

<b>Streamlined Annual PHA Plan (HCV Only PHAs)</b>	<b>U.S. Department of Housing and Urban Development Office of Public and Indian Housing</b>	<b>OMB No. 2577-0226 Expires: 09/30/2027</b>
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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. They also inform 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-, very low-, 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 (HCVs) 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, SEMAP for PHAs that only administer tenant-based assistance and/or project-based assistance, 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 HCVs combined and is not PHAS or SEMAP troubled.

A.	<b>PHA Information.</b>
A.1	<p>PHA Name: <u>Kingsport Housing and Redevelopment Authority</u> PHA Code: <u>TN006</u>  PHA Plan for Fiscal Year Beginning: (MM/YYYY): <u>04/2026</u>  PHA Inventory (Based on Annual Contributions Contract (ACC) units at time of FY beginning, above)  Number of Housing Choice Vouchers (HCVs) <u>1811</u>  PHA Plan Submission Type: <input checked="" type="checkbox"/> Annual Submission <input type="checkbox"/> Revised Annual Submission</p> <p><b>Public Availability of Information.</b> 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 each Asset Management Project (AMP) and main office or central office of the PHA and should make documents available electronically for public inspection upon request. PHAs are strongly encouraged to post complete PHA Plans on their official websites and to provide each resident council with a copy of their PHA Plans.</p> <p>The PHA Plan is available at the Kingsport Housing &amp; Redevelopment Authority Administrative Office at 906 E Sevier Ave, Kingsport, Tennessee 37660. The Authority's hours of operation are Monday through Thursday 8:00 am to 5:30 pm. The plan is also posted to the KHRA website upon HUD approval.</p>

**PHA Consortia:** (Check box if submitting a joint Plan and complete table below)

Participating PHAs	PHA Code	Program(s) in the Consortia	Program(s) not in the Consortia	No. of Units in Each Program
Lead HA:				

**B. Plan Elements.**

**B.1 Revision of Existing PHA Plan Elements.**

a) Have the following PHA Plan elements been revised by the PHA since its last Annual Plan submission?

Y N

- Statement of Housing Needs and Strategy for Addressing Housing Needs.
- Deconcentration and Other Policies that Govern Eligibility, Selection, and Admissions.
- Financial Resources.
- Rent Determination.
- Operation and Management.
- Informal Review and Hearing Procedures.
- Homeownership Programs.
- Self Sufficiency Programs and Treatment of Income Changes Resulting from Welfare Program Requirements.
- Substantial Deviation.
- Significant Amendment/Modification.

(b) If the PHA answered yes for any element, describe the revisions for each element(s):

Please see attached Exhibit B.1.b for the revisions to existing PHA Plan Elements.

**B.2 New Activities.**

(a) Does the PHA intend to undertake any new activities related to the following in the PHA's applicable Fiscal Year?

Y N

Project-Based Vouchers

(b) If Project-Based Voucher (PBV) activities are planned for the applicable Fiscal Year, provide the projected number of PBV units and general locations, and describe how project-basing would be consistent with the PHA Plan.

N/A

**B.3 Progress Report.**

Provide a description of the PHA's progress in meeting its Mission and Goals described in its 5-Year PHA Plan.

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.

<b>B.4</b>	<b>Capital Improvements.</b> – Not Applicable
<b>B.5</b>	<p><b>Most Recent Fiscal Year Audit.</b></p> <p>(a) Were there any findings in the most recent FY Audit?</p> <p>Y N N/A  <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/></p> <p>(b) If yes, please describe:  A narrative explaining the findings from the most recent audit (Exhibit B.5 KHRA Audit Narrative) and the 3/31/25 KHRA Audit (Exhibit B.5 KHRA 2025 Fiscal Year Audit) are attached.</p>
<b>C. Other Document and/or Certification Requirements.</b>	
<b>C.1</b>	<p><b>Resident Advisory Board (RAB) Comments.</b></p> <p>(a) Did the RAB(s) have comments to the PHA Plan?</p> <p>Y N  <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> <p>N/A</p>

<p><b>C.2</b></p>	<p><b>Certification by State or Local Officials.</b></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>
<p><b>C.3</b></p>	<p><b>Civil Rights Certification/ Certification Listing Policies and Programs that the PHA has Revised since Submission of its Last Annual Plan.</b></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>
<p><b>C.4</b></p>	<p><b>Challenged Elements.</b> 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>(b) If yes, include Challenged Elements.</p>

## **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 **Public Availability of Information**, specific location(s) of all information relevant to the public hearing and proposed PHA Plan. Note: The number of HCV's should include all special purpose vouchers (e.g. Mainstream Vouchers, etc.) (24 CFR 903.23(e)).

**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 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.

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(s)(2)(i)).

**Significant Amendment/Modification.** PHA must provide its criteria for determining a "Significant Amendment or Modification" to its 5-Year and Annual Plan (24 CFR 903.7(s)(2)(ii)).

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

**B.2 New Activities.** If the PHA intends to undertake any new activities related to these elements in the applicable Fiscal Year, mark "yes" for those elements, and describe the activities to be undertaken in the space provided. If the PHA does not plan to undertake these activities, mark "no."

**Project-Based Vouchers.** Describe any plans to use HCVs for new project-based vouchers, which must comply with PBV goals, civil rights requirements, Housing Quality Standards (HQS) and deconcentration standards, as stated in 24 CFR 983.55(b)(1) and set forth in the PHA Plan statement of deconcentration and other policies that govern eligibility, selection, and admissions. If using project-based vouchers, provide the projected number of project-based units and general locations (including if PBV units are planned on any former or current public housing units or sites), and describe how project-basing would be consistent with the PHA Plan (24 CFR 903.7(b)(3), 24 CFR 903.7(r)).

- 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(s)(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 or 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 24 CFR 5.150 *et seq.*, 24 CFR 903.7(o)(1), and 24 CFR 903.15.
- 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 (24 CFR 903.23(b)).

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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 4.52 hours 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. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to the Reports Management Officer, REE, Department of Housing and Urban Development, 451 7th Street, SW, Room 4176, Washington, DC 20410-5000. When providing comments, please refer to OMB Approval No. 2577-0226. 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 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.



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## **Exhibit B.1.b Statement of Housing Needs and Strategy for Addressing Housing Needs**

The Housing Authority's non-profit arm, Greater Kingsport Alliance for Development, in partnership with the City of Kingsport acquired a dilapidated tract of homes and office buildings in 2020. The location of the future affordable housing site would become 1100, 1104, and 1108 Oak Street in Kingsport, TN. The site is reserved for permanent supportive housing of elderly clients (aged 62+). GKAD would construct three buildings containing four ground level apartments each. Grant funds by way of the National Housing Trust Fund (NHTF-22-01), additional gap funding provided through THDA in NHTF funds and Tax Credit Assistance Program funds, TN ARPA funds, and FHLB Cincinnati Affordable Housing Program were used for building the development. Housing subsidy will come from vouchers through the Kingsport Housing & Redevelopment Authority.

The project serves twelve households of the extremely low-income (30% AMI) and elderly population. The development will contain one-bedroom apartments, which are suitable and affordable for the aging and disabled. Reporting of the US Census Data from 2020 indicates that persons aged 65 and older comprise 23% of Kingsport's population. This project addresses the lack of safe, affordable housing for the senior population of Kingsport, Tennessee as affordable housing stock of the area is inadequate regarding one-bedroom units featuring universal design and ADA compliance. The chosen location provides public transportation access and is in close proximity to the Kingsport Senior Center, local retail, grocery, Federally Qualified Health Centers, and pharmacies. All units will meet visitability standards and be fully equipped with all required ADA components. The PHA will continue to pursue available grant funding which increases the supply of affordable housing serving the specific needs of the Greater Kingsport area.





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## **Exhibit B.1.b Deconcentration and Other Policies that Govern Eligibility, Selection, and Admission**

Within the KHRA Administrative Plan, Section 4-III.B. SELECTION AND HCV FUNDING SOURCES through Targeted Funding [24 CFR 982.204(e)]:

### **2018 Tennessee Housing Trust Fund (THTF-18S-02)**

KHRA shall prioritize 15 of the 76 units at Magnolia Pointe for either homeless military veterans or ex-offenders who will be referred to KHRA for housing through the Tennessee Department of Corrections Probation and Parole office in Blountville or the Johnson City Downtown Day Center in Johnson City. These applicants

### **2022 National Housing Trust Fund (NHTF-22-01)**

The PHA aims to serve the tenants of 1100, 1104, and 1108 Oak Street in Kingsport, TN (Cunningham Terrace Apartments) with a housing choice voucher who meet the National Housing Trust Fund, NHTF-22-01 grant requirements. All twelve units shall be set aside for extremely low-income individuals whose income does not exceed 30% of the area median income throughout the Affordability Period commencing upon project completion for a period of thirty years. All units will be reserved for housing the elderly, which means individuals sixty-two years of age or older.

Within the KHRA Administrative Plan, Section 4-III.C. SELECTION METHOD, Local Preferences [24 CFR 982.207; HCV p. 4-16] the PHA utilizes the following local preference system:

- 1. Involuntarily displaced families (ref. 4-III.G): (20 points)**
- 2. Victims of domestic violence: (20points)**
- 3. Substandard/Homeless Preference (10 points) \*\*\* 15 points for substandard/homeless families with dependent children\*\***
- 4. Residency Preference: (10 points)**
  - a. Hawkins and Sullivan County residency preference approved by the Board of Commissioners in a unanimous vote on January 27, 2025
  - b. Johnson County residency preference added and approved by the Board of Commissioners in a unanimous vote on February 16, 2026

kingsporthousing.org ★ Telephone (423) 245-0135 ★ Fax (423) 392-2530 ★ TTY/TDD (423) 246-2273 (Contact Concern)



Kingsport Housing & Redevelopment Authority shall not discriminate because of race, color, sex, religion, familial status, disability, handicap, national origin sexual orientation or gender identity in the leasing, rental or other disposition of housing.

## 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:

#### SEMAP:

KHRA is working toward achieving High Performer Status. The PHA is rated as a Standard Performer with a SEMAP score of 78 for fiscal year ended 3/31/2025. KHRA implemented personnel changes in the 2024 plan year to abate the unawarded points from previous SEMAP submissions. Missed opportunities in the 2025 submission:

- INDICATOR 3 Determination of Adjusted Income (24 CFR part 5, subpart F and 24 CFR 982.516)
  - KHRA scored 15 of 20 possible points.
- INDICATOR 6 HQS Enforcement (24 CFR 982.404)
  - KHRA scored 0 of 5 possible points.
- INDICATOR 9 Timely Annual Reexaminations (24 CFR 5.617)
  - KHRA scored 5 of 10 possible points.
- INDICATOR 12 Annual HQS Inspections (24 CFR 982.405(a))
  - KHRA scored 0 of 10 possible points.

Improvements in any of the aforementioned Performance Indicators would bring KHRA's overall performance rating within range of High Performer Status. KHRA has partially addressed the above deficiencies as detailed in the 2024 Financial Audit: KHRA has hired a full-time Inspector; therefore, the Housing Authority will be performing follow-up inspections in a timely manner. KHRA's inspector has fully remediated the backlog of biennial inspections within the 2025 fiscal year in hopes of obtaining High Performer status with the 2026 SEMAP submission.

Additionally, KHRA has increased the number of staff persons with HQS inspection certifications to remediate past due inspections. Staff efforts to document core processes of inspections are ongoing which will ensure abatements are processed in a timely manner. Furthermore, in the event of a future vacancy, KHRA can bolster inspection operations with existing staff so as not to lose SEMAP indicator points in inspection categories.

#### Financial Management:

- Internal controls have been audited and updated regularly 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 KHRA Procurement Policy complies with the Annual Contributions Contract (ACC) between The United States Department of Housing and Urban Development (HUD) and the Kingsport Housing and Redevelopment Authority (KHRA) and *Federal Regulations 2 CFR 200.317-326*, the procurement standards of the Procurement Handbook for PHAs, HUD Handbook 7460.8, Revision 2, and applicable state and local laws. The most recent updates to the KHRA Procurement Policy were adopted with Board Resolution 2024-50 as amended by House Bill 2090, adopted by the House as Amendment #1 on March 14, 2024.
- The Financial Statements & Independent Auditors' Report Schedule of Findings for the year ended March 31, 2025 yielded one significant deficiency. The PHA has established proper CFP procedures to ensure proper handling of CFP draw downs so that repeat findings do not occur.
- KHRA continues to produce balanced financial reporting to the board through monthly meetings

## 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.

Security measures beginning in 2022 are ongoing. KHRA has increased inventory of the Verkada security cameras that have been a vital source of crime prevention in our neighborhoods. The growing inventory of cameras placed across KHRA's sites as well as the administrative building have increased safety measures for residents and staff alike. The MOU drafted and implemented by KHRA staff in cooperation with City of Kingsport and the Kingsport Police Department is still in place and allows for the sharing of live feed and footage with the City of Kingsport Police Department. This measure bolsters the safety and security of KHRA property and promotes 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. As a proactive step toward NSPIRE changes for the upcoming fiscal year, KHRA has upgraded its entire housing inventory with GFCI compliant electrical

standards on applicable outlets and breakers. KHRA has purchased additional inventory of smoke detectors and will replace all units within KHRA managed sites with a ten-year sealed battery to be fully compliant with NSPIRE inspections within KHRA-managed properties by the required implementation date.

#### 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. Fair Housing Training for all staff was completed on October 21, 2025, provided by Mark Hanor of Hanor Law Firm. Residents are informed of Fair Housing Rights at briefings, lease signings, and annual recertification.

#### 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 have been secured through multiple ESG awards layered with CDBG funds to create and hire a staff position for the position of Street Outreach Coordinator. KHRA was also awarded a Housing Success Program grant from Fahe and Ballad Health in 2024.

KHRA works collaboratively with the local Boys & Girls Club and the YMCA. Additionally, KHRA partners with faith-based and non-profit partners for community involvement (Carpenter's Helpers, Upper East Tennessee Human Development Agency, First Tennessee Human Resource Agency, Freeway Ministries, Tennessee's Community Assistance Corporation, etc.)

#### 6.) Leveraging Additional Funding

KHRA secured a developer during the 2025 fiscal year to pursue a LIHTC application for the former Robert E. Lee site for the 2026 round with Knight Development. KHRA's plans of submitting a 9% LIHTC application will satisfying the one-for-one replacement of 128 units with phase one construction plans of 55 units. The future site of the Grove at PoplarDale will be located at 607 Dale Street in Kingsport, Tennessee. 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.

KHRA's nonprofit arm has experienced 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 by THDA for a first-time, HOME-ARP

Supportive Services Grant that covers a broad range of services including food, childcare and car repair. GKAD was initially awarded \$300,000 from THDA for Eviction Prevention under the ERA-EPP 2023 program and later was contacted to receive additional funding of \$220,000. Additionally, grants in the amounts of \$134,675 and \$142,325 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. \$6,000 for CDBG 2024 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.

In 2022, GKAD was awarded the National Housing Trust Fund (NHTF) grant to develop 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. In 2023, GKAD increased the funding dedicated to these units with an additional \$449,496.95 from NHTF, \$500,000 through the TN ARPA program and \$539,478.05 from the Federal Home Loan Bank Affordable Housing Program of Cincinnati. These additional funds will enable the property to achieve zero debt service. The project's completion is set for spring 2026.

GKAD annually pursues the Emergency Solutions Grant through THDA and in 2023 – 2024 was awarded \$98,894 for Rapid Rehousing activities and \$66,000 for Street Outreach. These funds have allowed the agency to help alleviate rent and utility cost burdens to literally homeless individuals as well as provide for the needs of individuals and families living on the street.



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## Exhibit B.5 KHRA Audit Narrative

### Schedule of Findings and Questioned Costs for the Year Ended March 31, 2025:

#### 2025-003: Unearned Funds

**Criteria:** The U.S. Department of Housing and Urban Development Capital Fund Guidebook 2016 states that the PHA can draw funds up to, but not more than, three (3) days in advance of a valid expense and should draw the amount needed to cover such costs.

**Condition:** The PHA did not spend CFP money that was drawn down within the 3 day window. The funds are unspent as of the completion of the audit.

**Context:** The Authority located an affordable housing project to use the development funds on, obtained HUD approval and drew down the \$497,303 to purchase the project. After drawing the funds but before executing the purchase HUD notified the Authority the project did not qualify as a development expenses.

**Cause:** The Authority obtained approval and drew funds but before the sale closed HUD disqualified the expense.

**Effect:** The CFP funds remain in unspent and unearned until a qualified expense be located.

**Recommendations:** Establish proper CFP procedures to ensure proper handling of CFP draw downs. Funds drawn after payment or very near payment date of related purchases.



## **2025-003: HQS Enforcement**

**Criteria:** HUD requires that all units under the Housing Choice Vouchers Program meet specific Housing Quality Standards (HQS). In cases of failed inspections, timely re-inspections are mandatory, and if compliance is not achieved, abatement of Housing Assistance Payments (HAP) or voucher cancellation is required.

**Condition:** During the audit, it was noted that in seven (7) instances, a unit that failed its HQS inspection did not undergo a subsequent re-inspection or no inspection was documented. Consequently, the required abatement of HAP or cancellation of the housing voucher was not executed.

**Context:** This finding represents a potentially systemic issue within the Housing Voucher Cluster program, as it was identified in seven (7) files tested out of a sample of eight (8) cases. It highlights a need for more rigorous enforcement and monitoring of HQS compliance.

**Cause:** The non-compliance appears to stem from oversight or procedural lapses in the enforcement of HQS within the Housing Voucher Cluster program. This may be due to inadequate training, monitoring, or failure to adhere to established protocols.

**Effect:** This non-compliance undermines the integrity of the Housing Choice Vouchers Program and may lead to tenants living in substandard conditions. It also represents a risk of improper use of federal funds and can impact the credibility and effectiveness of the program.

**Recommendations:** Implement more stringent procedures for monitoring HQS compliance, including timely reinspection and enforcement of HAP abatement or voucher cancellation. Enhance training for staff involved in the HQS process to ensure a thorough understanding of compliance requirements. Establish a system of regular audits to identify and rectify lapses in HQS enforcement promptly.

**2025-003: Utilities Allowance Calculation**

**Criteria:** In accordance with the 2014 Appropriations Act Section 242, the utility allowance for a family shall be the lower of: (1) The utility allowance amount for the family unit size; or (2) the utility allowance amount for the unit size of the unit rented by the family. However, upon the request of a family that includes a person with disabilities, the PHA must approve a utility allowance higher than the applicable amount if such a higher utility allowance is needed as a reasonable accommodation in accordance with HUD's regulations in 24 CFR part 8 to make the program accessible to and usable by the family member with a disability. This provision applies only to vouchers issued after the effective date of this notice (June 12, 2014) and to current program participants. For current program participants, a PHA must implement the new allowance at the family's next annual reexamination, provided that the PHA is able to provide a family with at least 60 days notice prior to the reexamination.

**Condition:** During the audit, it was noted that in seven (7) instances, a unit that failed its HQS inspection did not undergo a subsequent re-inspection or no inspection was documented. Consequently, the required abatement of HAP or cancellation of the housing voucher was not executed.

**Context:** This finding represents a potentially systemic issue within the Housing Voucher Cluster program, as it was identified in seven (7) files tested out of a sample of eight (8) cases. It highlights a need for more rigorous enforcement and monitoring of HQS compliance.

**Cause:** The non-compliance appears to stem from oversight or procedural lapses in the enforcement of HQS within the Housing Voucher Cluster program. This may be due to inadequate training, monitoring, or failure to adhere to established protocols.

**Effect:** This non-compliance undermines the integrity of the Housing Choice Vouchers Program and may lead to tenants living in substandard conditions. It also represents a risk of improper use of federal funds and can impact the credibility and effectiveness of the program.

**Recommendations:** Implement more stringent procedures for monitoring HQS compliance, including timely reinspection and enforcement of HAP abatement or voucher cancellation. Enhance training for staff involved in the HQS process to ensure a thorough understanding of compliance requirements. Establish a system of regular audits to identify and rectify lapses in HQS enforcement promptly.

Full Audit is attached as "Exhibit B.5 KHRA 2025 Fiscal Year Audit"



KINGSPORT HOUSING & REDEVELOPMENT AUTHORITY

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**Financial Statements & Independent Auditors' Report**

**For the Year Ended March 31, 2025**



**smithmarion**

# Kingsport Housing and Redevelopment Authority

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For the Year Ended March 31, 2025

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## **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, the combining statements-business activities, and the aggregate discretely presented component units of Kingsport Housing and Redevelopment Authority, as of and for the year ended March 31, 2025, 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, 2025, 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 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 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, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 23, 2025, 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 23, 2025

# **KINGSPORT HOUSING & REDEVELOPMENT AUTHORITY**

## **MANAGEMENT DISCUSSION & ANALYSIS**

### **FISCAL YEAR ENDED MARCH 31, 2025**

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, 2025.

#### **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 2025 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 2025, the Authority's grant funding increased by \$2,147,607 or 17.92% from FY 2024.
- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$22,382,063 (net position) as opposed to \$22,932,767 for the prior fiscal year, a decrease of \$550,704 or 2.40%.
- The Authority's cash and investments balance decreased by \$473,679 as a result of the timing of the April 2024 funding for HAP and administrative fee revenue for Housing Choice Voucher. The April 2024 funding was received in advance during the prior fiscal year and shown as a deferred. These funds were expended in April 2024 resulting in a decrease in cash.
- Total revenues increased by \$1,491,597 or 10.77%, while total expenses increased by \$2,504,919 or 18.71%.

#### **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**

	2025	2024	Change	
			Dollar	Percentage
<b>ASSETS</b>				
Current assets	\$ 2,307,197	\$ 4,488,000	\$ (2,180,803)	-48.59%
Capital & non-current assets	24,036,149	22,780,297	1,255,852	5.51%
Total assets	<u>26,343,346</u>	<u>27,268,297</u>	<u>(924,951)</u>	-3.39%
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	-	-	-	0.00%
<b>LIABILITIES</b>				
Current liabilities	907,093	326,199	580,894	178.08%
Non-current liabilities	3,054,190	3,221,838	(167,648)	-5.20%
Total liabilities	<u>3,961,283</u>	<u>3,548,037</u>	<u>413,246</u>	11.65%
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	-	787,493	(787,493)	100.00%
<b>NET POSITION</b>				
Investment in capital assets	5,602,071	5,535,831	66,240	1.20%
Restricted net position	15,763,943	14,550,310	1,213,633	8.34%
Unrestricted net position	1,016,049	2,846,626	(1,830,577)	-64.31%
Total net position	<u>\$ 22,382,063</u>	<u>\$ 22,932,767</u>	<u>\$ (550,704)</u>	-2.40%

Total assets decreased by \$924,951 or 3.39%, total liabilities increased by \$413,246 or 11.65%, and the overall net position decreased by \$550,704 or 2.40%.

Current Assets decreased by \$2,180,803 or 48.59%. The primary decrease was due to utilization of advanced Housing Choice Voucher funds received as deferred inflows in the prior year. Capital & non-current assets increased by \$1,255,852 or 5.51%, which was due to increases in note receivable balances.

Current Liabilities increased by \$580,894 or 178.08%, while noncurrent liabilities decreased by \$167,648 or 5.2% which is mainly due to the due dates of outstanding payables.

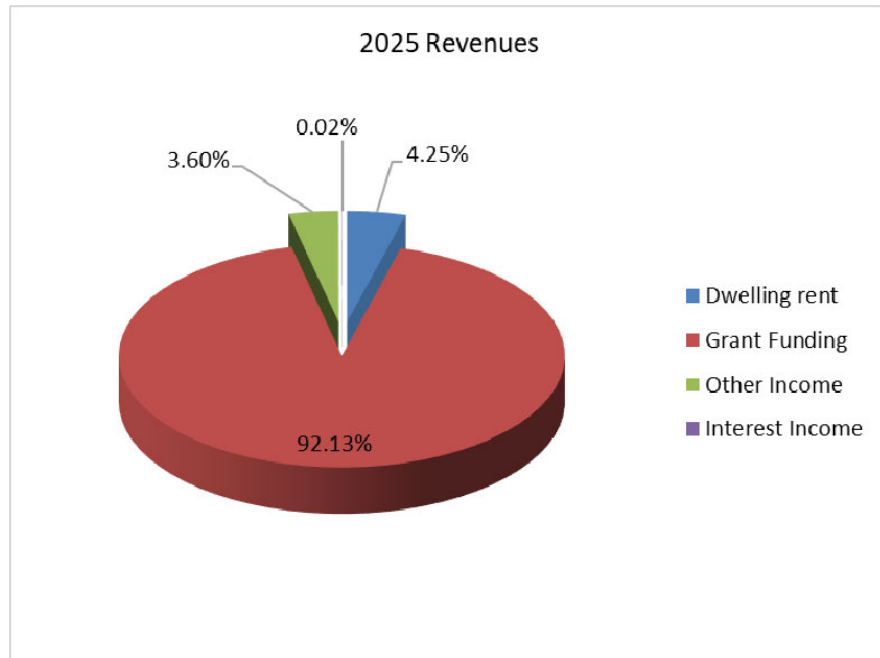
While the Statement of Net Position shows the change in financial position, the Statement of Revenues, Expenses, and Changes in Net Position breaks down our revenues and expenses further. Table II, which follows, provides a comparative statement of these changes:

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

	2025	2024	Change	
			Dollar	Percentage
Dwelling rent	\$ 651,830	\$ 589,508	\$ 62,322	10.57%
Government grants	14,134,199	11,986,592	2,147,607	17.92%
Other income	552,436	888,588	(336,152)	-37.83%
Interest income	2,972	385,152	(382,180)	-99.23%
<b>TOTAL REVENUES</b>	<b>15,341,437</b>	<b>13,849,840</b>	<b>1,491,597</b>	<b>10.77%</b>
Administration	2,272,410	2,279,964	(7,554)	-0.33%
Tenant services	-	69,202	(69,202)	-100.00%
Utilities	163,328	181,888	(18,560)	-10.20%
Maintenance and operations	679,935	592,978	86,957	14.66%
Insurance	85,801	97,611	(11,810)	-12.10%
Other expenses	1,402,281	739,966	662,315	89.51%
Housing Assistance Payments	10,927,245	9,093,415	1,833,830	20.17%
Depreciation	198,753	198,847	(94)	-0.05%
Interest Expense	162,388	133,351	29,037	21.77%
<b>TOTAL EXPENSES</b>	<b>15,892,141</b>	<b>13,387,222</b>	<b>2,504,919</b>	<b>18.71%</b>
<b>CHANGE IN NET POSITION</b>	(550,704)	462,618	(1,013,322)	53.48%
<b>BEGINNING NET POSITION</b>	<b>22,932,767</b>	<b>22,470,149</b>		
<b>ENDING NET POSITION</b>	<b>\$ 22,382,063</b>	<b>\$ 22,932,767</b>		

**REVENUES:**

In reviewing the Statement of Revenues, Expenses, and Changes in Net Position, you will find that 92% 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 4% of total revenue. Other Revenue including Interest from Investments, management fees and other income comprise the remaining 4%. Compared to the Fiscal Year Ended March 31, 2024, Total Revenues increased by \$1,491,587 or 10.77%.

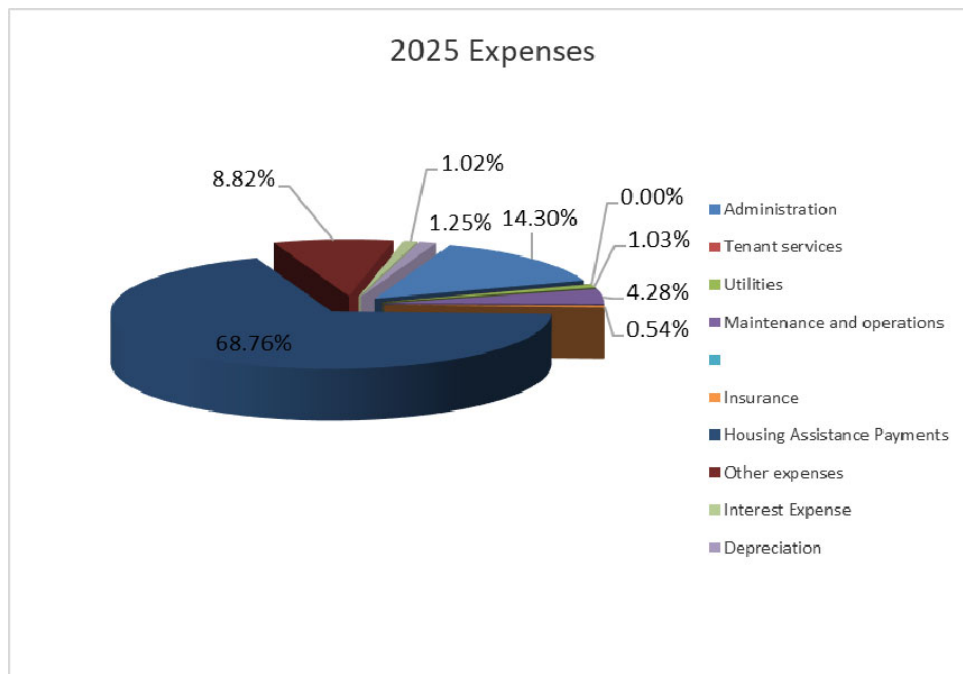


**Tenant Revenue** – Total tenant revenues, rents and other charges, less bad debt expense, increased by \$62,322 or 10.57%.

**Program Grants/Subsidies** – The Authority had an increase of \$2,147,607 or 17.92% in government grants, primarily due to an increase in Housing Choice Voucher funding of \$1,724,819, Emergency Shelter Grant program funding increase of \$259,811 and Continuum of Care Program decrease of \$333,634.

**Interest and Other Income** – Other revenue decreased by \$718,332 mainly due to decrease in business activities other income during the year.

**EXPENSES:**



The Kingsport Housing and Redevelopment Authority experienced an increase in Total Expenses for the current year of \$2,504,919 or 18.71%. 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 2024, administrative costs decreased by \$7,554 or 0.33%, mainly due to increase in management and bookkeeping fees.

**Tenant Services** – Tenant services costs include all costs incurred by the Authority to provide social services to the residents. Tenant services costs decreased by \$69,202 or 100% due to reductions in these programs.

**Utilities** – The total utilities expense for the Authority decreased by \$18,560 or 10.20%.

**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 \$86,957 or 14.66% due to decreased contract costs and materials.

**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 \$662,315 due mainly to an increase in other general expense related to development activities in the current year.

**Interest and Amortization Expenses** – Financial expenses include interest expense on notes payable and mortgages payable and bond amortization. During FY 2025, financial expense increased by \$29,037 or 21.77% as the principal balance on outstanding debt decreases.

**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 increased by \$1,833,830 or 20.17% due to increased utilization and per unit costs.

**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 decreased by \$94 or 0.05%.

**CAPITAL ASSETS:**

A statement of capital asset activity is shown below for 2024 and 2025.

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

	2025	2024	Change	
			Dollar	Percentage
Land	\$ 5,795,406	\$ 5,795,406	\$ -	0.00%
Buildings and improvements	4,986,199	4,986,199	-	0.00%
Equipment	435,775	435,775	-	13.26%
Construction in progress	610,411	510,830	99,581	0.00%
	11,827,791	11,728,210	99,581	3.72%
Accumulated depreciation	(3,269,862)	(3,071,109)	(198,753)	6.92%
Net capital assets	<u>\$ 8,557,929</u>	<u>\$ 8,657,101</u>	<u>\$ (99,172)</u>	2.63%

Balance at April 1, 2024	\$ 8,657,101
Capital Asset Purchases	99,581
Depreciation Expense	<u>(198,753)</u>
Balance at March 31, 2025	<u>\$ 8,557,929</u>

**DEBT ADMINISTRATION:**

As of March 31, 2025, the Kingsport Housing & Redevelopment Authority had \$2,955,858 of debt outstanding, a decrease of \$165,412 or 5.2%. The following is a summary in the changes of total debt obligations for the year ended March 31, 2025:

Balance at the beginning of the period	\$ 3,121,270
Debt issued	0
Principal payments	<u>(165,412)</u>
Balance at March 31, 2025	<u>\$ 2,955,858</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, 2025

	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents		
Unrestricted	\$ 846,953	\$ 2,851,068
Restricted	635,347	1,983,055
<b>Subtotal</b>	<b>1,482,300</b>	<b>4,834,123</b>
Certificates of Deposit	200,000	-
Accounts receivable, net	495,372	209,068
Prepaid expenses	54,525	318,577
Notes and lease receivable current	75,000	-
<b>Total Current Assets</b>	<b>2,307,197</b>	<b>5,361,768</b>
<b>Non-Current Assets</b>		
Notes and leases receivable	15,473,122	-
Intangibles, net	5,098	188,587
Capital assets not being depreciated	6,405,817	920,802
Capital assets, net	2,152,112	40,225,686
<b>Total Non-Current Assets</b>	<b>24,036,149</b>	<b>41,335,075</b>
<b>TOTAL ASSETS</b>	<b>26,343,346</b>	<b>46,696,843</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	-	-
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	639,907	552,645
Accrued liabilities	37,180	1,841,943
Deposits held in trust	11,547	90,377
Compensated absences current	24,747	-
Unearned revenue	18,400	15,038
Other liabilities current	20,106	382,663
Financial agreements payable current	155,206	188,084
<b>Total Current Liabilities</b>	<b>907,093</b>	<b>3,070,750</b>
<b>Non-Current Liabilities</b>		
Compensated absences	54,896	-
Funds held in trust	198,642	-
Financial agreements payable	2,800,652	38,190,407
<b>Total Non-Current Liabilities</b>	<b>3,054,190</b>	<b>38,190,407</b>
<b>TOTAL LIABILITIES</b>	<b>3,961,283</b>	<b>41,261,157</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
	-	-
<b>NET POSITION</b>		
Net investment in capital assets	5,602,071	3,121,914
Restricted	15,763,943	1,892,678
Unrestricted	1,016,049	421,094
<b>TOTAL NET POSITION</b>	<b>\$ 22,382,063</b>	<b>\$ 5,435,686</b>

**Kingsport Housing and Redevelopment Authority**  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended March 31, 2025

	<b>Primary Government</b>	<b>Discretely Presented Component Units</b>
<b>Operating Revenues</b>		
Rental revenues, net	\$ 651,830	\$ 4,446,438
Government grants	14,034,618	-
Other income	552,436	4,259
<b>Total Operating Revenues</b>	<b>15,238,884</b>	<b>4,450,697</b>
<b>Operating Expenses</b>		
Administration	2,272,410	988,191
Tenant services	-	2,305
Utilities	163,328	973,979
Maintenance and operations	679,935	1,185,259
Insurance expense	85,801	245,520
General expense	1,402,281	443,505
Housing Assistance Payments	10,927,245	-
Depreciation and amortization	198,753	1,534,506
<b>Total Operating Expenses</b>	<b>15,729,753</b>	<b>5,373,265</b>
<b>NET OPERATING INCOME (LOSS)</b>	<b>(490,869)</b>	<b>(922,568)</b>
<b>Non-Operating Revenues (Expenses)</b>		
Interest income	2,972	151,805
Interest expense	(162,388)	(1,064,887)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(159,416)</b>	<b>(913,082)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(650,285)</b>	<b>(1,835,650)</b>
<b>Capital Contributions and Transfers</b>		
Capital contributions	99,581	-
Transfers	-	-
<b>Total Capital Contributions and Transfers</b>	<b>99,581</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>(550,704)</b>	<b>(1,835,650)</b>
<b>BEGINNING NET POSITION</b>	<b>22,932,767</b>	<b>6,935,028</b>
Prior Period Adjustment	-	336,308
<b>ENDING NET POSITION</b>	<b>\$ 22,382,063</b>	<b>\$ 5,435,686</b>

## Kingsport Housing and Redevelopment Authority

Statement of Cash Flows  
For the Year Ended March 31, 2025

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from tenants and users	\$ 715,598
Receipts from operating grants	14,027,676
Payments for goods and services	(2,875,070)
Payments for Housing Assistance Payments	(10,927,245)
Payments to employees for services	(1,646,416)
<b>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b><u>(705,457)</u></b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital asset purchases	(99,581)
Payments on financial agreements	(321,411)
Proceeds from additional financial agreements	541,608
Capital contributions and transfers	99,581
<b>NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b><u>220,197</u></b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Proceeds from investment activities	11,581
Note receivable issued	-
<b>NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b><u>11,581</u></b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(473,679)</b>
<b>BEGINNING CASH</b>	<b>1,955,979</b>
<b>ENDING CASH</b>	<b><u>\$ 1,482,300</u></b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Operating income (loss)	\$ (490,869)
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Depreciation	198,753
Pension	-
<b>Change in Assets and Liabilities</b>	
(Increase) decrease in accounts receivable	(197,276)
(Increase) decrease in prepaid	(7,230)
Increase (decrease) in accounts payable	546,052
Increase (decrease) in accrued liabilities	(2,392)
Increase (decrease) in compensated absences	13,354
Increase (decrease) in unearned revenue	(777,256)
Increase (decrease) in deposits held in trust	11,407
<b>Total Adjustments</b>	<b><u>(214,588)</u></b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b><u>\$ (705,457)</u></b>
<b>Interest Paid</b>	<b><u>\$ 162,388</u></b>

**Kingsport Housing and Redevelopment Authority**

Combining Statement of Net Position - Business Activities

March 31, 2025

	BCU					Primary Government Total
	Housing Authority	Holston Terrace, Inc.	GKAD	Fresh Start, Inc.	Eliminations	
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and cash equivalents						
Unrestricted	\$ 779,669	\$ 24,485	\$ (12,175)	\$ 54,974	\$ -	\$ 846,953
Restricted	469,881	145,667	19,799	-	-	635,347
<b>Subtotal</b>	<b>1,249,550</b>	<b>170,152</b>	<b>7,624</b>	<b>54,974</b>	<b>-</b>	<b>1,482,300</b>
Certificates of Deposit	200,000	-	-	-	-	200,000
Accounts receivable, net	430,097	13,051	52,224	-	-	495,372
Prepaid expenses	42,061	7,803	4,661	-	-	54,525
Notes and lease receivable current	75,000	-	-	-	-	75,000
Interfund receivable	29,119	-	-	-	(29,119)	-
<b>Total Current Assets</b>	<b>2,025,827</b>	<b>191,006</b>	<b>64,509</b>	<b>54,974</b>	<b>(29,119)</b>	<b>2,307,197</b>
<b>Non-Current Assets</b>						
Notes and leases receivable	17,460,600	-	-	-	(1,987,478)	15,473,122
Intangibles, net	-	5,098	-	-	-	5,098
Capital assets not being depreciated	4,009,234	60,100	2,336,483	-	-	6,405,817
Capital assets, net	393,794	197,747	1,560,571	-	-	2,152,112
<b>Total Non-Current Assets</b>	<b>21,863,628</b>	<b>262,945</b>	<b>3,897,054</b>	<b>-</b>	<b>(1,987,478)</b>	<b>24,036,149</b>
<b>TOTAL ASSETS</b>	<b>23,889,455</b>	<b>453,951</b>	<b>3,961,563</b>	<b>54,974</b>	<b>(2,016,597)</b>	<b>26,343,346</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Kingsport Housing and Redevelopment Authority**

Combining Statement of Net Position - Business Activities

March 31, 2025

	BCU					Primary Government Total
	Housing Authority	Holston Terrace, Inc.	GKAD	Fresh Start, Inc.	Eliminations	
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	607,879	11,454	20,574	-	-	639,907
Accrued liabilities	32,280	1,271	3,629	-	-	37,180
Deposits held in trust	-	6,047	5,500	-	-	11,547
Compensated absences current	21,807	925	2,015	-	-	24,747
Unearned revenue	414	7,850	10,136	-	-	18,400
Other liabilities current	-	-	20,106	-	-	20,106
Financial agreements payable current	9,182	59,509	86,515	-	-	155,206
Interfund payable	29,119	-	-	-	(29,119)	-
<b>Total Current Liabilities</b>	<b>700,681</b>	<b>87,056</b>	<b>148,475</b>	<b>-</b>	<b>(29,119)</b>	<b>907,093</b>
<b>Non-Current Liabilities</b>						
Compensated absences	51,247	1,595	2,054	-	-	54,896
Funds held in trust	198,642	-	-	-	-	198,642
Financial agreements payable	882,122	902,193	3,002,697	1,118	(1,987,478)	2,800,652
<b>Total Non-Current Liabilities</b>	<b>1,132,011</b>	<b>903,788</b>	<b>3,004,751</b>	<b>1,118</b>	<b>(1,987,478)</b>	<b>3,054,190</b>
<b>TOTAL LIABILITIES</b>	<b>1,832,692</b>	<b>990,844</b>	<b>3,153,226</b>	<b>1,118</b>	<b>(2,016,597)</b>	<b>3,961,283</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	4,339,174	(349,919)	1,612,816	-	-	5,602,071
Restricted	15,610,024	139,620	14,299	-	-	15,763,943
Unrestricted	2,107,565	(326,594)	(818,778)	53,856	-	1,016,049
<b>TOTAL NET POSITION</b>	<b>\$ 22,056,763</b>	<b>\$ (536,893)</b>	<b>\$ 808,337</b>	<b>\$ 53,856</b>	<b>\$ -</b>	<b>\$ 22,382,063</b>

**Kingsport Housing and Redevelopment Authority**

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

For the Year Ended March 31, 2025

	BCU					Primary Government Total
	Housing Authority	Holston Terrace, Inc.	GKAD	Fresh Start, Inc.	Eliminations	
<b>Operating Revenues</b>						
Rental revenues, net	\$ -	\$ 329,628	\$ 322,202	\$ -	\$ -	\$ 651,830
Government grants	13,997,040	1,378	36,200	-	-	14,034,618
Other income	957,241	4,788	56,305	-	(465,898)	552,436
<b>Total Operating Revenues</b>	<b>14,954,281</b>	<b>335,794</b>	<b>414,707</b>	<b>-</b>	<b>(465,898)</b>	<b>15,238,884</b>
<b>Operating Expenses</b>						
Administration	2,353,550	93,657	290,433	668	(465,898)	2,272,410
Tenant services	-	-	-	-	-	-
Utilities	39,463	83,885	39,980	-	-	163,328
Maintenance and operations	99,066	105,170	475,699	-	-	679,935
Protective services	-	-	-	-	-	-
Insurance expense	80,754	2,999	2,048	-	-	85,801
General expense	969,663	9,127	423,491	-	-	1,402,281
Housing Assistance Payments	10,927,245	-	-	-	-	10,927,245
Depreciation and amortization	44,732	47,703	106,318	-	-	198,753
<b>Total Operating Expenses</b>	<b>14,514,473</b>	<b>342,541</b>	<b>1,337,969</b>	<b>668</b>	<b>(465,898)</b>	<b>15,729,753</b>
<b>OPERATING INCOME (LOSS)</b>	<b>439,808</b>	<b>(6,747)</b>	<b>(923,262)</b>	<b>(668)</b>	<b>-</b>	<b>(490,869)</b>
<b>Non-Operating Revenues (Expenses)</b>						
Interest income	10,121	1,456	4	-	(8,609)	2,972
Gains (losses) on disposition of assets, net	-	-	-	-	-	-
Interest expense	(12,056)	(43,635)	(115,306)	-	8,609	(162,388)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(1,935)</b>	<b>(42,179)</b>	<b>(115,302)</b>	<b>-</b>	<b>-</b>	<b>(159,416)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>437,873</b>	<b>(48,926)</b>	<b>(1,038,564)</b>	<b>(668)</b>	<b>-</b>	<b>(650,285)</b>
<b>Capital Contributions and Transfers</b>						
Capital contributions	99,581	-	-	-	-	99,581
Transfers	(907,593)	-	907,593	-	-	-
<b>Total Capital Contributions and Transfers</b>	<b>(808,012)</b>	<b>-</b>	<b>907,593</b>	<b>-</b>	<b>-</b>	<b>99,581</b>
<b>CHANGE IN NET POSITION</b>	<b>(370,139)</b>	<b>(48,926)</b>	<b>(130,971)</b>	<b>(668)</b>	<b>-</b>	<b>(550,704)</b>
<b>BEGINNING NET POSITION</b>	<b>22,426,902</b>	<b>(487,967)</b>	<b>939,308</b>	<b>54,524</b>	<b>-</b>	<b>22,932,767</b>
Prior Period Adjustment	-	-	-	-	-	-
<b>ENDING NET POSITION</b>	<b>\$ 22,056,763</b>	<b>\$ (536,893)</b>	<b>\$ 808,337</b>	<b>\$ 53,856</b>	<b>\$ -</b>	<b>\$ 22,382,063</b>

See Auditors' report on supplementary information

**Kingsport Housing and Redevelopment Authority**

Combining Statement of Cash Flows - Business Activities

For the Year Ended March 31, 2025

	BCU					Primary Government Total
	Housing Authority	Holston Terrace, Inc.	GKAD	Fresh Start, Inc.	Eliminations	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from tenants and users	\$ 18,926	\$ 329,563	\$ 367,109	\$ -	\$ -	\$ 715,598
Receipts from operating grants	13,990,098	1,378	36,200	-	-	14,027,676
Payments for goods and services	(1,545,733)	(244,860)	(1,083,809)	(668)	-	(2,875,070)
Payments for Housing Assistance Payments	(10,927,245)	-	-	-	-	(10,927,245)
Payments to employees for services	(1,394,436)	(70,199)	(181,781)	-	-	(1,646,416)
<b>NET CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>141,610</b>	<b>15,882</b>	<b>(862,281)</b>	<b>(668)</b>	<b>-</b>	<b>(705,457)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital asset purchases	(99,581)	-	-	-	-	(99,581)
Payments on financial agreements	(20,825)	(81,597)	(219,657)	668	-	(321,411)
Proceeds from additional financial agreements	398,572	-	143,036	-	-	541,608
Capital contributions and transfers	(808,012)	-	907,593	-	-	99,581
<b>NET CASH FLOW PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(529,846)</b>	<b>(81,597)</b>	<b>830,972</b>	<b>668</b>	<b>-</b>	<b>220,197</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from investment activities	10,121	1,456	4	-	-	11,581
Note receivable issued	-	-	-	-	-	-
<b>NET CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>10,121</b>	<b>1,456</b>	<b>4</b>	<b>-</b>	<b>-</b>	<b>11,581</b>
<b>NET INCREASE (DECREASE) IN CASH</b>	<b>(378,115)</b>	<b>(64,259)</b>	<b>(31,305)</b>	<b>-</b>	<b>-</b>	<b>(473,679)</b>
<b>BEGINNING CASH</b>	<b>1,627,665</b>	<b>234,411</b>	<b>38,929</b>	<b>54,974</b>	<b>-</b>	<b>1,955,979</b>
<b>ENDING CASH</b>	<b>\$ 1,249,550</b>	<b>\$ 170,152</b>	<b>\$ 7,624</b>	<b>\$ 54,974</b>	<b>\$ -</b>	<b>\$ 1,482,300</b>

**Kingsport Housing and Redevelopment Authority**

Combining Statement of Cash Flows - Business Activities

For the Year Ended March 31, 2025

	BCU					Primary Government Total
	Housing Authority	Holston Terrace, Inc.	GKAD	Fresh Start, Inc.	Eliminations	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 439,808	\$ (6,747)	\$ (923,262)	\$ (668)	\$ -	\$ (490,869)
<b>Non-Cash Adjustments:</b>						
Depreciation	44,732	47,703	106,318	-	-	198,753
Pension	-	-	-	-	-	-
<b>Change in Asset and Liabilities</b>						
(Increase) decrease in accounts receivable	(167,881)	(10,501)	(18,894)	-	-	(197,276)
(Increase) decrease in prepaid	4,576	(7,145)	(4,661)	-	-	(7,230)
Increase (decrease) in accounts payable	589,400	(12,827)	(30,521)	-	-	546,052
Increase (decrease) in accrued liabilities	(4,356)	202	1,762	-	-	(2,392)
Increase (decrease) in compensated absences	12,707	(451)	1,098	-	-	13,354
Increase (decrease) in unearned revenue	(787,412)	4,895	5,261	-	-	(777,256)
Increase (decrease) in deposits held in trust	10,036	753	618	-	-	11,407
Net interfunds	-	-	-	-	-	-
<b>Total Adjustments</b>	<b>(298,198)</b>	<b>22,629</b>	<b>60,981</b>	<b>-</b>	<b>-</b>	<b>(214,588)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 141,610</b>	<b>\$ 15,882</b>	<b>\$ (862,281)</b>	<b>\$ (668)</b>	<b>\$ -</b>	<b>\$ (705,457)</b>

## **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’s 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, 2025

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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, 2025, is available from the 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, 2025, is available from the 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, 2025, is available from the 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, 2024.

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 the Authority). The corporation operates a 381-unit facility. Financial information for the year ended December 31, 2024, is discretely presented in this report.

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 the Authority). Financial information for the year ended December 31, 2024, is discretely presented in this report.

## Kingsport Housing and Redevelopment Authority

Notes to Financial Statements  
For the Year Ended March 31, 2025

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Myrtle Street Management, L.P. - 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, 2024, is discretely presented in this report.

The main programs of the Authority are as follows:

- Public Housing Capital Fund Program - 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.

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.

# Kingsport Housing and Redevelopment Authority

Notes to Financial Statements  
For the Year Ended March 31, 2025

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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 Deposit**

The Authority has two Certificates of Deposit 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, 2025, was \$-.

## **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.

# Kingsport Housing and Redevelopment Authority

Notes to Financial Statements  
For the Year Ended March 31, 2025

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## 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</u>
Buildings and improvements	15-30 Years
Improvements other than buildings	15-30 Years
Furniture and equipment	3-7 Years

## 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.

## 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 \$198,753 has been recognized during the year ended March 31, 2025.

## 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.

# Kingsport Housing and Redevelopment Authority

Notes to Financial Statements  
For the Year Ended March 31, 2025

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## 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.

## 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 the year ended March 31, 2025:

<u>Name</u>	<u>Term Expires</u>	<u>Position</u>
Greg Purdue	4/30/2029	Chairman
Tony Jennings	2/28/2028	Vice-Chairman
Seth Jervis	2/28/2027	Commissioner
Stephen LaJair	4/30/2030	Commissioner
Debbie Torjilar	3/31/2026	Commissioner

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

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**Kingsport Housing and Redevelopment Authority**

Notes to Financial Statements  
For the Year Ended March 31, 2025

**NOTE 02 - CASH, CASH EQUIVALENTS, AND INVESTMENTS**

As of the year ended March 31, 2025, the Authority categorized the following breakdown:

<b>Unrestricted</b>		
Checking and Money Market accounts	\$	846,953
Subtotal		846,953
<b>Restricted</b>		
Security deposits - tenants		17,047
Family Self Sufficiency deposits		238,838
Other restricted funds		379,462
Subtotal		635,347
<b>Total Cash and Equivalents</b>		<b>\$ 1,482,300</b>
<b>Unrestricted</b>		
Certificates of Deposit initial maturity over 90 days	\$	200,000
<b>Total Investments</b>		<b>\$ 200,000</b>

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, 2025, 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, 2025, 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, 2025, 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, 2025

**NOTE 03 - ACCOUNTS RECEIVABLE**

Accounts receivable consisted of the following as of March 31, 2025:

Tenant receivables	\$	71,059
Tenant fraud recovery receivables		46,407
Allowance for receivables		<u>(11,553)</u>
Net receivable		105,913
Due from other governments		306,977
Miscellaneous receivables		<u>82,482</u>
<b>Accounts Receivable, Net</b>	<b>\$</b>	<b><u>495,372</u></b>

**NOTE 04 - CAPITAL ASSETS**

The following is a summary of changes in the net capital assets during the year ended March 31, 2025:

	<b>Balance at 04/01/24</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance at 03/31/25</b>
Capital assets not being depreciated				
Land	\$ 5,795,406	\$ -	\$ -	\$ 5,795,406
Construction in process	510,830	99,581	-	610,411
Capital assets not being depreciated	<u>6,306,236</u>	<u>99,581</u>	<u>-</u>	<u>6,405,817</u>
Capital assets being depreciated				
Buildings and improvements	4,986,199	-	-	4,986,199
Furniture and equipment	435,775	-	-	435,775
Total assets being depreciated	<u>5,421,974</u>	<u>-</u>	<u>-</u>	<u>5,421,974</u>
Buildings accumulated depreciation	(2,686,514)	(86,167)	-	(2,772,681)
Equipment accumulated depreciation	(384,595)	(112,586)	-	(497,181)
Net capital assets being depreciated	<u>2,350,865</u>	<u>(198,753)</u>	<u>-</u>	<u>2,152,112</u>
<b>Capital Assets, Net</b>	<b><u>\$ 8,657,101</u></b>	<b><u>\$ (99,172)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 8,557,929</u></b>

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

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## Kingsport Housing and Redevelopment Authority

Notes to Financial Statements  
For the Year Ended March 31, 2025

### 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 the year ended March 31, 2025, notes receivable was composed of the following:

#### Related Party Loans to Discretely Presented Component Units

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. \$ 9,621,345

#### Related Party Loans to Discretely Presented Component Units

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. 5,717,440

#### Related Party Loans to Discretely Presented Component Units

On going loans with both Riverview Place, L.P., and Myrtle Street Redevelopment, L.L.C., for operating with no repayment agreements or interest charged on the loans. 209,337

Allowance for uncollectible amount -

**Total Notes Receivable** **\$ 15,548,122**

The Authority also has intercompany loans in the amount of \$- with zero interest and no payments due that have been eliminated in the financial statements.

### NOTE 06 - OTHER NON-CURRENT LIABILITIES

As of the year ended March 31, 2025, other non-current liabilities consisted of the following:

	Balance at 04/01/24	Additions	Deletions	Balance at 03/31/25	Due within One Year
Compensated absences	\$ 66,289	\$ 13,354	\$ -	\$ 79,643	\$ 24,747
Funds held in trust	188,606	10,036	-	198,642	-
Debt	3,121,270	-	(165,412)	2,955,858	155,206
Total	<u>\$ 3,376,165</u>	<u>\$ 23,390</u>	<u>\$ (165,412)</u>	<u>\$ 3,234,143</u>	<u>\$ 179,953</u>

# Kingsport Housing and Redevelopment Authority

Notes to Financial Statements  
For the Year Ended March 31, 2025

## 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 11.69% 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. All forfeitures are used to offset current year contributions. The Authority's total payroll in fiscal year ended March 31, 2025, was \$1,692,931. The Authority's contributions were calculated using the base salary amount of \$1,473,767. Contributions to the plan totaled \$172,284. 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.

## NOTE 08 - LONG-TERM DEBT

Long-term debt consisted of the following:

### Home Trust Bank

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. \$ 63,854

### Citizens Bank GVM Mortgage

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. 509,486

### First Bank and Trust

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. 80,040

### Home Trust Bank

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. 51,738

### Bank of TN

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. 3,250

**Kingsport Housing and Redevelopment Authority**

Notes to Financial Statements  
For the Year Ended March 31, 2025

**First Community Bank**

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. 607,766

**First TN Develop. District**

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

**Powell Valley Bank**

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, 2025. Secured by real property. 1,284,783

**Bank of TN Slate House**

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, 2025. Secured by real property. 233,647

**Total Debt** **\$ 2,955,858**

The loans have the following future maturities:

<u>Year Ended March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 155,206	\$ 64,480	\$ 219,686
2027	1,731,770	58,043	1,789,813
2028	131,992	51,148	183,140
2029	139,182	43,913	183,095
2030	146,376	36,265	182,641
2031	2035	552,721	74,520
2036	2040	98,611	2,439
	<u>\$ 2,955,858</u>	<u>\$ 330,808</u>	<u>\$ 3,286,666</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 not being depreciated	\$ 6,405,817
Capital assets, net	2,152,112
Related debt	<u>(2,955,858)</u>
<b>Net Investment in Capital Assets</b>	<b><u><u>\$ 5,602,071</u></u></b>
Restricted cash	\$ 635,347
Notes receivable from RAD sale	15,338,785
Security deposit liability	(198,642)
FSS escrow liability	<u>(11,547)</u>
<b>Restricted Net Position</b>	<b><u><u>\$ 15,763,943</u></u></b>

**Kingsport Housing and Redevelopment Authority**

Notes to Financial Statements  
For the Year Ended March 31, 2025

**NOTE 10 - 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
<b>Condensed Statement of Net Position</b>				
Current assets	\$ 2,025,827	\$ 310,489	\$ (29,119)	\$ 2,307,197
Capital assets	4,403,028	4,154,901	-	8,557,929
Other assets	17,460,600	5,098	(1,987,478)	15,478,220
<b>Total Assets</b>	<b>23,889,455</b>	<b>4,470,488</b>	<b>(2,016,597)</b>	<b>26,343,346</b>
Deferred outflow of resources	-	-	-	-
Current liabilities	700,681	235,531	(29,119)	907,093
Noncurrent liabilities	1,132,011	3,909,657	(1,987,478)	3,054,190
<b>Total Liabilities</b>	<b>1,832,692</b>	<b>4,145,188</b>	<b>(2,016,597)</b>	<b>3,961,283</b>
Deferred inflow of resources	-	-	-	-
Net investment in capital assets	4,339,174	1,262,897	-	5,602,071
Restricted net position	15,610,024	153,919	-	15,763,943
Unrestricted net position	2,107,565	(1,091,516)	-	1,016,049
<b>Net Position</b>	<b>\$ 22,056,763</b>	<b>\$ 325,300</b>	<b>\$ -</b>	<b>\$ 22,382,063</b>

**Condensed Statement of Revenues, Expenses and Change in Net Position**

Operating revenues	\$ 14,954,281	\$ 750,501	\$ (465,898)	\$ 15,238,884
Depreciation expense	(44,732)	(154,021)	-	(198,753)
Other operating expenses	(14,469,741)	(1,527,157)	465,898	(15,531,000)
<b>Operating Income (Loss)</b>	<b>439,808</b>	<b>(930,677)</b>	<b>-</b>	<b>(490,869)</b>
Nonoperating revenues	10,121	1,460	(8,609)	2,972
Nonoperating expenses	(12,056)	(158,941)	8,609	(162,388)
<b>Nonoperating Revenue (Expense)</b>	<b>(1,935)</b>	<b>(157,481)</b>	<b>-</b>	<b>(159,416)</b>
<b>Income (Loss) Before Transfers and Capital Contributions</b>	<b>437,873</b>	<b>(1,088,158)</b>	<b>-</b>	<b>(650,285)</b>
Transfers	(907,593)	907,593	-	-
Capital contributions	99,581	-	-	99,581
<b>Change in Net Position</b>	<b>(370,139)</b>	<b>(180,565)</b>	<b>-</b>	<b>(550,704)</b>
Net position, beginning of year	22,426,902	505,865	-	22,932,767
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Net position, end of year	<b>\$ 22,056,763</b>	<b>\$ 325,300</b>	<b>\$ -</b>	<b>\$ 22,382,063</b>

**Condensed Statement of Cash Flows**

Net cash flows provided/(used) by operating activities	\$ 141,610	\$ (847,067)	\$ -	\$ (705,457)
Net cash flows provided/(used) by capital and related financing activities	(529,846)	750,043	-	220,197
Net cash flows provided/(used) by investing activities	10,121	1,460	-	11,581
Net increase/(decrease) in cash and cash equivalents	(378,115)	(95,564)	-	(473,679)
Cash, beginning of year	1,627,665	328,314	-	1,955,979
Cash, end of year	<b>\$ 1,249,550</b>	<b>\$ 232,750</b>	<b>\$ -</b>	<b>\$ 1,482,300</b>

**NOTE 11 - 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 12 - 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, 2025.

**NOTE 13 - 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, 2025, amounted to \$216,845.34.

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

**NOTE 14 - 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 15 - 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.

**NOTE 16 - SUBSEQUENT EVENTS**

Management evaluated the activity of the Authority through September 23, 2025, (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.

**Kingsport Housing and Redevelopment Authority**

Schedule of Expenditures of Federal Awards

For the Year Ended March 31, 2025

	<b>Assistance Listing Number(s)</b>	<b>Award Type</b>	<b>Expenditures</b>
<b>U.S. Department of HUD</b>			
Housing Choice Vouchers	14.871	Direct	\$ 11,035,578
<b>Total Housing Voucher Center Cluster</b>			<b>11,035,578</b>
Housing Opportunities of Persons with AIDS	14.241	Direct	440,087
Public Housing Capital Fund Program	14.872	Direct	99,581
Emergency Solutions Grant Program	14.231	Direct	907,593
Continuum of Care Program	14.267	Direct	704,364
PIH Family Self-Sufficiency Program	14.896	Direct	128,893
<b>Totals U.S. Department of HUD</b>			<b>13,316,096</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 13,316,096</b>
 <b>Award Type</b>			
Direct			\$ 13,316,096
Indirect			\$ -

## Kingsport Housing and Redevelopment Authority

Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended March 31, 2025

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### **NOTE 01 - SCOPE OF PRESENTATION**

The accompanying schedule presents the expenditures incurred (and related awards received) by 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 02 - 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. The information in this schedule is presented in accordance with the requirements of Uniform Guidance, *Audit of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

### **NOTE 03 - INDIRECT COST RATE**

The Authority elected not 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, 2025

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

<b>Grant</b>	<b>Funds Approved</b>	<b>Funds Disbursed</b>	<b>Funds Expended</b>	<b>Balance Unspent</b>
<i>TN43P007501-20</i>	\$ 649,838	\$ 646,238	\$ 646,238	\$ 3,600
<i>TN43P007501-21</i>	\$ 684,337	\$ 684,337	\$ 205,300	\$ 479,037
<i>TN43P007501-22</i>	\$ 833,207	\$ 167,237	\$ 167,237	\$ 665,970

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 - Discretely Presented Component Units

March 31, 2025

	Riverview Place, L.P.	Myrtle St. Management, L.L.C.	Myrtle St. Redevelopment, L.L.C.	DPCU Total
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents				
Unrestricted	\$ 150,527	\$ 2,700,119	\$ 422	\$ 2,851,068
Restricted	18,097	1,964,958	-	1,983,055
<b>Subtotal</b>	<b>168,624</b>	<b>4,665,077</b>	<b>422</b>	<b>4,834,123</b>
Certificates of Deposit	-	-	-	-
Accounts receivable, net	41,569	167,499	-	209,068
Prepaid expenses	13,207	305,370	-	318,577
Notes and lease receivable current	-	-	-	-
Interfund receivable	-	-	-	-
<b>Total Current Assets</b>	<b>223,400</b>	<b>5,137,946</b>	<b>422</b>	<b>5,361,768</b>
<b>Non-Current Assets</b>				
Notes and leases receivable	-	-	-	-
Intangibles, net	(40,398)	228,985	-	188,587
Capital assets not being depreciated	920,802	-	-	920,802
Capital assets, net	4,663,411	35,562,275	-	40,225,686
<b>Total Non-Current Assets</b>	<b>5,543,815</b>	<b>35,791,260</b>	<b>-</b>	<b>41,335,075</b>
<b>TOTAL ASSETS</b>	<b>5,767,215</b>	<b>40,929,206</b>	<b>422</b>	<b>46,696,843</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	-	-	-	-

**Kingsport Housing and Redevelopment Authority**

Combining Statement of Net Position - Discretely Presented Component Units

March 31, 2025

	Riverview Place, L.P.	Myrtle St. Management, L.L.C.	Myrtle St. Redevelopment, L.L.C.	DPCU Total
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts payable	28,859	523,786	-	552,645
Accrued liabilities	500	1,841,443	-	1,841,943
Deposits held in trust	6,930	83,447	-	90,377
Compensated absences current	-	-	-	-
Unearned revenue	373	14,665	-	15,038
Other liabilities current	313,450	69,213	-	382,663
Financial agreements payable current	-	188,084	-	188,084
Interfund payable	-	-	-	-
<b>Total Current Liabilities</b>	<b>350,112</b>	<b>2,720,638</b>	<b>-</b>	<b>3,070,750</b>
<b>Non-Current Liabilities</b>				
Compensated absences	-	-	-	-
Funds held in trust	-	-	-	-
Financial agreements payable	4,100,098	34,086,516	3,793	38,190,407
<b>Total Non-Current Liabilities</b>	<b>4,100,098</b>	<b>34,086,516</b>	<b>3,793</b>	<b>38,190,407</b>
<b>TOTAL LIABILITIES</b>	<b>4,450,210</b>	<b>36,807,154</b>	<b>3,793</b>	<b>41,261,157</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,484,115	1,637,799	-	3,121,914
Restricted	11,167	1,881,511	-	1,892,678
Unrestricted	(178,277)	602,742	(3,371)	421,094
<b>TOTAL NET POSITION</b>	<b>\$ 1,317,005</b>	<b>\$ 4,122,052</b>	<b>\$ (3,371)</b>	<b>\$ 5,435,686</b>

**Kingsport Housing and Redevelopment Authority**

Combining Statement of Revenues, Expenses, and Changes in Net Position - Discretely Presented Component Units  
For the Year Ended March 31, 2025

	Riverview Place, L.P.	Myrtle St. Management, L.L.C.	Myrtle St. Redevelopment, L.L.C.	DPCU Total
<b>Operating Revenues</b>				
Rental revenues, net	\$ 276,158	\$ 4,170,280	\$ -	\$ 4,446,438
Government grants	-	-	-	-
Other income	675	3,584	-	4,259
<b>Total Operating Revenues</b>	<b>276,833</b>	<b>4,173,864</b>	<b>-</b>	<b>4,450,697</b>
<b>Operating Expenses</b>				
Administration	63,328	924,503	360	988,191
Tenant services	850	1,455	-	2,305
Utilities	130,656	843,323	-	973,979
Maintenance and operations	138,925	1,046,334	-	1,185,259
Protective services	-	-	-	-
Insurance expense	32,615	212,905	-	245,520
General expense	11,215	432,290	-	443,505
Housing Assistance Payments	-	-	-	-
Depreciation and amortization	232,659	1,301,847	-	1,534,506
<b>Total Operating Expenses</b>	<b>610,248</b>	<b>4,762,657</b>	<b>360</b>	<b>5,373,265</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(333,415)</b>	<b>(588,793)</b>	<b>(360)</b>	<b>(922,568)</b>
<b>Non-Operating Revenues (Expenses)</b>				
Interest income	81	151,724	-	151,805
Gains (losses) on disposition of assets, net	-	-	-	-
Interest expense	-	(1,064,887)	-	(1,064,887)
<b>Total Non-Operating Revenues (Expenses)</b>	<b>81</b>	<b>(913,163)</b>	<b>-</b>	<b>(913,082)</b>
<b>INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<b>(333,334)</b>	<b>(1,501,956)</b>	<b>(360)</b>	<b>(1,835,650)</b>
<b>Capital Contributions and Transfers</b>				
Capital contributions	-	-	-	-
Transfers	-	-	-	-
<b>Total Capital Contributions and Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>(333,334)</b>	<b>(1,501,956)</b>	<b>(360)</b>	<b>(1,835,650)</b>
<b>BEGINNING NET POSITION</b>	<b>1,650,339</b>	<b>5,287,700</b>	<b>(3,011)</b>	<b>6,935,028</b>
Prior Period Adjustment	-	336,308	-	336,308
<b>ENDING NET POSITION</b>	<b>\$ 1,317,005</b>	<b>\$ 4,122,052</b>	<b>\$ (3,371)</b>	<b>\$ 5,435,686</b>

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## **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, combining schedule-business activities, and aggregate discretely presented component units of Kingsport Housing and Redevelopment Authority (the Authority) as of and for the year ended March 31, 2025, 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 23, 2025. 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 the 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 Authority's internal control.

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

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



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

As part of obtaining reasonable assurance about whether Kingsport Housing and Redevelopment Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed 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 questioned costs* as items **Finding 2025-003**.

### **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 costs*. 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 Authority's control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

September 23, 2025

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## **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 in Accordance with the Uniform Guidance**

#### **Independent Auditors' 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, 2025. 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, 2025.

###### **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.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as **Finding 2025-001 and Finding 2025-002**. Our opinion on each major federal program is not modified with respect to these matters. *Government Auditing Standards* requires the auditor to perform limited procedures on Kingsport Housing and Redevelopment Authority's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Kingsport Housing and Redevelopment Authority's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

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.



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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as **Finding 2025-001 and Finding 2025-002**, to be significant deficiencies.

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

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 23, 2025

**Kingsport Housing and Redevelopment Authority**

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2025

**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:

<b>ALN(s)</b>	<b>Name of Federal Program or Cluster</b>
<b>14.871</b>	<b>Housing Choice Vouchers</b>
<b>14.231</b>	<b>Emergency Solutions Grant Program</b>

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

Auditee qualified as a low-risk auditee

**Kingsport Housing and Redevelopment Authority**

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2025

**Section II Financial Statement Findings**

		<b>Internal Control</b>	<b>Significant Deficiency</b>
<b>2025-003</b>	<b>Unearned Funds</b>		
<b>Criteria</b>	The U.S. Department of Housing and Urban Development Capital Fund Guidebook 2016 states that the PHA can draw funds up to, but not more than, 3 days in advance of a valid expense and should draw the amount needed to cover such costs.		
<b>Condition</b>	The PHA did not spend CFP money that was drawn down within the 3 day window. The funds are unspent as of the completion of the audit.		
<b>Context</b>	The Authority located an affordable housing project to use the development funds on, obtained HUD approval and drew down the \$497,303 to purchase the project. After drawing the funds but before executing the purchase HUD notified the Authority the project did not qualify as a development expenses.		
<b>Cause</b>	The Authority obtained approval and drew funds but before the sale closed HUD disqualified the expense.		
<b>Effect</b>	The CFP funds remain in unspent and unearned until a qualified expense be located.		
<b>Recommendations</b>	Establish proper CFP procedures to ensure proper handling of CFP draw downs. Funds drawn after payment or very near payment date of related purchases.		
<b>Questioned Costs</b>	None.		
<b>Management Views</b>	Management agrees and has a Corrective Action Plan identifying steps to resolve this finding.		

**Kingsport Housing and Redevelopment Authority**

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2025

**Section III Federal Awards Findings**

**US Department of Housing and Urban Development**

**Direct Award**

<b>Program Name</b>	<b>Housing Choice Vouchers</b>	<b>Internal Control</b>	<b>Significant Deficiency</b>
<b>ALN(s)</b>	<b>14.871</b>	<b>N</b>	<b>Special Tests</b>

**2025-001**                      **HQS Enforcement**

**Questioned Costs**      The exact monetary impact needs further investigation to determine the amount of HAP that should have been abated for the period of non-compliance.

**Criteria**                      HUD requires that all units under the Housing Choice Vouchers Program meet specific Housing Quality Standards (HQS). In cases of failed inspections, timely re-inspections are mandatory, and if compliance is not achieved, abatement of Housing Assistance Payments (HAP) or voucher cancellation is required.

**Condition**                      During the audit, it was noted that in seven (7) instances, a unit that failed its HQS inspection did not undergo a subsequent re-inspection or no inspection was documented. Consequently, the required abatement of HAP or cancellation of the housing voucher was not executed.

**Context**                      This finding represents a potentially systemic issue within the Housing Voucher Cluster program, as it was identified in seven (7) files tested out of a sample of eight (8) cases. It highlights a need for more rigorous enforcement and monitoring of HQS compliance.

**Cause**                      The non-compliance appears to stem from oversight or procedural lapses in the enforcement of HQS within the Housing Voucher Cluster program. This may be due to inadequate training, monitoring, or failure to adhere to established protocols.

**Effect**                      This non-compliance undermines the integrity of the Housing Choice Vouchers Program and may lead to tenants living in substandard conditions. It also represents a risk of improper use of federal funds and can impact the credibility and effectiveness of the program.

**Recommendations**      Implement more stringent procedures for monitoring HQS compliance, including timely reinspection and enforcement of HAP abatement or voucher cancellation. Enhance training for staff involved in the HQS process to ensure a thorough understanding of compliance requirements. Establish a system of regular audits to identify and rectify lapses in HQS enforcement promptly.

**Management Views**      The auditee acknowledges the deficiency in enforcing Housing Quality Standards (HQS) as highlighted in the finding. In response to this issue, Management commits to implementing a comprehensive Corrective Action Plan.

**Kingsport Housing and Redevelopment Authority**

Schedule of Findings and Questioned Costs

For the Year Ended March 31, 2025

<b>Program Name</b>	<b>Housing Choice Vouchers</b>	<b>Internal Control</b>	<b>Significant Deficiency</b>
<b>ALN(s)</b>	<b>14.871</b>	<b>N</b>	<b>Special Tests</b>
<b>2025-002</b>	<b>Utilities Allowance Calculation</b>		
<b>Questioned Costs</b>	None.		
<b>Criteria</b>	In accordance with the 2014 Appropriations Act Section 242, the utility allowance for a family shall be the lower of: (1) The utility allowance amount for the family unit size; or (2) the utility allowance amount for the unit size of the unit rented by the family. However, upon the request of a family that includes a person with disabilities, the PHA must approve a utility allowance higher than the applicable amount if such a higher utility allowance is needed as a reasonable accommodation in accordance with HUD's regulations in 24 CFR part 8 to make the program accessible to and usable by the family member with a disability. This provision applies only to vouchers issued after the effective date of this notice (June 12, 2014) and to current program participants. For current program participants, a PHA must implement the new allowance at the family's next annual reexamination, provided that the PHA is able to provide a family with at least 60 days notice prior to the reexamination.		
<b>Condition</b>	During the audit, we noted multiple HUD Forms 50058 had utility allowances calculated not in accordance with the above criteria.		
<b>Context</b>	The Authority had approximately 230 new admissions during the fiscal year. Of these, we reviewed 24 individual utility allowances which were calculate for the tenants and found 3 instances of non-compliance.		
<b>Cause</b>	Software conversion in prior year has several tenant units marked as manufactured home however the tenant is living in a unit that is not a manufactured home. The Authority staff did not correct the unit type and thereby the utility allowance was incorrectly calculated.		
<b>Effect</b>	The Authority was in violation of the Federal Regulation which resulted in errors in calculating Housing Assistance Payments (HAP) and utility reimbursement payments.		
<b>Recommendations</b>	We recommend that Management implement procedures to ensure compliance with the above regulations as it relates to the Section 8 Housing Choice Voucher Program.		
<b>Management Views</b>	The auditee acknowledges the deficiency as highlighted in the finding. In response to this issue, Management commits to implementing a comprehensive Corrective Action Plan.		

**Kingsport Housing and Redevelopment Authority**  
 Summary Schedule of Prior Year Findings and Questioned Costs  
 For the Year Ended March 31, 2025

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**Financial Statement Findings**

Prior Year Findings Number	Findings Title	Status/Current Year Findings 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 Findings Number
2024-001	Housing Quality Standards Inspection/HQS Enforcement (original finding #2024-001)	Repeated 2025-001

**MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Finding 2025-001 – HQS Enforcement**

**Corrective Action Plan:**

The Housing Authority has corrected the procedural issues and does not anticipate this being a repeated finding in future audits. The authority has employed a full time inspector and is in the process of hiring an additional employee to serve as back up for this position

**Person Responsible:**

HCV Department  
423-245-0135

**Anticipated Completion Date:**

December 31, 2025

*Dynna Kueper*  
Signature

*Director of Finance*  
Title

*9/17/2025*  
Date



**MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Finding 2025-002 – Utilities Allowance Calculation**

**Corrective Action Plan:**

The Housing Authority has corrected the procedural issues and has enforced with additional training with the HCV Staff the importance of the calculation.

**Person Responsible:**

HCV Department  
423-245-0135

**Anticipated Completion Date:**

December 31, 2025

Bryna Kueppu  
Signature

Director of Finance  
Title

9/17/2025  
Date



**MANAGEMENT'S CORRECTIVE ACTION PLAN**

**Finding 2025-003 – Unearned Funds**

**Corrective Action Plan:**

The Housing Authority is in the process of hiring a Developer for the Lee Project and the funds drawn in error will be applied to this project.

**Person Responsible:**

Executive Director  
423-245-0135

**Anticipated Completion Date:**

December 31, 2025

Betha Kugler  
Signature

Director of Finance  
Title

01/17/2025  
Date



**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 09/30/2027

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

I, Paul Montgomery, the Mayor of Kingsport  
*Official's Name* *Official's Title*

certify that the 5-Year PHA Plan for fiscal years **2026-2030** and/or Annual PHA Plan for fiscal year **2026** of the **TN006 - Kingsport Housing and Redevelopment Authority** is consistent with the  
*PHA Name*

Consolidated Plan or State Consolidated Plan including any applicable fair housing goals or strategies to:

**City of Kingsport**

*Local Jurisdiction Name*

pursuant to 24 CFR Part 91 and 24 CFR Part 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/We, the undersigned, certify under penalty of perjury that the information provided above is true and correct. WARNING: Anyone who knowingly submits a false claim or makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. §§ 287, 1001, 1010, 1012, 1014; 31 U.S.C. §3729, 3802).

Name of Authorized Official: <b>Paul Montgomery</b>	Title: <b>Mayor of Kingsport</b>
Signature:	Date:

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. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to the Reports Management Officer, REE, Department of Housing and Urban Development, 451 7th Street, SW, Room 4176, Washington, DC 20410-5000. When providing comments, please refer to OMB Approval No. 2577-0226. 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 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.

**Form identification:** TN006 - Kingsport Housing and Redevelopment Authority form HUD-50077-SL (Form ID - 6026) printed by Casey Begley in HUD Secure Systems/Public Housing Portal at 06/05/2026 12:17PM EST

**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 09/30/2027**

**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 X 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 04/2026, in which the PHA receives assistance under 42 U.S.C. 1437f and/or 1437g 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 signed certification by the appropriate State or local official (form HUD-50077-SL) that the Plan is consistent with the applicable Consolidated Plan, which includes any applicable fair housing goals or strategies, for the PHA's jurisdiction and a description of the way 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 Resident Advisory Board (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 way 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. Where possible, PHAs should make documents available electronically, for public inspection upon request.
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. The PHA ensured all notices and meetings provided effective communication with persons with disabilities and further provided meaningful language access for persons with Limited English Proficiency (LEP).
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.), the Violence Against Women Act (34 U.S.C. § 12291 et seq.), and other applicable civil rights requirements, and that it will affirmatively further fair housing in the administration of all HUD programs. In addition, if it administers a Housing Choice Voucher Program, the PHA certifies that it will administer the program in conformity with Title VI of the Civil Rights Act of 1964, the Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, Title II of the Americans with Disabilities Act, the Violence Against Women Act, and other applicable civil rights requirements, and that it will affirmatively further fair housing in the administration of all HUD programs.
7. The PHA will affirmatively further fair housing, in compliance with the Fair Housing Act, 24 CFR § 5.150 et seq., 24 CFR § 903.7(o), and 24 CFR § 903.15, which means that it will take meaningful actions, in addition to combating discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. Specifically, affirmatively furthering fair housing means taking meaningful actions that, taken together, address significant disparities in housing needs and in access to opportunity, replacing segregated living patterns with truly integrated and balanced living

patterns, transforming racially or ethnically concentrated areas of poverty into areas of opportunity, and fostering and maintaining compliance with civil rights and fair housing laws (24 CFR § 5.151). Pursuant to 24 CFR § 903.15(c)(2), a PHA's policies should be designed to reduce the concentration of tenants and other assisted persons by race, national origin, and disability. PHA policies should include affirmative steps stated in 24 CFR § 903.15(c)(2)(i) and 24 CFR § 903.15(c)(2)(ii). Furthermore, under 24 CFR § 903.7(o), a PHA must submit a civil rights certification with its Annual and 5-year PHA Plans, except for qualified PHAs who submit the Form HUD-50077-CR as a standalone document. The PHA certifies that it will take no action that is materially inconsistent with its obligation to affirmatively further fair housing.

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 and/or its successor system: the Housing Information Portal (HIP) 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 based on age pursuant to the Age Discrimination Act of 1975.
10. In accordance with the Fair Housing Act, the PHA will not base a determination of eligibility for housing on marital status and will not otherwise discriminate because of sex.
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' for people with physical disabilities.
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 the acquisition and relocation requirements of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 and implement the 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 200.302 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 always be available at 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 and, where possible, should be made available for public inspection in an electronic format.

22. The PHA certifies that it is following all applicable Federal statutory and regulatory requirements, including the Declaration of Trust(s).

**Kingsport Housing and Redevelopment Authority**

**TN006**

PHA Name

PHA Number/HA Code

X Annual PHA Plan for Fiscal Year **2026**

   5-Year PHA Plan for Fiscal Years 20-20

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Name of Executive Director: <b>MR Terry Cunningham</b>		Name of Board Chairman: <b>John Gregory Perdue Jr.</b>	
Signature:	Date:	Signature:	Date:

This information is collected to ensure compliance with PHA Plan, Civil Rights, and related laws and regulations including PHA plan elements that have changed.

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