023

| | Riverview Place, L.P. | Myrtle St. Management L.L.C. | Myrtle St. Redevelopment L.L.C. | DPCU Total |
|---|--------------------------|------------------------------------|---------------------------------------|---------------------|
| <u>Operating Revenues</u> | | | | |
| Rental revenues, net | \$ 313,218 | \$ 3,604,940 | \$ - | \$ 3,918,158 |
| Government grants | - | - | - | - |
| Other income | 8,249 | - | - | 8,249 |
| Total Operating Revenues | 321,467 | 3,604,940 | - | 3,926,407 |
| <u>Operating Expenses</u> | | | | |
| Administration | 71,648 | 1,055,501 | 479 | 1,127,628 |
| Tenant services | - | - | - | - |
| Utilities | 124,529 | 731,048 | - | 855,577 |
| Maintenance and operations | 122,358 | 741,432 | - | 863,790 |
| Protective services | - | - | - | - |
| Insurance expense | 22,240 | 191,438 | - | 213,678 |
| General expense | 75,155 | 19,622 | - | 94,777 |
| Housing Assistance Payments | 4,203 | - | - | 4,203 |
| Depreciation and amortization | 135,828 | 1,289,122 | - | 1,424,950 |
| Total Operating Expenses | 555,961 | 4,028,163 | 479 | 4,584,603 |
| OPERATING INCOME (LOSS) | (234,494) | (423,223) | (479) | (658,196) |
| <u>Non-Operating Revenues (Expenses)</u> | | | | |
| Interest income | 106 | 11,113 | 128 | 11,347 |
| Interest expense | - | (1,323,969) | - | (1,323,969) |
| Total Non-Operating Revenues (Expenses) | 106 | (1,312,856) | 128 | (1,312,622) |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS | (234,388) | (1,736,079) | (351) | (1,970,818) |
| <u>Capital Contributions and Transfers</u> | | | | |
| Capital contributions | - | 832,369 | - | 832,369 |
| Transfers | - | - | - | - |
| Total Capital Contributions and Transfers | - | 832,369 | - | 832,369 |
| CHANGE IN NET POSITION | (234,388) | (903,710) | (351) | (1,138,449) |
| BEGINNING NET POSITION | 1,904,110 | 8,551,308 | (2,330) | 10,453,088 |
| Prior Period Adjustment | 253,827 | - | - | 253,827 |
| ENDING NET POSITION | \$ 1,923,549 | \$ 7,647,598 | \$ (2,681) | \$ 9,568,466 |

- t: (615) 309-8959
- f: (909) 825-9900
- 4068 rural plains circle #180
- franklin, tn 37064



Board of Commissioners
Kingsport Housing and Redevelopment Authority
Kingsport, TN

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*

Independent Auditor's Report

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and aggregate discretely presented component units of the Kingsport Housing and Redevelopment Authority (the Authority) as of and for the year ended March 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 28, 2023. Our report includes a reference to other auditors who audited the financial statement of the discretely presented component units, as described in our report on Kingsport Housing and Redevelopment Authority's financial statements. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*.

Report on Internal Control over Financial Reporting

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

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

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



Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kingsport Housing and Redevelopment Authority'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and question cost as **Finding 2023-001**.

Kingsport Housing and Redevelopment Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Kingsport Housing and Redevelopment Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned. Kingsport Housing and Redevelopment Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 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.

September 28, 2023

- t: (615) 309-8959
- f: (909) 825-9900
- 4068 rural plains circle #180
- franklin, tn 37064



Board of Supervisors
Kingsport Housing and Redevelopment Authority
Kingsport, TN

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Report on Compliance for Each Major Federal Program

Opinion of Each Major Federal Program

We have audited Kingsport Housing and Redevelopment Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Kingsport Housing and Redevelopment Authority's major federal programs for the year ended March 31, 2023. Kingsport Housing and Redevelopment Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Kingsport Housing and Redevelopment Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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



Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Kingsport Housing and Redevelopment Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Kingsport Housing and Redevelopment Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Kingsport Housing and Redevelopment Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control over Compliance

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



Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

September 28, 2023

Kingsport Housing and Redevelopment Authority

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2023

Section I Summary of Auditors' Results

Financial Statements

Type of auditors' report issued

Internal controls over financial reporting:

 Material weakness(es) identified

 Significant deficiency(ies) identified

Noncompliance material to financial statements noted

Federal Awards

Internal control over major federal programs

 Material weakness(es) identified

 Significant deficiency(ies) identified

Type of auditors' report issued on compliance for major federal programs

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)

Identification of major federal programs:

| ALN(s) | Name of Federal Program or Cluster |
|---------------|---|
| 14.871 | Housing Choice Vouchers |

Dollar threshold used to distinguish between type A and type B programs:

Auditee qualified as a low-risk auditee

Section II Financial Statement Findings

2023-001 HUD Field Office Compliance Report Compliance

Criteria: In accordance with Government Auditing Standards (GAS) finding from other government audits must be report in the auditors' report when the audit is conducted under GAS.

Condition: Nashville, TN field office performed an onsite monitoring on May 15, 2023, and noted non-compliance with HUD policies and procedures resulting in a compliance report from the field office.

Context: HUD field office reviewed all internal policies, procurement process, financial policies, administrative plan and HCV program activity.

Cause: Most policy noncompliance was due to outdated policies not update for new HUD guidance.

Effect: Housing Authority must complete a Corrective Action Plan and submit the plan to the field office.

Recommendations: We recommend the Housing Authority complete the CAP and submit the CAP to the field office.

Management Views: Management agrees.

Section III Federal Awards Findings

No findings to reported under 2CFR200 Section 516(a) of the Uniform Guidance

Kingsport Housing and Redevelopment Authority
Summary Schedule of Prior Year Findings and Questioned Costs
For the Year Ended March 31, 2023

Financial Statement Findings

| Prior Year Findings Number | Findings Title | Status / Current Year Finding Number |
|-----------------------------------|---------------------------------------|---|
| N/A | There were no prior findings reported | N/A |

Federal Award Findings and Questioned Costs

| Prior Year Findings Number | Findings Title | Status / Current Year Finding Number |
|-----------------------------------|------------------------------------|---|
| 2022-001 | REAC Unaudited Submission Deadline | Resolved |

MANAGEMENT'S CORRECTIVE ACTION PLAN

Finding 2023-001 – HUD Field Office Compliance Report

Corrective Action Plan:

The Housing Authority has already begun improvements based on the CAP from the HUD Field Office review. At the time of completion of this audit the CAP has already been sent back to our HUD Field Office Representative.

Person Responsible:

Bytha Kilgore, Director of Finance
(423) 378-2936

Anticipated Completion Date:

June 15, 2024

Bytha Kilgore
Director of Finance



**Certification by State or Local
Official of PHA Plans Consistency
with the Consolidated Plan or
State Consolidated Plan
(All PHAs)**

U. S Department of Housing and Urban Development

Office of Public and Indian Housing

OMB No. 2577-0226

Expires 3/31/2024

**Certification by State or Local Official of PHA Plans
Consistency with the Consolidated Plan or State Consolidated Plan**

I, Patrick W. Shull, the Mayor of Kingsport
Official's Name *Official's Title*

certify that the 5-Year PHA Plan for fiscal years 2021-2025 and/or Annual PHA Plan for fiscal year 2024-2025 of the Kingsport Housing & Redevelopment Authority is consistent with the
PHA Name

Consolidated Plan or State Consolidated Plan including the Analysis of Impediments (AI) to Fair Housing Choice or Assessment of Fair Housing (AFH) as applicable to the

City of Kingsport

Local Jurisdiction Name

pursuant to 24 CFR Part 91 and 24 CFR § 903.15.

Provide a description of how the PHA Plan's contents are consistent with the Consolidated Plan or State Consolidated Plan.

The State of Tennessee Consolidated Plan key goals provide for the development of decent housing, the development of suitable living environments, the expansion of economic opportunities, and the improvement of the effectiveness of programs. This is consistent with KHRA's mission to transform and empower our communities and help Tennesseans build communities of opportunity.

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Name of Authorized Official:

Patrick W. Shull

Title:

Mayor of Kingsport

Signature:

Date:

The United States Department of Housing and Urban Development is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Responses to the collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality. This information is collected to ensure consistency with the consolidated plan or state consolidated plan.

Public reporting burden for this information collection is estimated to average 0.16 hours per year per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

**Certifications of Compliance with
PHA Plan and Related Regulations
(Standard, Troubled, HCV-Only, and
High Performer PHAs)**

U.S. Department of Housing and Urban Development
Office of Public and Indian Housing
OMB No. 2577-0226
Expires 3/31/2024

**PHA Certifications of Compliance with PHA Plan, Civil Rights, and Related Laws and Regulations
including PHA Plan Elements that Have Changed**

Acting on behalf of the Board of Commissioners of the Public Housing Agency (PHA) listed below, as its Chairperson or other authorized PHA official if there is no Board of Commissioners, I approve the submission of the ___ 5-Year and/or Annual PHA Plan, hereinafter referred to as "the Plan", of which this document is a part, and make the following certification and agreements with the Department of Housing and Urban Development (HUD) for the PHA fiscal year beginning 4/1/2024, in connection with the submission of the Plan and implementation thereof:

1. The Plan is consistent with the applicable comprehensive housing affordability strategy (or any plan incorporating such strategy) for the jurisdiction in which the PHA is located (24 CFR § 91.2).
2. The Plan contains a certification by the appropriate State or local officials that the Plan is consistent with the applicable Consolidated Plan, which includes a certification that requires the preparation of an Analysis of Impediments (AI) to Fair Housing Choice, or Assessment of Fair Housing (AFH) when applicable, for the PHA's jurisdiction and a description of the manner in which the PHA Plan is consistent with the applicable Consolidated Plan (24 CFR §§ 91.2, 91.225, 91.325, and 91.425).
3. The PHA has established a Resident Advisory Board or Boards, the membership of which represents the residents assisted by the PHA, consulted with this Resident Advisory Board or Boards in developing the Plan, including any changes or revisions to the policies and programs identified in the Plan before they were implemented, and considered the recommendations of the RAB (24 CFR 903.13). The PHA has included in the Plan submission a copy of the recommendations made by the Resident Advisory Board or Boards and a description of the manner in which the Plan addresses these recommendations.
4. The PHA provides assurance as part of this certification that:
 - (i) The Resident Advisory Board had an opportunity to review and comment on the changes to the policies and programs before implementation by the PHA;
 - (ii) The changes were duly approved by the PHA Board of Directors (or similar governing body); and
 - (iii) The revised policies and programs are available for review and inspection, at the principal office of the PHA during normal business hours.
5. The PHA made the proposed Plan and all information relevant to the public hearing available for public inspection at least 45 days before the hearing, published a notice that a hearing would be held and conducted a hearing to discuss the Plan and invited public comment.
6. The PHA certifies that it will carry out the public housing program of the agency in conformity with title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d-2000d—4), the Fair Housing Act (42 U.S.C. 3601-19), Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794), title II of the Americans with Disabilities Act (42 U.S.C. 12101 et seq.), and other applicable civil rights requirements and that it will affirmatively further fair housing in the administration of the program. In addition, if it administers a Housing Choice Voucher Program, the PHA certifies that it will administer the program in conformity with the Fair Housing Act, title VI of the Civil Rights Act of 1964, Section 504 of the Rehabilitation Act of 1973, title II of the Americans with Disabilities Act, and other applicable civil rights requirements, and that it will affirmatively further fair housing in the administration of the program.
7. The PHA will affirmatively further fair housing, which means that it will take meaningful actions to further the goals identified in the Assessment of Fair Housing (AFH) conducted in accordance with the requirements of 24 CFR § 5.150 through 5.180, that it will take no action that is materially inconsistent with its obligation to affirmatively further fair housing, and that it will address fair housing issues and contributing factors in its programs, in accordance with 24 CFR § 903.7(o)(3). The PHA will fulfill the requirements at 24 CFR § 903.7(o) and 24 CFR § 903.15(d). Until such time as the PHA is required to submit an AFH, the PHA will fulfill the requirements at 24 CFR § 903.7(o) promulgated prior to August 17, 2015, which means that it examines its programs or proposed programs; identifies any impediments to fair housing choice within those programs; addresses those impediments in a reasonable fashion in view of the resources available; works with local jurisdictions to implement any of the jurisdiction's initiatives to affirmatively further fair housing that require the PHA's involvement; and maintains records reflecting these analyses and actions.
8. For PHA Plans that include a policy for site-based waiting lists:
 - The PHA regularly submits required data to HUD's 50058 PIC/IMS Module in an accurate, complete and timely manner (as specified in PIH Notice 2011-65);

- The system of site-based waiting lists provides for full disclosure to each applicant in the selection of the development in which to reside, including basic information about available sites; and an estimate of the period of time the applicant would likely have to wait to be admitted to units of different sizes and types at each site;
 - Adoption of a site-based waiting list would not violate any court order or settlement agreement or be inconsistent with a pending complaint brought by HUD;
 - The PHA shall take reasonable measures to assure that such a waiting list is consistent with affirmatively furthering fair housing; and
 - The PHA provides for review of its site-based waiting list policy to determine if it is consistent with civil rights laws and certifications, as specified in 24 CFR 903.7(o)(1).
9. The PHA will comply with the prohibitions against discrimination on the basis of age pursuant to the Age Discrimination Act of 1975.
 10. In accordance with 24 CFR § 5.105(a)(2), HUD's Equal Access Rule, the PHA will not make a determination of eligibility for housing based on sexual orientation, gender identify, or marital status and will make no inquiries concerning the gender identification or sexual orientation of an applicant for or occupant of HUD-assisted housing.
 11. The PHA will comply with the Architectural Barriers Act of 1968 and 24 CFR Part 41, Policies and Procedures for the Enforcement of Standards and Requirements for Accessibility by the Physically Handicapped.
 12. The PHA will comply with the requirements of Section 3 of the Housing and Urban Development Act of 1968, Employment Opportunities for Low-or Very-Low Income Persons, and with its implementing regulation at 24 CFR Part 135.
 13. The PHA will comply with acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implementing regulations at 49 CFR Part 24 as applicable.
 14. The PHA will take appropriate affirmative action to award contracts to minority and women's business enterprises under 24 CFR 5.105(a).
 15. The PHA will provide the responsible entity or HUD any documentation that the responsible entity or HUD needs to carry out its review under the National Environmental Policy Act and other related authorities in accordance with 24 CFR Part 58 or Part 50, respectively.
 16. With respect to public housing the PHA will comply with Davis-Bacon or HUD determined wage rate requirements under Section 12 of the United States Housing Act of 1937 and the Contract Work Hours and Safety Standards Act.
 17. The PHA will keep records in accordance with 2 CFR 200.333 and facilitate an effective audit to determine compliance with program requirements.
 18. The PHA will comply with the Lead-Based Paint Poisoning Prevention Act, the Residential Lead-Based Paint Hazard Reduction Act of 1992, and 24 CFR Part 35.
 19. The PHA will comply with the policies, guidelines, and requirements of 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Financial Assistance, including but not limited to submitting the assurances required under 24 CFR §§ 1.5, 3.115, 8.50, and 107.25 by submitting an SF-424, including the required assurances in SF-424B or D, as applicable.
 20. The PHA will undertake only activities and programs covered by the Plan in a manner consistent with its Plan and will utilize covered grant funds only for activities that are approvable under the regulations and included in its Plan.
 21. All attachments to the Plan have been and will continue to be available at all times and all locations that the PHA Plan is available for public inspection. All required supporting documents have been made available for public inspection along with the Plan and additional requirements at the primary business office of the PHA and at all other times and locations identified by the PHA in its PHA Plan and will continue to be made available at least at the primary business office of the PHA.
 22. The PHA certifies that it is in compliance with applicable Federal statutory and regulatory requirements, including the Declaration of Trust(s).

Kingsport Housing & Redevelopment Authority
PHA Name

TN006
PHA Number/HA Code

Annual PHA Plan for Fiscal Year 20_24

 5-Year PHA Plan for Fiscal Years 20 - 20

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate. **Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802).

| | |
|---|--|
| Name of Executive Director Terry W. Cunningham | Name Board Chairman Seth Jervis |
|---|--|

Signature

Date

Signature

Date

The United States Department of Housing and Urban Development is authorized to solicit the information requested in this form by virtue of Title 12, U.S. Code, Section 1701 et seq., and regulations promulgated thereunder at Title 12, Code of Federal Regulations. Responses to the collection of information are required to obtain a benefit or to retain a benefit. The information requested does not lend itself to confidentiality. This information is collected to ensure compliance with PHA Plan, Civil Rights, and related laws and regulations including PHA plan elements that have changed.

Public reporting burden for this information collection is estimated to average 0.16 hours per year per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. HUD may not collect this information, and respondents are not required to complete this form, unless it displays a currently valid OMB Control Number.

Exhibit D.1**Fair Housing Goal: Nondiscrimination****PART I: NONDISCRIMINATION**

Federal regulations prohibit discrimination against certain protected classes and other groups of people. State and local requirements, as well as PHA policies, can prohibit discrimination based on other factors.

The PHA shall not discriminate because of race, color, sex, religion, familial status, age, disability or national origin (called “protected classes”)

Familial status includes children under the age of 18 living with parents or legal custodians, pregnant women, and people securing custody of children under the age of 18.

The PHA will not discriminate on the basis of marital status, gender identity, or sexual orientation [FR Notice 02/03/12; Executive Order 13988].

PHA Policy

The PHA does not identify any additional protected classes.

The PHA will not use any of these factors to:

- Deny to any family the opportunity to apply for housing, nor deny to any qualified applicant the opportunity to participate in the housing choice voucher program
- Provide housing that is different from that provided to others
- Subject anyone to segregation or disparate treatment
- Subject anyone to sexual harassment
- Restrict anyone's access to any benefit enjoyed by others in connection with the housing program
- Treat a person differently in determining eligibility or other requirements for admission
- Steer an applicant or participant toward or away from a particular area based any of these factors
- Deny anyone access to the same level of services
- Deny anyone the opportunity to participate in a planning or advisory group that is an integral part of the housing program
- Discriminate in the provision of residential real estate transactions
- Discriminate against someone because they are related to or associated with a member of a protected class
- Publish or cause to be published an advertisement or notice indicating the availability of housing that prefers or excludes persons who are members of a protected class

Providing Information to Families and Owners

The PHA must take steps to ensure that families and owners are fully aware of all applicable civil rights laws. As part of the briefing process, the PHA must provide information to HCV applicant families about civil rights requirements and the opportunity to rent in a broad range of neighborhoods [24 CFR 982.301]. The Housing Assistance Payments (HAP) contract informs owners of the requirement not to discriminate against any person because of race, color, religion, sex, national origin, age, familial status, or disability in connection with the contract.

Discrimination Complaints

If an applicant or participant believes that any family member has been discriminated against by the PHA or an owner, the family should advise the PHA. HUD requires the PHA to make every reasonable attempt to determine whether the applicant's or participant's assertions have merit and take any warranted corrective action. In addition, the PHA is required to provide the applicant or participant with information about how to file a discrimination complaint [24 CFR 982.304].

Upon receipt of a housing discrimination complaint, the PHA is required to:

- Provide written notice of the complaint to those alleged and inform the complainant that such notice was made
- Investigate the allegations and provide the complainant and those alleged with findings and either a proposed corrective action or an explanation of why corrective action is not warranted
- Keep records of all complaints, investigations, notices, and corrective actions [Notice PIH 2014-20]

PHA Policy

Applicants or participants who believe that they have been subject to unlawful discrimination may notify the PHA either orally or in writing.

Within 10 business days of receiving the complaint, the PHA will provide a written notice to those alleged to have violated the rule. The PHA will also send a written notice to the complainant informing them that notice was sent to those alleged to have violated the rule, as well as information on how to complete and submit a housing discrimination complaint form to HUD's Office of Fair Housing and Equal Opportunity (FHEO).

The PHA will attempt to remedy discrimination complaints made against the PHA and will conduct an investigation into all allegations of discrimination.

Within 10 business days following the conclusion of the PHA's investigation, the PHA will provide the complainant and those alleged to have violated the rule with findings and either a proposed corrective action plan or an explanation of why corrective action is not warranted.

The PHA will keep a record of all complaints, investigations, notices, and corrective actions. (See Chapter 16.)

Exhibit D.1 Part 2 – Policies Related to Persons with Disabilities.

PART II: POLICIES RELATED TO PERSONS WITH DISABILITIES

2-II.A. OVERVIEW

One type of disability discrimination prohibited by the Fair Housing Act is the refusal to make reasonable accommodation in rules, policies, practices, or services when such accommodation may be necessary to afford a person with a disability the equal opportunity to use and enjoy a program or dwelling under the program.

The PHA must ensure that persons with disabilities have full access to the PHA’s programs and services. This responsibility begins with the first contact by an interested family and continues through every aspect of the program.

PHA Policy

The PHA will ask all applicants and participants if they require any type of accommodations, in writing, on the intake application, reexamination documents, and notices of adverse action by the PHA, by including the following language:

“If you or anyone in your family is a person with disabilities, and you require a specific accommodation in order to fully utilize our programs and services, please contact the housing authority.”

A specific name and phone number of designated staff will be provided to process requests for accommodation.

The PHA will display posters and other housing information and signage in locations throughout the PHA’s office in such a manner as to be easily readable from a wheelchair.



2-II.B. DEFINITION OF REASONABLE ACCOMMODATION

A reasonable accommodation is an adjustment made to a rule, policy, practice, or service that allows a person with a disability to have equal access to the HCV program. For example, reasonable accommodations may include making home visits, extending the voucher term, or approving an exception payment standard in order for a participant to lease an accessible dwelling unit.

Federal regulations stipulate that requests for accommodations will be considered reasonable if they do not create an “undue financial and administrative burden” for the PHA, or result in a “fundamental alteration” in the nature of the program or service offered. A fundamental alteration is a modification that alters the essential nature of a provider’s operations.

Types of Reasonable Accommodations

When needed, the PHA will modify normal procedures to accommodate the needs of a person with disabilities. Examples include:

- Permitting applications and reexaminations to be completed by mail
- Conducting home visits
- Using higher payment standards (either within the acceptable range or with HUD approval of a payment standard outside the PHA range) if the PHA determines this is necessary to enable a person with disabilities to obtain a suitable housing unit
- Providing time extensions for locating a unit when necessary because of lack of availability of accessible units or special challenges of the family in seeking a unit
- Permitting an authorized designee or advocate to participate in the application or certification process and any other meetings with PHA staff





2-II.C. REQUEST FOR AN ACCOMMODATION

If an applicant or participant indicates that an exception, change, or adjustment to a rule, policy, practice, or service is needed because of a disability, HUD requires that the PHA treat the information as a request for a reasonable accommodation, even if no formal request is made [Joint Statement of the Departments of HUD and Justice: Reasonable Accommodations under the Fair Housing Act].

The family must explain what type of accommodation is needed to provide the person with the disability full access to the PHA's programs and services.

If the need for the accommodation is not readily apparent or known to the PHA, the family must explain the relationship between the requested accommodation and the disability. There must be an identifiable connection, or nexus, between the requested accommodation and the individual's disability.

PHA Policy

The PHA will encourage the family to make its request in writing using a reasonable accommodation request form. However, the PHA will consider the accommodation any time the family indicates that an accommodation is needed whether or not a formal written request is submitted.



2-II.D. VERIFICATION OF DISABILITY

The regulatory civil rights definition for persons with disabilities is provided in Exhibit 2-1 at the end of this chapter. The definition of a person with a disability for the purpose of obtaining a reasonable accommodation is much broader than the HUD definition of disability which is used for waiting list preferences and income allowances.

Before providing an accommodation, the PHA must determine that the person meets the definition of a person with a disability, and that the accommodation will enhance the family's access to the PHA's programs and services.

If a person's disability is obvious or otherwise known to the PHA, and if the need for the requested accommodation is also readily apparent or known, no further verification will be required [Joint Statement of the Departments of HUD and Justice: Reasonable Accommodations under the Fair Housing Act].

If a family indicates that an accommodation is required for a disability that is not obvious or otherwise known to the PHA, the PHA must verify that the person meets the definition of a person with a disability, and that the limitations imposed by the disability require the requested accommodation.

When verifying a disability, the PHA will follow the verification policies provided in Chapter 7. All information related to a person's disability will be treated in accordance with the confidentiality policies provided in Chapter 16. In addition to the general requirements that govern all verification efforts, the following requirements apply when verifying a disability:

- Third-party verification must be obtained from an individual identified by the family who is competent to make the determination. A doctor or other medical professional, a peer support group, a non-medical service agency, or a reliable third party who is in a position to know about the individual's disability may provide verification of a disability [Joint Statement of the Departments of HUD and Justice: Reasonable Accommodations under the Fair Housing Act]
- The PHA must request only information that is necessary to evaluate the disability-related need for the accommodation. The PHA will not inquire about the nature or extent of any disability.
- Medical records will not be accepted or retained in the participant file.
- In the event that the PHA does receive confidential information about a person's specific diagnosis, treatment, or the nature or severity of the disability, the PHA will dispose of it. In place of the information, the PHA will note in the file that the disability and other requested information have been verified, the date the verification was received, and the name and address of the knowledgeable professional who sent the information [Notice PIH 2010-26].

2-II.E. APPROVAL/DENIAL OF A REQUESTED ACCOMMODATION [Joint Statement of the Departments of HUD and Justice: Reasonable Accommodations under the Fair Housing Act, Notice PIH 2010-26].

The PHA must approve a request for an accommodation if the following three conditions are met:

- The request was made by or on behalf of a person with a disability.
- There is a disability-related need for the accommodation.
- The requested accommodation is reasonable, meaning it would not impose an undue financial and administrative burden on the PHA, or fundamentally alter the nature of the PHA's HCV operations (including the obligation to comply with HUD requirements and regulations).

Requests for accommodations must be assessed on a case-by-case basis, taking into account factors such as the overall size of the PHA's program with respect to the number of employees, type of facilities and size of budget, type of operation including composition and structure of workforce, the nature and cost of the requested accommodation, and the availability of alternative accommodations that would effectively meet the family's disability-related needs.

Before making a determination whether to approve the request, the PHA may enter into discussion and negotiation with the family, request more information from the family, or may require the family to sign a consent form so that the PHA may verify the need for the requested accommodation.

PHA Policy

After a request for an accommodation is presented, the PHA will respond, in writing, within 10 business days.

If the PHA denies a request for an accommodation because it is no relationship, or nexus, found between the disability and the request accommodation, the notice will inform the family of the right to appeal the PHA's decision through an informal review (if applicable) or informal hearings (see Chapter 16).

If the PHA denies a request for an accommodation because it is not reasonable (it would impose an undue financial and administrative burden or fundamentally alter the nature of the PHA's operations), the PHA will discuss with the family whether an alternative accommodation could effectively address the family's disability-related needs without a fundamental alteration to the HCV program and without imposing an undue financial and administrative burden

If the PHA believes that the family has failed to identify a reasonable alternative accommodation after interactive discussion and negotiation, the PHA will notify the family, in writing, of its determination within 10 business days from the date of the most recent discussion or communication with the family.



2-II.F. PROGRAM ACCESSIBILITY FOR PERSONS WITH HEARING OR VISION IMPAIRMENTS

HUD regulations require the PHA to ensure that persons with disabilities related to hearing and vision have reasonable access to the PHA's programs and services [24 CFR 8.6].

At the initial point of contact with each applicant, the PHA shall inform all applicants of alternative forms of communication that can be used other than plain language paperwork.

PHA Policy

To meet the needs of persons with hearing impairments, TTD/TTY (text telephone display / teletype) communication will be available.

To meet the needs of persons with vision impairments, large-print and audio versions of key program documents will be made available upon request. When visual aids are used in public meetings or presentations, or in meetings with PHA staff, one-on-one assistance will be provided upon request.

Additional examples of alternative forms of communication are sign language interpretation; having material explained orally by staff; or having a third party representative (a friend, relative or advocate, named by the applicant) to receive, interpret and explain housing materials and be present at all meetings.



2-II.G. PHYSICAL ACCESSIBILITY

The PHA must comply with a variety of regulations pertaining to physical accessibility, including the following:

- Notice PIH 2010-26
- Section 504 of the Rehabilitation Act of 1973
- The Americans with Disabilities Act of 1990
- The Architectural Barriers Act of 1968
- The Fair Housing Act of 1988

The PHA's policies concerning physical accessibility must be readily available to applicants and participants. They can be found in three key documents:

- This plan describes the key policies that govern the PHA's responsibilities with regard to physical accessibility.
- Notice PIH 2010-26 summarizes information about pertinent laws and implementing regulations related to nondiscrimination and accessibility in federally-funded housing programs.
- The PHA Plan provides information about self-evaluation, needs assessment, and transition plans.

The design, construction, or alteration of PHA facilities must conform to the Uniform Federal Accessibility Standards (UFAS). Newly-constructed facilities must be designed to be readily accessible to and usable by persons with disabilities. Alterations to existing facilities must be accessible to the maximum extent feasible, defined as not imposing an undue financial and administrative burden on the operations of the HCV program.

When issuing a voucher to a family that includes an individual with disabilities, the PHA will include a current list of available accessible units known to the PHA and will assist the family in locating an available accessible unit, if necessary.

In general, owners must permit the family to make reasonable modifications to the unit. However, the owner is not required to pay for the modification and may require that the unit be restored to its original state at the family's expense when the family moves.



KINGSPORT HOUSING & REDEVELOPMENT AUTHORITY

906 East Sevier Avenue
Kingsport, TN 37660-0044

To Transform and Empower Communities

2-II.H. DENIAL OR TERMINATION OF ASSISTANCE

A PHA's decision to deny or terminate the assistance of a family that includes a person with disabilities is subject to consideration of reasonable accommodation [24 CFR 982.552 (2)(iv)].

When applicants with disabilities are denied assistance, the notice of denial must inform them of the PHA's informal review process and their right to request an informal review. In addition, the notice must inform applicants with disabilities of their right to request reasonable accommodations to participate in the informal review process.

When a participant family's assistance is terminated, the notice of termination must inform them of the PHA's informal hearing process and their right to request a hearing and reasonable accommodation.

When reviewing reasonable accommodation requests, the PHA must consider whether any mitigating circumstances can be verified to explain and overcome the problem that led to the PHA's decision to deny or terminate assistance. If a reasonable accommodation will allow the family to meet the requirements, the PHA must make the accommodation.



Exhibit D.1 Part 3 -Improving Access to Services for Persons with LEP

PART III: IMPROVING ACCESS TO SERVICES FOR PERSONS WITH LIMITED ENGLISH PROFICIENCY (LEP)

2-III.A. OVERVIEW

Language for Limited English Proficiency Persons (LEP) can be a barrier to accessing important benefits or services, understanding and exercising important rights, complying with applicable responsibilities, or understanding other information provided by the HCV program. In certain circumstances, failure to ensure that LEP persons can effectively participate in or benefit from federally-assisted programs and activities may violate the prohibition under Title VI against discrimination on the basis of national origin. This part incorporates the Final Guidance to Federal Assistance Recipients Regarding Title VI Prohibition against National Origin Discrimination Affecting Limited English Proficient Persons, published January 22, 2007, in the *Federal Register*.

The PHA will take affirmative steps to communicate with people who need services or information in a language other than English. These persons will be referred to as Persons with Limited English Proficiency (LEP).

LEP is defined as persons who do not speak English as their primary language and who have a limited ability to read, write, speak or understand English. For the purposes of this administrative plan, LEP persons are HCV applicants and participants, and parents and family members of applicants and participants.

In order to determine the level of access needed by LEP persons, the PHA will balance the following four factors: (1) the number or proportion of LEP persons eligible to be served or likely to be encountered by the Housing Choice Voucher program; (2) the frequency with which LEP persons come into contact with the program; (3) the nature and importance of the program, activity, or service provided by the program to people's lives; and (4) the resources available to the PHA and costs. Balancing these four factors will ensure meaningful access by LEP persons to critical services while not imposing undue burdens on the PHA.

2-III.B. ORAL INTERPRETATION

The PHA will offer competent interpretation services free of charge, upon request, to the LEP person.

PHA Policy

The PHA will utilize a language line for telephone interpreter services.

When exercising the option to conduct remote briefings, informal reviews, or hearings, however, the PHA will coordinate with a remote interpretation service which, when available, uses video conferencing technology rather than voice-only interpretation.

Where LEP persons desire, they will be permitted to use, at their own expense, an interpreter of their own choosing, in place of or as a supplement to the free language services offered by the PHA. The PHA, at its discretion, may choose to use the language services even when LEP persons desire to use an interpreter of their choosing. The interpreter may be a family member or friend. If the interpreter chosen by the family is a minor, the PHA will not rely on the minor to serve as the interpreter.

The PHA will analyze the various kinds of contacts it has with the public, to assess language needs and decide what reasonable steps should be taken. "Reasonable steps" may not be reasonable where the costs imposed substantially exceed the benefits.

Where feasible and possible, according to its language assistance plan (LAP), the PHA will train and hire bilingual staff to be available to act as interpreters and translators, will pool resources with other PHAs, and will standardize documents.

2-III.C. WRITTEN TRANSLATION

Translation is the replacement of a written text from one language into an equivalent written text in another language.

PHA Policy

In order to comply with written-translation obligations, the PHA will take the following steps:

The PHA will provide written translations of vital documents for each eligible LEP language group that constitutes 5 percent or 1,000 persons, whichever is less, of the population of persons eligible to be served or likely to be affected or encountered. Translation of other documents, if needed, can be provided orally; or

If there are fewer than 50 persons in a language group that reaches the 5 percent trigger, the PHA does not translate vital written materials, but provides written notice in the primary language of the LEP language group of the right to receive competent oral interpretation of those written materials, free of cost.

2-III.D. IMPLEMENTATION PLAN

After completing the four-factor analysis and deciding what language assistance services are appropriate, the PHA shall determine whether it is necessary to develop a written implementation plan to address the identified needs of the LEP populations it serves.

If the PHA determines that it is not necessary to develop a written implementation plan, the absence of a written plan does not obviate the underlying obligation to ensure meaningful access by LEP persons to the PHA's Housing Choice Voucher program and services.

PHA Policy

If it is determined that the PHA serves very few LEP persons, and the PHA has very limited resources, the PHA will not develop a written LEP plan, but will consider alternative ways to articulate in a reasonable manner a plan for providing meaningful access. Entities having significant contact with LEP persons, such as schools, grassroots and faith-based organizations, community groups, and groups working with new immigrants will be contacted for input into the process.

If the PHA determines it is appropriate to develop a written LEP plan, the following five steps will be taken: (1) Identifying LEP individuals who need language assistance; (2) identifying language assistance measures; (3) training staff; (4) providing notice to LEP persons; and (5) monitoring and updating the LEP plan.