

**HOUSING AUTHORITY OF THE
CITY OF NEW BERN**

**FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

YEAR ENDED DECEMBER 31, 2023

HOUSING AUTHORITY OF THE CITY OF NEW BERN
New Bern, North Carolina

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Housing Authority of the City of New Bern
New Bern, North Carolina

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Housing Authority of the City of New Bern (the Authority), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as December 31, 2023, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The Schedule of Revenue and Expenditures – Budget to Actual, Financial Data Schedule, and 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*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue and Expenditures – Budget to Actual, Financial Data Schedule, and Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30 2024, on our consideration of the 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 the 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 the Authority's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style.

Bethesda, Maryland
September 30, 2024

**HOUSING AUTHORITY OF THE CITY OF NEW BERN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the Housing Authority of the City of New Bern, North Carolina (the "Authority") offers readers of the Authority's financial statements this management's discussion and analysis to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position, and (d) identify individual fund issues or concerns for the year ended December 31, 2023.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, we encourage readers to read it in conjunction with Authority's financial statements, which follow this narrative.

Financial Highlights

- Net Position increased by \$447,941 (or 3.5%) to \$13,239,091 as compared to December 31, 2022. Included in this net increase is a \$284,879 (or 5.39%) decrease in Net Investment in Capital Assets and a \$732,820 (or 9.77%) increase in Unrestricted Net Assets.
- Year over year operating revenue increased by \$447,228 (or 17.79%) as compared to the 2022 year, resulting in a net loss from operations of \$149,085 for the year ended December 31, 2023. The decrease in operating loss is the result of a \$447,228 (or 17.79%) increase in operating revenues and a \$119,155 (or 3.98%) increase in operating expenses.
- Current Assets increased by \$576,526 as compared to December 31, 2022, resulting in Total Current Assets of \$6,212,598, while Current Liabilities increased by \$50,446, resulting in Total Current Liabilities of \$170,922. These amounts result in a current ratio of 36.35 as of December 31, 2023.

Overview of the Financial Statements

The Authority's annual report consist of three major components: 1) the "Management's Discussion and Analysis (MD&A)", 2) "Basic Financial Statements", and 3) "Supplementary Information". Because the Authority is a special-purpose government entity engaged in business-type activities only, the financial statements are presented in accordance with paragraph 138 of GASB Statement 34. In addition to the management's discussion and analysis, management has prepared the Statement of Net Position, the Statement of Revenues, Expenses and Change in Net Position, the Statement of Cash Flows, and Notes to the Financial Statements following the MD&A.

The Statement of Net Position, which is similar to a Balance Sheet, reports all financial and capital resources for the Authority. The statement is presented in the format where assets minus liabilities, equals "Net Position", formerly known as equity. Assets and liabilities are classified as "Current" (convertible within one year) and "Non-Current".

The focus of the Statement of Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is reported in three broad categories, Net investment in capital assets, Restricted, and Unrestricted.

Net investment in capital assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

**HOUSING AUTHORITY OF THE CITY OF NEW BERN, NORTH CAROLINA
MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023**

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors, grantors, contributors, laws, regulations, etc. The Authority had \$-0- in Restricted Net Position as of December 31, 2023.

Unrestricted Net Position consists of amounts that do not meet the definition of “Net investment in capital assets”, or “Restricted”.

The Statement of Revenues, Expenses, and Changes in Net Position, which is similar to an Income Statement, includes Operating Revenues such as rental income and operating grant revenue, Operating Expenses such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue and Expenses, such as capital grant revenue, investment income, and interest expense.

The Statement of Cash Flows discloses net cash provided by, or used for operating activities, non-capital financing activities, from capital and related financing activities, and from investing activities.

In addition to the financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Authority.

Overview of the Authority

The Housing Authority of the City of New Bern’s primary mission is to provide affordable low-income housing to those eligible in the City of New Bern area as determined by the US Department of Housing and Urban Development (HUD). The Authority’s operations and capital fund programs are funded almost entirely through rental fees and subsidies received from HUD.

Fund Financial Statements

The financial statements are presented on the fund basis. The fund financial statements provide a more detailed look at the Authority’s most significant activities by focusing on the individual activities of the major funds. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance, or non-compliance, with finance related legal requirements, such as the General Statutes (G.S.), the Authority’s budget ordinance, or applicable HUD guidelines. The focus is now on the activities of the major funds, and not on the type of fund. The Authority maintains several different sets of program-level accounting records based on program activities as required by HUD and for accountability and control. All of the Authority’s programs are accounted for as a single enterprise fund which uses the full accrual basis of accounting and account for the Authority’s activities in a manner similar to a for-profit business.

Notes to the Financial Statements

The next section of the financial statements is the notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. After the notes, supplemental information is provided to show other financial information about the Authority’s individual programs.

Other Information

In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information required by the US Department of Housing and Urban Development.

**HOUSING AUTHORITY OF THE CITY OF NEW BERN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023**

**The Authority's Net Position
Figure 1**

	<u>2023</u>	<u>2022</u>	<u>Net Change</u>
Assets:			
Current Assets	\$ 6,212,598	\$ 5,636,072	\$ 576,526
Capital Assets	5,075,680	5,387,736	(312,056)
Non-Current Assets	<u>6,937,680</u>	<u>6,784,268</u>	<u>153,412</u>
Total Assets	<u>\$ 18,225,958</u>	<u>\$ 17,808,076</u>	<u>\$ 417,882</u>
Liabilities and Deferred Inflows of Resources:			
Current Liabilities	\$ 170,922	\$ 120,476	\$ 50,446
Noncurrent Liabilities	547,485	579,253	(31,768)
Deferred Inflows of Resources	<u>4,268,460</u>	<u>4,317,197</u>	<u>(48,737)</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,986,867</u>	<u>5,016,926</u>	<u>(30,059)</u>
Net Position:			
Net Investment in Capital Assets	5,002,526	5,287,405	(284,879)
Unrestricted	<u>8,236,565</u>	<u>7,503,745</u>	<u>732,820</u>
Total Net Position	<u>13,239,091</u>	<u>12,791,150</u>	<u>447,941</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 18,225,958</u>	<u>\$ 17,808,076</u>	<u>\$ 417,882</u>

Net Position may serve over time as one useful indicator of an organization's financial condition. The assets of the Authority exceeded liabilities by \$13,239,091 as of December 31, 2023. The Authority's Net Position increased by \$447,941 for the year ended December 31, 2023. The net investment in capital assets portion of Net Position reflects the Authority's investment in capital assets (e.g. Land, buildings and improvements, furniture and equipment, and vehicles), less any outstanding debt issued to acquire those items. The Authority uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**HOUSING AUTHORITY OF THE CITY OF NEW BERN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023**

**Authority's Changes in Net Position
Figure 2**

	<u>2023</u>	<u>2022</u>	<u>Net Change</u>
Revenue:			
HUD Operating Grants & Subsidy	\$ 1,943,457	\$ 1,433,326	\$ 510,131
Tenant Revenue	874,634	719,482	155,152
Other Income	142,723	360,778	(218,055)
Total Operating Revenue	<u>2,960,814</u>	<u>2,513,586</u>	<u>447,228</u>
Expenses:			
Administration	1,063,873	560,538	503,335
Resident Services	1,966	2,132	(166)
Utilities	428,085	425,193	2,892
Maintenance	566,752	646,305	(79,553)
Protective Services	-	2,457	(2,457)
General Expense	292,444	635,621	(343,177)
Depreciation & Amortization	756,779	718,498	38,281
Total Expenses	<u>3,109,899</u>	<u>2,990,744</u>	<u>119,155</u>
Operating Income (Loss)	(149,085)	(477,158)	328,073
Non Operating Revenues (Expenses):			
Interest Income	157,579	153,704	3,875
Interest Expense	(5,273)	-	(5,273)
Gain on Sale of Capital Assets	-	13,007	(13,007)
HUD Capital Grants	444,720	356,924	87,796
Change in Net Position	447,941	46,477	401,464
Net Position, Beginning of Year	<u>12,791,150</u>	<u>12,744,673</u>	<u>46,477</u>
Net Position, End of Year	<u>\$ 13,239,091</u>	<u>\$ 12,791,150</u>	<u>\$ 447,941</u>

**HOUSING AUTHORITY OF THE CITY OF NEW BERN, NORTH CAROLINA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2023**

Capital Assets

The Authority's investment in capital assets as of December 31, 2023, totals \$5,075,680 (net of accumulated depreciation). These assets include land, buildings and improvements, right of use assets, furniture, equipment and vehicles.

**Authority's Capital Assets
Figure 3**

	2023	2022
Land	\$ 479,023	\$ 479,023
Buildings and improvements	30,077,501	29,645,920
Right of use asset	67,791	95,725
Furniture and equipment	811,006	797,865
Accumulated depreciation	(26,359,641)	(25,630,797)
	\$ 5,075,680	\$ 5,387,736

Additional information on the Authority's capital assets can be found in Note 2 of the basic financial statements.

Economic Factors

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary, and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on supplies and other costs

Requests for Information

This report is designed to provide an overview of the Authority's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to:

Executive Director
Housing Authority of the City of New Bern
P.O. Box 1486
New Bern, North Carolina 28563

NEW BERN HOUSING AUTHORITY
New Bern, North Carolina

STATEMENT OF NET POSITION
December 31, 2023

ASSETS

CURRENT ASSETS:

Cash and cash equivalents - unrestricted	\$ 5,759,467
Cash and cash equivalents - restricted	41,998
Accounts receivable - tenants, net	31,950
Accounts receivable - HUD	308,925
Accounts receivable - other	33,257
Fraud recovery	8,609
Prepaid expenses	14,975
Inventory, net	<u>13,417</u>
 Total current assets	 <u>6,212,598</u>

NONCURRENT ASSETS:

Notes and mortgage receivable	5,930,542
Accrued interest receivable	1,007,138
Capital assets, net	<u>5,075,680</u>
 Total noncurrent assets	 <u>12,013,360</u>

Total assets

18,225,958

LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

CURRENT LIABILITIES:

Accounts payable	\$ 64,949
Tenant security deposits	41,998
Unearned revenue	11,097
Accrued liabilities	22,702
Accrued compensated absences, current	3,368
Lease liability, current	<u>26,808</u>
Total current liabilities	<u>170,922</u>

NONCURRENT LIABILITIES:

Notes payable, less current portion	500,000
Lease liability, less current portion	46,346
Accrued compensated absences, less current portion	<u>1,139</u>

Total noncurrent liabilities

547,485

Total liabilities

718,407

DEFERRED INFLOWS OF RESOURCES:

Prepaid ground lease, net	<u>4,268,460</u>
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NET POSITION:

Invested in capital assets, net of related debt	5,002,526
Unrestricted net position	<u>8,236,565</u>

Total net position

13,239,091

Total liabilities, deferred inflows of resources and net position

\$18,225,958

The accompanying notes are an integral part of these financial statements.

NEW BERN HOUSING AUTHORITY
New Bern, North Carolina

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

Operating Revenues	
HUD operating revenue	\$ 1,943,457
Tenant revenue	874,634
Other revenue	<u>142,723</u>
 Total operating revenue	 <u>2,960,814</u>
 Operating Expenses	
Administrative	1,063,873
Tenant services	1,966
Utilities	428,085
Maintenance and operations	566,752
General expenses	292,444
Depreciation	<u>756,779</u>
 Total operating expenses	 <u>3,109,899</u>
 Operating income (loss)	 <u>(149,085)</u>
 Non Operating Revenues (Expenses)	
Interest income	157,579
Interest expense	<u>(5,273)</u>
 Total non operating revenues	 <u>152,306</u>
 Income (loss) before capital contributions	 3,221
 Capital contributions	 <u>444,720</u>
 Change in net position	 447,941
 Net position, beginning of year	 <u>12,791,150</u>
 Net position, end of year	 <u>\$ 13,239,091</u>

The accompanying notes are an integral part of these financial statements.

NEW BERN HOUSING AUTHORITY
New Bern, North Carolina
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

Cash flows from operating activities:	
Receipts from tenants/participants	\$ 841,006
Government grants and subsidy - operations	1,953,692
Other receipts	101,698
Payments to suppliers	(1,344,601)
Payments to or on behalf of employees	<u>(831,865)</u>
Net cash flows provided by operating activities	<u>719,930</u>
 Cash flow from investing activities:	
Interest income	<u>73</u>
Net cash flows provided by investing activities	<u>73</u>
 Cash flows from capital and related financing activities:	
Capital grant receipts	855,691
Principal payments on lease liability	(27,177)
Interest payments on lease liability	(5,273)
Capital assets purchased	<u>(444,722)</u>
Net cash flows provided by capital and related financing activities	<u>378,519</u>
Net increase in cash	1,098,522
Cash and cash equivalents, beginning of year	<u>4,702,943</u>
Cash and cash equivalents, end of year	<u>\$ 5,801,465</u>

**RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT
OF CASH FLOWS TO THE STATEMENT OF NET POSITION**

Cash and cash equivalents - unrestricted	\$ 5,759,467
Cash and cash equivalents - restricted	<u>41,998</u>
Cash and cash equivalents per statement of net position	<u>\$ 5,801,465</u>

The accompanying notes are an integral part of these financial statements.

NEW BERN HOUSING AUTHORITY
New Bern, North Carolina
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2023

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating income (loss)	\$	(149,085)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation		756,779
Amortization of prepaid ground lease revenue		(44,275)
Changes in operating assets and liabilities:		
Decrease (increase) in accounts receivable		(9,986)
Decrease (increase) in prepaid expenses and other current assets		121,011
Decrease (increase) in other assets		28,237
Increase (decrease) in accounts payable		51,486
Increase (decrease) in accrued liabilities		12,098
Increase (decrease) in accrued compensated absences		(22,073)
Increase (decrease) in unearned revenue		2,915
Increase (decrease) in noncurrent liabilities		<u>(27,177)</u>
Net cash provided by operating activities	\$	<u>719,930</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

1. Summary of Significant Accounting Policies

The accounting policies of the Housing Authority of the City of New Bern, North Carolina (the Authority) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant accounting policies.

A. Reporting Entity

The Housing Authority of the City of New Bern, North Carolina, is a public body and a body corporate and politic created under the authority of Chapter 157 of the General Statutes of North Carolina. The Authority was created for the purpose of providing safe and sanitary housing for the low-income citizens of the City of New Bern, North Carolina (the City).

To accomplish this purpose, the City appoints a Governing Board of Commissioners, but the Board designates its own management. Additionally, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (HUD) to be the administrator of the housing related programs described herein.

In determining how to define the reporting entity, management has considered all potential component units by applying the criteria set forth in Section 2100 and 2600 of the *Codification of the Governmental Accounting and Reporting Standards*.

Financial Accountability – The Authority is responsible for its own debts, does not impose a financial burden on the City of New Bern, 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 Board of Commissioners and has governance responsibilities over all activities related to all housing activities within the City of New Bern. The Board of Commissioners has decision-making authority and the power to designate management. The members do not serve at the discretion of the City; i.e., they can be removed only for cause. The Authority’s Board elects its own chairperson.

Imposition of Will – The City has no influence over the management, budget, or policies of the Authority. The Authority’s Board of Commissioners has the responsibility to significantly influence the Authority’s operations. This includes, but is not limited to, adoption of the budget, personnel management, signing contracts, issuing bonds, and deciding which programs are to be provided.

On the basis of the application of these criteria, the Authority is a legally separate entity that is fiscally independent of other governments; therefore, the Authority is not included in the City of New Bern’s financial reports.

Blended Component Units – Although legally separate, Transformation Venture Capital (TVC) and Better Vision Housing Corporation (BVHC) are reported as if they are part of the Authority.

TVC and BVHC are organized as non-profits to develop, acquire, rehabilitate, construct, operate and maintain decent and affordable public housing for low-income families and the elderly in New Bern, North Carolina and associated regions.

Condensed combining information regarding the blended component unit is provided in Note 3.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

1. Summary of Significant Accounting Policies (Continued)

B. Description of a Public Housing Authority

Funding for public housing authorities is received from the United States Department of Housing and Urban Development (HUD) and from participants in public housing programs.

The Authority has 216 units in management.

<u>Management</u>	<u>Units</u>
Owned Housing	110
HAPs Program	<u>106</u>
	<u><u>216</u></u>

C. Basis of Presentation – Enterprise Fund Accounting

The Authority’s accounts are organized as an enterprise fund. The operations are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

D. Measurement Focus and Basis of Accounting

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

All programs of the Authority are maintained on the modified accrual basis during the year; however, the financial statements for the Authority have been reported on the accrual basis. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. In converting from the modified accrual basis to the full accrual basis, the changes required may include adjustments for unpaid interest, depreciation, prepaid tenant rents payments of principal on outstanding debt, and capital outlay.

E. Budgetary Data

The Authority maintains budgetary controls over all programs, as required by North Carolina General Statute 159-42 (c-d) and the terms of the Authority’s annual contributions contract with HUD. An annual budget is adopted for all enterprise programs, except for capital project programs. A multi-year budget is adopted for those funds. Expenditures may not legally exceed appropriations at the departmental level for the enterprise programs or at the object level for the capital project subsidiary program. The management of the Authority may transfer appropriations within a program up to \$500 without Board approval, except that all increases in appropriation to administration and capital expenditures must be approved by the Board. The budget was prepared on the modified accrual basis of accounting. The budget presented in these statements is the budget ordinance as amended through December 31, 2023.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

1. Summary of Significant Accounting Policies (Continued)

F. Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflow of Resources, and Net Position

Deposits and Investments

All deposits of the Authority are made in board-designated official depositories and are secured as required by HUD regulations. The Authority may designate as an official depository any bank or savings and loan association whose principal office is located in North Carolina. Also, the Authority may establish time deposit accounts such as NOW and Super NOW accounts, money market accounts, and certificates of deposit.

Section 401(e) of the federal annual contribution contract authorizes the Authority to invest excess funds in instruments issued by or guaranteed by the federal government. The Authority practices this policy for all invested funds, regardless of source. Investments with a maturity of more than one year at acquisition and non-money market investments are carried at fair value as determined by quoted market prices. Money market investments that have a maturity at the time of purchase of one year or less are carried at amortized cost.

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

Accounts Receivable - HUD

The amount due from HUD as of December 31, 2023 consisted of the Capital Fund Program payments earned as of December 31, 2023 but not received as of that date.

Allowance for Doubtful Accounts

All receivables that historically experience uncollectable accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years. The allowance was \$28,578 for tenant receivables and \$0 for other receivables at December 31, 2023.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year-end are recorded as prepaid.

Capital Assets

Donated capital assets received prior to December 31, 2014 are stated at their estimated fair value on the date donated. This includes site acquisition and improvements, structures, and equipment. Donated capital assets received on or after January 1, 2015, are recorded at amortized cost, the price is adjusted for transportation costs but would not otherwise be adjusted for transaction costs.

Other capital assets are recorded at historical cost at the date of acquisition. It is the policy of the Authority to capitalize all assets costing more than \$1,000 with an estimated useful life of two or more years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Capital assets are depreciated on a straight-line basis over the following estimated useful lives in years:

Buildings and improvements	15 - 40 years
Furniture and equipment	3 - 10 years
Vehicles	5 years

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

1. Summary of Significant Accounting Policies (Continued)

Leases

Lessee - For new or modified contracts, the Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Authority records a lease asset and lease obligation which is calculated based on the value of the discounted future lease payments over the term of the lease. The Authority recognizes a lease liability and right to use asset on the statement of net position. Leases with an initial, non-cancellable term of 12 months or less are not recorded on the statement of net position and expense is recognized as incurred over the lease term. At the commencement of the lease, the Authority measures the lease liability at the present value of payments expected to be made during the lease term and then reduces the liability by the principal portion of lease payments made. The lease asset is measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs, then amortized on a straight-line basis over a period that is shorter of the lease term or the useful life of similar capital assets. Lease payments are apportioned between interest expense and principal based on an amortization schedule calculated using the effective interest method.

Lessor - For new or modified contracts, the Authority determines whether the contract is a lease. If a contract is determined to be, or contain, a lease with a non-cancellable term in excess of 12 months (including any options to extend or terminate the lease when exercise is reasonably certain), the Authority records a lease receivable and a deferred inflow of resources which is calculated based on the value of the discounted future lease payments over the term of the lease. The Authority will not recognize a lease receivable and a deferred inflow of resources for leases with a non-cancellable term of less than 12 months, and income is recognized as earned. The Authority is a lessor for a non-cancellable lease of real property. The Authority recognizes a lease receivable and a deferred inflow of resources on the statement of net position. At the commencement of a lease, the Authority measures the lease receivable as the present value of payments expected to be received during the lease term and then reduces the receivable by the principal portion of lease payments received after satisfaction of accrued interest on the lease receivable, calculated using the effective interest method. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date, then recognized on a straight-line basis as revenue over the lease term.

Inventories

Inventories are recorded at the lower of cost or net realizable value using the First-In, First-Out (FIFO) method. The Authority's inventory consists mostly of expendable supplies that are recorded as an expense as it is consumed or sold.

Deferred Outflows/Inflows of Resources

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 until then. The Authority has no items that meet this criterion. In addition to liabilities, the statement of financial 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 received prepayment of ground leases that are reflected as deferred inflows of resources on the statement of net position.

Unearned Revenue

Unearned revenue consists of rental payments made by tenants in advance of their due date.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

1. Summary of Significant Accounting Policies (Continued)

Compensated Absences

The Authority allows its full-time employees to accumulate earned vacation leave, and such leave is fully vested when earned. An expense and a liability for compensated absences and the salary- related payments are recorded as the leave is earned.

Employees can accumulate 96 hours of sick leave annually and can be rolled forward indefinitely. Sick leave does not vest. Since the Authority has no obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

Operating Revenues

Subsidies received from HUD or other grantor agencies for operating purposes, are recorded as operating revenues. Those that are received for capital purposes are recorded as a capital contribution and included in non-operating revenues. Operating revenues also include tenant revenues and other revenues associated with the Authority's operating activities.

Net Position

Net position is classified into three categories: net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed (as by creditors, grantors, contributors, or laws or regulations of other governments), or imposed by the law.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Impairment of Long-Lived Assets

Accounting principles generally accepted in the United States of America for governmental entities require that prominent events or changes in circumstances affecting capital assets be evaluated to determine whether impairment of a capital asset has occurred. Impaired capital assets that will no longer be used should be reported at the lower of carry value or fair value. Impairment of capital assets with physical damage generally should be measured using the restoration cost approach, which uses the estimated cost to restore the capital asset to identify the portion of the historical cost of the capital asset that should be written off. No such impairment loss was incurred during the current year.

Income Taxes

As a political subdivision of the State of North Carolina, the Authority is exempt from federal and State income taxes.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

2. Detailed Notes

A. Assets

Deposits

The Authority's deposits are either insured or are collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the Authority's agent in the Authority's name. At December 31, 2023, the Authority's deposits had a carrying amount of \$5,801,465 and a bank balance of \$5,855,487. Of the bank balance \$250,000 was covered by federal depository insurance and \$5,605,487 was covered by collateral held under the dedicated method. The Authority's total cash balances were fully insured or collateralized.

Development Fee Receivable – Related Party

The Development Fee Receivable is due to the Authority upon completion of the initial development and construction budget for The Craven Terrace project. At December 31, 2023, \$33,257 has been earned but not paid.

Notes Receivable – Related Parties

In December 2015, the Authority entered into promissory notes with Craven Terrace, LP for \$1,660,000 and \$500,000, along with Craven Terrace II, LP for \$2,470,000 and \$500,000 (collectively known as the Partnerships). Annual payments are due following completion of construction, but only if cash flow of the project allow. The interest rate on the notes for \$1,660,000 and \$2,470,000 is 2.61% and accrues annually. The \$500,000 notes are non-interest bearing.

In July 2020, the Authority entered into a promissory note with Carolina Avenue Housing, LLC for \$800,000. Annual interest payments are due following completion of construction, but only if cash flow of the project allow. The interest payment on the note is 4.99% and accrues annually.

As of December 31, 2023, the outstanding balance was \$5,930,342 and accrued interest receivable was \$1,007,138.

Changes in Capital Assets

The capital assets of the Authority at December 31, 2023 consisted of the following:

	Balance at 12/31/2022	Additions	Decreases	Balance at 12/31/2023
Capital assets not being depreciated				
Land	\$ 479,023	\$ -	\$ -	\$ 479,023
Total capital assets not being depreciated	479,023	-	-	479,023
Capital assets being depreciated				
Buildings and improvements	29,645,920	431,580	-	30,077,500
Right of use asset, net	95,725	-	(27,934)	67,791
Furniture and equipment	797,865	13,140	-	811,005
Total capital assets being depreciated	30,539,510	444,720	(27,934)	30,956,296
Less accumulated depreciation	(25,630,797)	(728,842)	-	(26,359,639)
Depreciable assets - net	4,908,713	(284,122)	(27,934)	4,596,657
Total capital assets - net	\$ 5,387,736	\$ (284,122)	\$ (27,934)	\$ 5,075,680

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

2. Detailed Notes (continued)

B. Liabilities

Pension Plan Obligation

The Authority provides a defined contribution pension plan through the Principal Financial Group for all eligible full-time employees. The Board of Commissioners authorized participation in the pension plan. The Authority contributes an amount equal to 6.8% of each employee’s annual compensation to the plan. Employees are not required to contribute to the plan. Pension expense totaled \$193,382 for the year ended December 31, 2023. The financial statements for the plan are available by contacting Billings and Company at 712-239-0314 or by writing to 2020 Indian Hills Drive, Sioux City, IA 51104.

C. Leasing Activities

Lessee

In July 2021, the Authority entered into an agreement to lease approximately 2,200 square feet of office space under a non-cancellable lease for \$2,400 a month for 60 months until the current term expires on August 1, 2026.

In December 2018 and December 2021, the Authority entered into multiple agreements to lease copiers under a non-cancellable lease for \$342 a month for 60 months until the terms expire in October 2026.

Future minimum payments for the leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 26,808	\$ 3,582	\$ 135,010
2025	28,528	1,815	106,636
2026	<u>17,818</u>	<u>266</u>	<u>95,709</u>
	<u>\$ 73,154</u>	<u>\$ 5,663</u>	<u>\$ 337,355</u>

Lessor

In December 2015, the Authority entered into a 99-year lease as a lessor with Craven Terrace, LP and Craven Terrace Phase II, LP (collectively known as the Partnerships) whereby the Authority leases to the Partnerships land and buildings. The Partnerships agreed to prepay the total base rental amount of \$4,130,000 to the Authority.

In July 2020, the Authority entered into 65-year lease as a lessor with Carolina Avenue Housing, LLC whereby the Authority leases land and buildings. Carolina Avenue Housing, LLC agreed to prepay the total base rental amount of \$455,000 to the Authority.

As of December 31, 2023, the balance was \$4,585,000, less accumulated amortization of \$316,540, resulting in a net balance of \$4,268,460, which is reflected in the statement of net position as deferred inflows of resources.

Lessor – Related Parties

CAHLLC signed a lease with the Authority for land. The Authority’s blended component unit, BVHC, is a .005% owner in CAHLLC. BVHC has signed an agreement whereby CAHLLC will pay a total of \$382,250 in development fees for its assistance with redevelopment. As of December 31, 2023, \$56,315 has been earned and paid.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

2. Detailed Notes (Continued)

D. Long Term Debt

On March 30, 2016, TVC received a direct subsidy of \$500,000 from FHLB Pittsburgh with no stated interest. No payments of principal are due until maturity on December 18, 2055. The proceeds of this loan were lent to the Authority, which then lent the proceeds to Craven Terrace LP as disclosed in Footnote 2.D.

Changes in Long-term Liabilities

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Current</u>
Compensated absences	\$ 26,580	\$ -	\$ (22,073)	\$ 4,507	\$ 3,368
Lease liability	100,331	-	(27,177)	73,154	26,808
Note payable	500,000	-	-	500,000	-
	<u>\$626,911</u>	<u>\$ -</u>	<u>\$ (49,250)</u>	<u>\$577,661</u>	<u>\$30,176</u>

E. 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; injuries to employees; and natural disasters.

In accordance with G.S. 159-42, the Authority's finance officer is individually bonded for \$50,000. The Authority also has a blanket bond for the remaining employees who have access to inventories in the amount of \$100,000.

The Authority carries commercial insurance against all other risks of loss, including property and general liability insurance. There have been no significant reductions in insurance coverage in the prior year, and settled claims from these risks have not exceeded commercial insurance coverage in any of the last three fiscal years.

F. Claims and Judgments

At December 31, 2023, the Authority was not a defendant to any lawsuit. No provision was made in the audited financial statements for any contingent liabilities. In the opinion of management and the Authority attorney, there are no legal matters that will have a materially adverse effect on the Authority's financial position.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

3. Blended Component Units

Condensed combining information for the Authority's blended component units for the year ended December 31, 2023, is presented as follows:

Condensed Statement of Net Position
December 31, 2023

	<u>BVHC</u>	<u>TVC</u>	<u>Total</u>
Assets			
Current assets	\$ 295,714	\$ 50,498	\$ 346,212
Noncurrent assets	325,935	500,000	825,935
Total assets	<u>621,649</u>	<u>550,498</u>	<u>1,172,147</u>
Liabilities			
Current liabilities	-	3,021	3,021
Noncurrent liabilities	325,393	588,361	913,754
Total liabilities	<u>325,393</u>	<u>591,382</u>	<u>916,775</u>
Net position			
Unrestricted	<u>296,256</u>	<u>(40,884)</u>	<u>255,372</u>
Total net position	<u>\$ 296,256</u>	<u>\$ (40,884)</u>	<u>\$ 255,372</u>

Condensed Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended December 31, 2023

	<u>BVHC</u>	<u>TVC</u>	<u>Total</u>
Operating revenue			
Development revenue	\$ 50,171	\$ 74	\$ 50,245
Total operating revenue	<u>50,171</u>	<u>74</u>	<u>50,245</u>
Operating expenses			
Operating expenses	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Total operating expenses	<u>-</u>	<u>3,500</u>	<u>3,500</u>
Operating income (loss)	<u>50,171</u>	<u>(3,426)</u>	<u>46,745</u>
Change in net position	50,171	(3,426)	46,745
Net position, beginning of year	<u>246,085</u>	<u>(37,458)</u>	<u>208,627</u>
Net position, end of year	<u>\$ 296,256</u>	<u>\$ (40,884)</u>	<u>\$ 255,372</u>

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2023

3. Blended Component Units (Continued)

Condensed Statement of Cash Flows
For the Year Ended December 31, 2023

	BVHC	TVC	Total
Net cash provided (used) by operating activities:	\$ 295,714	\$ (4,809)	\$ 290,905
Net cash provided by investing activities	-	-	-
Net cash used by capital and related financing activities	-	-	-
Net increase (decrease) in cash and cash equivalents	295,714	(4,809)	290,905
Net cash, beginning of year	-	53,924	53,924
Net cash, end of year	\$ 295,714	\$ 49,115	\$ 344,829

The Authority loaned TVC \$1,000,000 in January of 2014. Principal is due annually on December 31 of each year and is calculated at 25% of net cash flow. Interest is also due annually and is calculated at the one-month LIBOR plus 1% with a maximum rate of 5%. All remaining principal and interest are due December 31, 2044. The outstanding balance as of December 31, 2023 was \$500,000, which is eliminated in the accompanying financial statements.

4. Subsequent Events

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through September 30, 2024, which is the date the financial statements were available to be issued.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
New Bern, North Carolina
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND
NET POSITION - BUDGET AND ACTUAL - ENTERPRISE FUND
For the Year Ended December 31, 2023

	Budget	Actual	Over (Under) Budget
<u>OPERATING REVENUES:</u>			
Tenant Rental Revenue	\$ 735,000	\$ 775,309	\$ 40,309
Tenant Revenue other	59,552	99,325	39,773
Other Revenue	291,350	142,723	(148,627)
Revenues Grants Operating Subsidy	1,959,059	1,943,457	(15,602)
Interest Income	155,000	8,296	(146,704)
	<hr/>	<hr/>	<hr/>
TOTAL REVENUE	3,199,961	2,969,110	(230,851)
<u>OPERATING EXPENSES:</u>			
Administrative Salaries	444,806	482,297	37,491
Legal Expenses	45,099	63,161	18,062
Other	56,154	194,016	137,862
Auditing Fees	33,076	22,289	(10,787)
Office Expense	177,650	147,455	(30,195)
Employee Benefits	174,663	154,655	(20,008)
Tenant Services	6,369	1,966	(4,403)
Water	150,500	160,872	10,372
Electricity	184,000	186,651	2,651
Gas	73,821	80,562	6,741
Maintenance Salaries	139,000	146,580	7,580
Materials	47,500	71,695	24,195
Maintenance Contracts	377,695	309,750	(67,945)
Maintenance Employee Benefits	40,000	38,727	(1,273)
Property Insurance	130,232	148,180	17,948
Workmen's Compensation	13,896	13,437	(459)
Other General Expenses	43,748	92,868	49,120
Collection Loss	34,000	24,367	(9,633)
PILOT	3,500	10,235	6,735
	<hr/>	<hr/>	<hr/>
TOTAL OPERATING EXPENSES	2,175,709	2,349,763	174,054
	<hr/>	<hr/>	<hr/>
OPERATING INCOME/(LOSS)	\$ 1,024,252	\$ 619,347	\$ (404,905)

HOUSING AUTHORITY OF THE CITY OF NEW BERN
 FINANCIAL DATA SCHEDULE
 BALANCE SHEET SUMMARY
 December 31, 2023

	Project Total	14.870 Resident Opportunity and Supportive Services	14.182 N/C S/R Section 8 Programs	1 Business Activities	6.2 Component Unit - Blended	Subtotal	Eliminations	Total
ASSETS								
CURRENT ASSETS:								
Cash:								
Cash - Unrestricted	\$ 3,752,414	\$ -	\$ 1,335,267	\$ 326,957	\$ 344,829	\$ 5,759,467	\$ -	\$ 5,759,467
Cash - Tenant Security Deposits	30,925	-	11,073	-	-	41,998	-	41,998
Total Cash	3,783,339	-	1,346,340	326,957	344,829	5,801,465	-	5,801,465
Accounts and notes receivables:								
Accounts Receivable - HUD Other Projects	290,273	18,652	-	-	-	308,925	-	308,925
Accounts Receivable - Miscellaneous	-	-	-	33,257	-	33,257	-	33,257
Accounts Receivable - Tenants	48,401	-	12,127	-	-	60,528	-	60,528
Allowance for Doubtful Accounts -Tenants	(19,361)	-	(9,217)	-	-	(28,578)	-	(28,578)
Fraud Recovery	8,204	-	405	-	-	8,609	-	8,609
Accrued Interest Receivable	-	-	3,021	1,007,138	-	1,010,159	(3,021)	1,007,138
Total Receivables, Net	327,517	18,652	6,336	1,040,395	-	1,392,900	(3,021)	1,389,879
Other Current Assets:								
Prepaid Expenses and Other Assets	10,078	-	3,514	-	1,383	14,975	-	14,975
Inventories	10,843	-	4,065	-	-	14,908	-	14,908
Allowance for Obsolete Inventories	(1,084)	-	(407)	-	-	(1,491)	-	(1,491)
Inter Program Due From	-	-	-	17,429	-	17,429	(17,429)	-
TOTAL CURRENT ASSETS	4,130,693	18,652	1,359,848	1,384,781	346,212	7,240,186	(20,450)	7,219,736
NONCURRENT ASSETS:								
Capital Assets:								
Buildings	7,611,479	-	4,181,539	18,284,483	-	30,077,501	-	30,077,501
Furniture, Equipment & Machinery - Dwellings	173,824	-	421,344	6,651	-	601,819	-	601,819
Furniture, Equipment & Machinery - Administration	106,633	-	102,554	-	-	209,187	-	209,187
Accumulated Depreciation	(5,579,639)	-	(4,045,020)	(16,734,982)	-	(26,359,641)	-	(26,359,641)
Total Capital Assets, Net	2,312,297	-	683,416	2,012,176	-	5,007,889	-	5,007,889
Notes, Loans and Mortgages Receivable - Non-Current	-	-	88,361	5,930,000	825,935	6,844,296	(913,754)	5,930,542
Other Assets	67,791	-	-	-	-	67,791	-	67,791
TOTAL NONCURRENT ASSETS	2,380,088	-	771,777	7,942,176	825,935	11,919,976	(913,754)	11,006,222
TOTAL ASSETS	\$ 6,510,781	\$ 18,652	\$ 2,131,625	\$ 9,326,957	\$ 1,172,147	\$ 19,160,162	\$ (934,204)	\$ 18,225,958

HOUSING AUTHORITY OF THE CITY OF NEW BERN
 FINANCIAL DATA SCHEDULE
 BALANCE SHEET SUMMARY
 December 31, 2023

	Project Total	14.870 Resident Opportunity and Supportive Services	14.182 N/C S/R Section 8 Programs	1 Business Activities	6.2 Component Unit - Blended	Subtotal	Eliminations	Total
LIABILITIES AND NET POSITION								
LIABILITIES:								
CURRENT LIABILITIES:								
Accounts Payable <= 90 Days	\$ 52,938	\$ 92	\$ 11,919	\$ -	\$ -	\$ 64,949	\$ -	\$ 64,949
Accrued Wage/Payroll Taxes Payable	7,579	1,131	3,757	-	-	12,467	-	12,467
Accrued Compensated Absences - Current Portion	3,323	-	45	-	-	3,368	-	3,368
Accrued Interest Payable	-	-	-	-	3,021	3,021	(3,021)	-
Accounts Payable - Other Government	10,235	-	-	-	-	10,235	-	10,235
Tenant Security Deposits	30,925	-	11,073	-	-	41,998	-	41,998
Unearned Revenue	4,056	-	7,041	-	-	11,097	-	11,097
Other Current Liabilities	26,808	-	-	-	-	26,808	-	26,808
Inter Program - Due To	-	17,429	-	-	-	17,429	(17,429)	-
TOTAL CURRENT LIABILITIES	135,864	18,652	33,835	-	3,021	191,372	(20,450)	170,922
NONCURRENT LIABILITIES:								
Non-current Liabilities - Other	46,346	-	-	500,000	413,754	960,100	(913,754)	46,346
Accrued Compensated Absences - Non Current	1,124	-	15	-	-	1,139	-	1,139
TOTAL NONCURRENT LIABILITIES	47,470	-	15	500,000	913,754	1,461,239	(913,754)	547,485
TOTAL LIABILITIES	183,334	18,652	33,850	500,000	916,775	1,652,611	(934,204)	718,407
DEFERRED INFLOW OF RESOURCES	-	-	-	4,268,460	-	4,268,460	-	4,268,460
NET POSITION :								
Net Investment in Capital Assets	2,306,934	-	683,416	2,012,176	-	5,002,526	-	5,002,526
Unrestricted Net Position	4,020,513	-	1,414,359	2,546,321	255,372	8,236,565	-	8,236,565
TOTAL NET POSITION	6,327,447	-	2,097,775	4,558,497	255,372	13,239,091	-	13,239,091
TOTAL LIABILITIES AND NET POSITION	\$ 6,510,781	\$ 18,652	\$ 2,131,625	\$ 9,326,957	\$ 1,172,147	\$ 19,160,162	\$ (934,204)	\$ 18,225,958

HOUSING AUTHORITY OF THE CITY OF NEW BERN
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
For the Year Ended December 31, 2023

	Project Total	14.870 Resident Opportunity and Supportive Services	14.182 N/C S/R Section 8 Programs	1 Business Activities	6.2 Component Unit - Blended	Subtotal	Eliminations	Total
REVENUES:								
Net Tenant Rental Revenue	\$ 367,524	\$ -	\$ 407,785	\$ -	\$ -	\$ 775,309	\$ -	\$ 775,309
Tenant Revenue - Other	97,150	-	2,175	-	-	99,325	-	99,325
Total Tenant Revenue	464,674	-	409,960	-	-	874,634	-	874,634
HUD PHA Operating Grants	1,190,514	79,135	673,808	-	-	1,943,457	-	1,943,457
Capital Grants	444,720	-	-	-	-	444,720	-	444,720
Investment Income - Unrestricted	2,711	-	1,383	4,202	-	8,296	-	8,296
Mortgage Interest Income	-	-	-	149,210	73	149,283	-	149,283
Other Revenue	36,857	-	6,959	48,737	50,170	142,723	-	142,723
TOTAL REVENUES	2,139,476	79,135	1,092,110	202,149	50,243	3,563,113	-	3,563,113
EXPENSES:								
Administrative								
Administrative Salaries	266,671	58,415	157,211	-	-	482,297	-	482,297
Auditing Fees	12,563	-	9,726	-	-	22,289	-	22,289
Employee Benefit contributions - Administrative	94,907	-	59,748	-	-	154,655	-	154,655
Office Expenses	43,471	20,446	79,733	3,664	141	147,455	-	147,455
Legal Expense	39,536	-	18,079	5,546	-	63,161	-	63,161
Other	123,921	-	43,147	26,948	-	194,016	-	194,016
Total Administrative Expense	581,069	78,861	367,644	36,158	141	1,063,873	-	1,063,873
Tenant Services								
Tenant Services - Other	682	-	1,284	-	-	1,966	-	1,966
Total Tenant Services	682	-	1,284	-	-	1,966	-	1,966
Utilities								
Water	85,921	-	74,951	-	-	160,872	-	160,872
Electricity	106,557	-	80,094	-	-	186,651	-	186,651
Gas	72,699	-	7,863	-	-	80,562	-	80,562
Total Utilities	265,177	-	162,908	-	-	428,085	-	428,085
Ordinary Maintenance & Operations								
Ordinary Maintenance and Operations - Labor	65,059	-	81,521	-	-	146,580	-	146,580
Ordinary Maintenance and Operations - Materials and Other	17,400	-	54,295	-	-	71,695	-	71,695
Ordinary Maintenance and Operations Contracts	148,549	-	161,201	-	-	309,750	-	309,750
Employee Benefit Contributions - Ordinary Maintenance	18,088	-	20,639	-	-	38,727	-	38,727
Total Maintenance	249,096	-	317,656	-	-	566,752	-	566,752

HOUSING AUTHORITY OF THE CITY OF NEW BERN
FINANCIAL DATA SCHEDULE
REVENUE AND EXPENSE SUMMARY
For the Year Ended December 31, 2023

	Project Total	14.870 Resident Opportunity and Supportive Services	14.182 N/C S/R Section 8 Programs	1 Business Activities	6.2 Component Unit - Blended	Subtotal	Eliminations	Total
EXPENSES (continued):								
Insurance Premiums								
Property Insurance	93,447	-	54,733	-	-	148,180	-	148,180
Workmen's Compensation	9,596	274	3,567	-	-	13,437	-	13,437
Total insurance Premiums	103,043	274	58,300	-	3,357	164,974	-	164,974
General Expenses								
Other General Expenses	41,571	-	17,644	33,653	-	92,868	-	92,868
Payments in Lieu of Taxes	10,235	-	-	-	-	10,235	-	10,235
Bad debt - Tenant Rents	19,354	-	5,013	-	-	24,367	-	24,367
Total Other General Expenses	71,160	-	22,657	33,653	-	127,470	-	127,470
Financial Expenses								
Interest of Mortgage (or Bonds) Payable	5,254	-	19	-	-	5,273	-	5,273
Total Financial Expenses	5,254	-	19	-	-	5,273	-	5,273
TOTAL OPERATING EXPENSES	1,275,481	79,135	930,468	69,811	3,498	2,358,393	-	2,358,393
EXCESS OPERATING REVENUE	863,995	-	161,642	132,338	46,745	1,204,720	-	1,204,720
Other Expenses:								
Depreciation Expense	260,429	-	97,455	398,895	-	756,779	-	756,779
Total Other Expenses	260,429	-	97,455	398,895	-	756,779	-	756,779
TOTAL EXPENSES	1,535,910	79,135	1,027,923	468,706	3,498	3,115,172	-	3,115,172
EXCESS OF REVENUE OVER EXPENSES	603,566	-	64,187	(266,557)	46,745	447,941	-	447,941
Operating Transfer In	444,720	-	-	-	-	444,720	(444,720)	-
Operating transfer Out	(444,720)	-	-	-	-	(444,720)	444,720	-
Beginning Net Position	5,723,881	-	2,033,588	4,825,054	208,627	12,791,150	-	12,791,150
Ending Net Position	\$ 6,327,447	\$ -	\$ 2,097,775	\$ 4,558,497	\$ 255,372	\$ 13,239,091	\$ -	\$ 13,239,091



RUBINO
STRENGTH IN NUMBERS

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

Board of Commissioners
Housing Authority of the City of New Bern
New Bern, North Carolina

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 Housing Authority of the City of New Bern (the Authority) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 30, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001.

The Authority's Response to Finding

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Rubins & Company". The signature is written in a cursive, flowing style.

Bethesda, Maryland
September 30, 2024



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

Board of Commissioners
Housing Authority of the City of New Bern
New Bern, North Carolina

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Housing Authority of the City of New Bern's (the Authority) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2023. The 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, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the 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 the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the 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 Findings No. 2023-001, 2023-002, and 2023-003.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding No. 2023-001 to be a material weakness.

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 Findings No. 2023-002 and 2023-003 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 the Authority's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The 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.



Bethesda, Maryland
September 30, 2024

**NEW BERN HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023**

<u>Federal and State Grantor/Program Title</u>	<u>Pass-through Identification Number</u>	<u>Federal Assistance Listing Number</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Housing and Urban Development:</u>			
Direct Awards:			
Public and Indian Housing	N/A	14.850	\$ 552,645
Public Housing Capital Fund Program	N/A	14.872	1,082,589
Resident Opportunity and Supportive Services	N/A	14.870	79,135
Section 8 Project Based Cluster			
Section 8 New Construction and Substantial Rehabilitation	N/A	14.182	<u>673,808</u>
Total Direct Federal Awards			<u>2,388,177</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 2,388,177</u>

HOUSING AUTHORITY OF THE CITY OF NEW BERN
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2023

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Housing Authority of the City of New Bern (the Authority) under programs of the federal government for the year ended December 31, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 INDIRECT COST RATE

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

**HOUSING AUTHORITY OF THE CITY OF NEW BERN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

- | | |
|------------------------------------------------------------------------------------------------|---------------|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | None reported |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|-------------------------------------------------------------------------------------------------------|------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | Yes |
| b. Significant deficiency(ies) identified that are not considered to be material weakness(es)? | Yes |
| 5. Type of auditor’s report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | Yes |

7. Identification of Major Programs:

<u>Federal Grantor/Program Title</u>	<u>Federal Assistance Listing No.</u>	\$	
U.S. Department of Housing and Urban Development (HUD):			
Capital Fund Program	14.872	\$	1,082,589

- | | | |
|-----------------------------------------------------------------------------|----|---------|
| 8. Dollar threshold used to distinguish between Type A and Type B programs: | \$ | 750,000 |
| 9. Auditee qualified as low-risk auditee? | | Yes |

**HOUSING AUTHORITY OF THE CITY OF NEW BERN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023**

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding No. 2023-001: Fraudulent Payroll Activities Resulting in Theft (Material Weakness)

Condition: The Authority did not have adequate controls over the payroll process, resulting in an employee authorizing excess salary disbursements in an act of fraudulent theft.

Criteria: The Authority should maintain appropriate controls over the payroll process to prevent and/or detect fraud in a timely manner.

Cause: The Authority did not have the appropriate controls over the payroll process to prevent and/or detect fraud in a timely manner.

Effect: The Authority allowed for employee to disburse excess salary in an act of fraudulent theft.

Recommendation: The Authority should review and enhance its policies, procedures, and internal controls to ensure that fraud is prevented and/or detected in a timely manner.

Views of Responsible Officials: The Authority agrees with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2023-001: Fraudulent Payroll Activities Resulting in Theft (Material Weakness)

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Title: Capital Fund Program

Federal Assistance Listing Number: 14.872

Compliance Requirement: Allowable Costs

Criteria: The Authority should maintain appropriate controls over the payroll process to prevent and/or detect fraud in a timely manner.

Condition: The Authority did not have adequate controls over the payroll process, resulting in an employee authorizing excess salary disbursements in an act of fraudulent theft.

Context: Costs are considered allowable assuming they are reasonable for the performance of the federal program and are approved by an authorized official.

Effect: The Authority allowed for employee to disburse excess salary in an act of fraudulent theft.

Cause: The Authority did not have the appropriate controls over the payroll process to prevent and/or detect fraud in a timely manner.

**HOUSING AUTHORITY OF THE CITY OF NEW BERN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

Finding No. 2023-001: Fraudulent Payroll Activities Resulting in Theft (Continued)

Questioned Costs: \$18,931

Recommendation: The Authority should review and enhance its policies, procedures, and internal controls to ensure that fraud is prevented and/or detected in a timely manner.

Views of Responsible Officials: The Authority agrees with the finding.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding No. 2023-002: Obligation Requirement for Capital Fund Program Drawdowns (Significant Deficiency)

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Title: Capital Fund Program

Federal Assistance Listing Number: 14.872

Compliance Requirement: Special Tests and Provisions

Criteria: Per HUD regulations, Capital Fund Program costs are required to be obligated within 24 months of the execution of the grant with documentation showing the funds were truly obligated.

Condition: The Authority did not have adequate controls over the obligation process, resulting in Capital Funds obligated in HUD's eLOCCS without obligating the funds.

Context: The Authority had two Capital Fund grants with obligation deadlines during the year, and both did not have the proper documentation.

Effect: The Authority did not appropriately obligate the CFP funds by the deadline.

Cause: The Authority did not have the appropriate controls over the obligation process to obligate the funds by the deadline.

Recommendation: The Authority should review and enhance its policies, procedures, and internal controls to ensure that funds are obligated in a timely manner.

Views of Responsible Officials: The Authority agrees with the finding.

**HOUSING AUTHORITY OF THE CITY OF NEW BERN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2023**

Finding No. 2023-003: Missing Procurement Documentation (Significant Deficiency)

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Title: Capital Fund Program

Federal Assistance Listing Number: 14.872

Compliance Requirement: Procurement

Criteria: Per HUD regulations, the Authority is required to follow 2 CFR regulations on procuring goods and services.

Condition: The Authority did not have adequate controls over the procurement process, resulting in missing procurement documentation.

Context: The Authority had three new contracts entered into during year; we reviewed two and identified missing procurement documentation.

Effect: The Authority did not procure goods and services properly under the required regulations.

Cause: The Authority did not have the appropriate controls over the procurement process to maintain proper documentation.

Recommendation: The Authority should review and enhance its policies, procedures, and internal controls to ensure that the procurement process includes the required documentation.

Views of Responsible Officials: The Authority agrees with the finding.

HOUSING AUTHORITY OF THE CITY OF NEW BERN
SUMMARY SCEHDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2023

The audit for the year ended December 31, 2022, disclosed no findings.



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Finding No. 2023-001: Fraudulent Payroll Activities Resulting in Theft (Material Weakness)

Person Responsible: Reginal Barner

Date of Completion: 12/31/2024

Corrective Action Plan: Our fee accountant and payroll consultant will access the payroll process and implement corrective actions, including adding internal controls and training.

Finding No. 2023-002: Obligation Requirement for Capital Fund Program Drawdowns (Significant Deficiency)

Person Responsible: Reginal Barner

Date of Completion: 12/31/2024

Corrective Action Plan: Our fee accountant will access the capital fund obligation and treasury process and implement corrective actions, including adding internal controls and training.

Finding No. 2023-003: Missing Procurement Documentation (Significant Deficiency)

Person Responsible: Reginal Barner

Date of Completion: 12/31/2024

Corrective Action Plan: The agency will assess the procurement process and implement internal controls where necessary.