

**HOUSING AUTHORITY OF THE CITY OF SALINA  
SALINA, KANSAS**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**FOR THE YEAR ENDED JUNE 30, 2015**

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Housing Authority of the City of Salina  
Salina, Kansas

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

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Salina (Authority), Kansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

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

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

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### ***Opinion***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Salina, Kansas, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principle***

As discussed in Note 4F to the financial statements, the Authority adopted new accounting guidance, *GASB Statement No. 68*, "Accounting and Financial Reporting for Pensions: an amendment of GASB Statement No. 27". My opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vi be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Salina, Kansas's basic financial statements. The accompanying PHA's Statement of Certification of Actual Modernization Costs and the Financial Data Schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The accompanying PHA's Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the accompanying PHA's Statement of Certification of Actual Modernization Costs, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated October 26, 2015, on my consideration of the Housing Authority of the City of Salina, Kansas's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Housing Authority of the City of Salina, Kansas's internal control over financial reporting and compliance.

### ***Audit Solutions, LLC.***

Chesterfield, Missouri

October 26, 2015

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
June 30, 2015

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Management's Discussion & Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their *Statement No. 34 Basic Financial Statements – and Management's Discussion & Analysis – for State and Local Governments* issued in June 1999.

This discussion and analysis of the financial performance for the Housing Authority for the City of Salina, Kansas, provides an overview of the financial activities for the fiscal year ended June 30, 2015. Please read the MD&A in conjunction with the Housing Authority's financial statements.

**Financial Highlights**

- *Assets:*  
Current assets increased by \$74,997 when compared to 2014 and net capital assets decreased by \$132,334. Total assets decreased by \$36,677 from \$7,598,529 as of June 30, 2014 to \$7,561,852 as of June 30, 2015.
- *Liabilities:*  
Total liabilities increased \$302,686 from \$225,461 as of June 30, 2014, to \$528,147 as of June 30, 2015.
- *Revenue:*  
Total revenue increased from \$2,136,062 for the year ended June 30, 2014, to \$2,364,932 for the year ended June 30, 2015, an increase of \$228,870. Tenant revenue increased \$37,727; other income increased \$76,538 and operating grants increased \$97,895, while investment income decreased \$1,186 and fraud recovery decreased \$2,314. Capital grants increased \$20,210 from 2014 making 2015 receipts \$97,525.
- *Expenses:*  
Total expenses increased from 2014 to 2015. Total expenses were \$2,278,524 for the year ended June 30, 2014, and increased \$50,312 to \$2,328,836 for the year ended June 30, 2015. Administrative expenses decreased by \$140,397 and Maintenance decreased \$2,845. Non-capitalized casualty loss expense increased \$81,063 and HAP payments increased 3% or \$31,209.

For accounting purposes, the Housing Authority is categorized as an enterprise fund. Enterprise funds account for activities similar to those found in the private business sector where the determination of net income is necessary or useful to sound financial administration. Enterprise funds are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The focus of enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indication.

**Overview of Financial Statements**

This annual report includes this Management Discussion & Analysis report, the Basic Financial Statements and the Notes to the Financial Statements. The Housing Authority's financial statements are presented as fund level financial statements because the Housing Authority only has proprietary funds.

The financial statements of the Housing Authority report information of the Housing Authority using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about the Housing Authority's activities. The Statement of Net Position includes all the Housing Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and obligations to the Housing Authority's creditors (liabilities). It also provides the basis for evaluating the capital structure of the Housing Authority and assessing the liquidity and financial flexibility of the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
June 30, 2015

**Overview of Financial Statements – (Continued)**

All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses and Changes in Net Position. This statement measures the success of the Housing Authority's operations over the past year and can be used to determine whether the Housing Authority has successfully recovered all its costs through its user fees and other charges, profitability and credit worthiness.

The Statement of Cash Flows reports cash receipts, cash payments, and net changes in cash resulting from operating, investing and financing activities and provides answers to such questions as where did cash come from, what was cash used for and what was the change in the cash balance during the reporting period.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The section Supplemental Information Required by HUD contains the Financial Data Schedule (FDS). HUD has established Uniform Financial Reporting Standards that require the Housing Authority to submit financial information electronically to HUD using the FDS format.

**Financial Analysis**

The Housing Authority's basic financial statements are the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position. The Statement of Net Position provides a summary of the Housing Authority's assets and liabilities as of the close of business on June 30, 2015. The Statement of Revenues, Expenses and Changes in Net Position summarizes the revenues and sources of those revenues generated during the year ended June 30, 2015 and the expenses incurred in operating the Housing Authority for the year ended June 30, 2015.

Net position may serve, over time, as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$7,033,705 at the close of the year ended June 30, 2015. This represents a decrease of \$339,363 from the previous year.

The Housing Authority accounts for its housing activities in several programs. The main Housing Authority programs are a low rent program that provides housing for qualified tenants, a capital fund program that the Housing Authority uses for improvements to its Low Rent property, and a Housing Choice Voucher program that provides rental assistance to tenants living in private housing. The following analysis focuses on the net position and the change in net position of the Housing Authority as a whole and not the individual programs.

<b>Net Position June 30,</b>			
	2015	2014	Dollar Change
Current Assets, Net of Inter-program	\$ 1,877,648	\$ 1,802,651	\$ 74,997
Capital Assets, Net	5,663,544	5,795,878	(132,334)
Non-Current Assets	20,660	0	20,660
Total Assets	\$ 7,561,852	\$ 7,598,529	\$ (36,677)
Current Liabilities, Net of Inter-program	\$ 181,824	\$ 168,287	\$ 13,537
Non-Current Liabilities	346,323	57,174	289,149
Total Liabilities	\$ 528,147	\$ 225,461	\$ 302,686
<b>Net Position:</b>			
Invested in Capital Assets, Net of Debt	\$ 5,663,544	\$ 5,795,878	\$ (132,334)
Restricted Assets	28,140	24,934	3,206
Unrestricted Assets	1,342,021	1,552,256	(210,235)
Total Net Position	\$ 7,033,705	\$ 7,373,068	\$ (339,363)

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)  
June 30, 2015

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**Financial Analysis – (Continued)**

**Assets:**

Total current assets were \$1,802,651 as of June 30, 2014 and increased by \$74,997 to \$1,877,648 as of June 30, 2015. The balance of cash increased by \$162,884 as of June 30, 2015. The increase was due to numerous factors including, but not limited to, transfer of a redeemed certificate of deposit to a money market account, a one-time management fee from a federal grant, tenant deposits received from the TBRA grant and a renewed local Legacy grant.

Net capital assets decreased to \$5,663,544 as of June 30, 2015 from \$5,795,878 as of June 30, 2014. This decrease of \$132,334 in net capital assets includes purchases of \$151,986 less depreciation of \$282,090 and prior period adjustment of 2,230.

**Liabilities:**

Total current liabilities increased from \$168,287 as of June 30, 2014, to \$181,824 as of June 30, 2015, an increase of \$13,537. Tenant security deposit liability increased from \$82,383 as of June 30, 2014 to \$94,979 as of June 30, 2015.

**Net Position:**

Net position decreased by \$339,363 as of June 30, 2015 mainly due to decrease in net investment in capital assets of 132,334 and unrestricted net position of \$210,235 with increase in restricted net position of \$3,206.

**Expendable Fund Balance:**

	<b>Expendable Fund Balance</b>			
	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>%-Change</u>
Expendable Fund Balance	\$1,611,064	\$1,544,234	\$66,830	4.33%
No. of Months Expendable Fund	20.51	19.81	0.70	3.54%

The expendable fund balance of an Authority is a measure of liquidity of the entity. If all of the Authority's unrestricted current assets, less materials inventory, are converted to cash, and the Authority pays all the current liabilities, the amount of cash left on hand is the expendable fund balance. The expendable fund balance was \$1,611,064 at the end of the 2015 fiscal year.

The number of months in expendable funds is a measure of how many months the authority could operate under current conditions without any additional income. The number of months in expendable funds is calculated by dividing the total expenses for the year, less depreciation and HAP expense, by twelve (12) to arrive at the average monthly expenses. The expendable fund balance is then divided by the average monthly expenses to arrive at the number of months expendable fund balance. The ratio as of June 30, 2015 was 20 months.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
June 30, 2015

**Financial Analysis – (Continued)**

<b>Changes in Net Position for the Year Ended June 30</b>			
	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
<b>Revenue:</b>			
Tenant Revenue	\$ 369,355	\$ 331,628	\$ 37,727
Federal Grants & Subsidy	1,870,560	1,752,455	118,105
Investment Income	7,242	8,428	(1,185)
Other Income	117,775	43,551	74,224
<b>Total Revenue</b>	<b>\$ 2,364,932</b>	<b>\$ 2,136,062</b>	<b>\$ 228,871</b>
<b>Expenses:</b>			
Administrative	\$ 372,738	\$ 513,135	\$ (140,397)
Tenant Services	60,209	4,143	56,066
Utilities	15,027	15,426	(399)
Routine Maintenance	244,345	247,190	(2,845)
Protective Services	168	168	0
Insurance Premiums	99,942	94,247	5,695
Other General Expenses	43,995	36,064	7,931
Casualty Losses	106,185	25,122	81,063
Housing Assistance Payments (HAP)	1,104,137	1,072,928	31,209
Depreciation	282,090	270,101	11,989
<b>Total Expenses</b>	<b>\$ 2,328,836</b>	<b>\$ 2,278,524</b>	<b>\$ 50,312</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ 36,096</b>	<b>\$ (142,462)</b>	<b>\$ 178,558</b>

**Revenue:**

The Authority has two basic sources of revenue. Rent and other tenant charges and funds received from the Department of Housing and Urban Development (HUD) in the form of operating subsidies, tenant assistance, and capital improvement grants.

Total tenant revenue increased by approximately 11% for the current year from \$331,628 for the year ended June 30, 2014 to \$369,355 for the year ended June 30, 2015. Tenant revenue includes rent charged as well as any move-out charges or other maintenance charges incurred. The amount collected from tenants for charges other than rent increased by \$10,049. Tenant rents are also affected by the tenant's reported income and other tenant attributes. The amount of rent that a tenant pays decreases as the tenant's income decreases.

Total federal grants and subsidy revenue increased from \$1,752,455 for the year ended June 30, 2014 to \$1,870,560 for the year ended June 30, 2015, for an increase of \$118,105. Capital grant revenue increased by \$20,210. Shelter plus care HAP assistance increased \$29,907 due to increased leasing.

FSS grant funding increased by \$22,509, due to a one-time management fee allowance. Security deposit assistance funding (TBRA), new in fiscal year 2015, was \$28,496.



HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
June 30, 2015

**Financial Analysis – (Continued)**  
**Revenue – (Continued):**

Other income increased \$74,224 as the amount recorded for the year ended June 30, 2014 was \$43,551 and \$117,775 for the year ended June 30, 2015. Insurance proceeds for casualty losses on two low rent units attributed to the increase.

**Expenses:**

Administrative expenses decreased by \$140,397 from \$513,135 for the year ended June 30, 2014 to \$372,738 for year ended June 30, 2015 and routine maintenance expense decreased by \$2,845, from \$247,190 for fiscal year 2014 to \$244,345 for fiscal year 2015 due to the first year accounting for GASB 68. General expenses increased by 22% from \$36,064 for the year ended June 30, 2014 to \$43,995 for the year ended June 30, 2015 as a result of increased bad debt. Housing assistance payments increased by \$31,209, which is a 3% increase. Non-capitalized casualty loss expense increased \$81,063 as a result of losses on two low rent units.

**Capital Assets:**

At June 30, 2015 the Housing Authority had \$5,663,544 invested in net capital assets. This amount represents a net decrease of \$132,334 in net capital assets when compared to net capital assets as of June 30, 2014.

Capital expenditures for FY 2015 included the purchase and installation of one computer for the office, 2 maintenance vans and an attachable snow plow. Disposals consisted of various non-functioning kitchen appliances and three vans.

During the current year, some work in progress projects were completed and certain assets of \$96,597 were transferred from construction in progress to other capital assets categories.

As of June 30, 2015, the Housing Authority has approximately \$130,111 in Capital program funds to spend on future improvements.

<b>Capital Assets at Year End (Net of Accumulated Depreciation) June 30,</b>			
	<u>2015</u>	<u>2014</u>	<u>Increase (Decrease)</u>
Land	\$ 1,456,891	\$ 1,456,891	\$ -
Buildings	7,175,474	7,086,645	88,829
Furniture, Equipment & Machinery, Dwellings	13,751	18,730	(4,979)
Furniture, Equipment & Machinery, Admin	226,214	181,238	44,976
Leasehold Improvements	707,050	699,282	7,768
Construction in Progress	144,403	143,475	928
Subtotal	9,723,783	9,586,261	\$ 137,522
Accumulated Depreciation	(4,060,238)	(3,790,383)	(269,855)
Net Capital Assets	\$ 5,663,544	\$ 5,795,878	\$ (132,334)

**Debt**

As of June 30, 2015, the Authority does not have any outstanding debt, bonds, mortgages, or notes payable. There are non-current liabilities as of June 30, 2015 for employee compensated absences of approximately \$20,764, escrow amounts of \$30,508 held for participating tenants of the FSS escrow program and net pension liability of \$295,051 resulting from GASB Statement 68.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)**  
June 30, 2015

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**Economic Factors**

The Housing Authority is dependent upon HUD for the funding of operations; therefore, the Housing Authority is affected both by federal budget and, to a lesser degree, local economic conditions. The funding of programs could be significantly affected by HUD and the 2016 federal budget.

**Contacting the Housing Authority's Financial Management**

Our financial report is designed to provide our citizens, taxpayers and creditors with a general overview of the Housing Authority's finances and to show the Housing Authority's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Kim Deal, Finance Manager, at the Salina Housing Authority, 469 S. 5<sup>th</sup> St., Salina, KS 67401, telephone number 785-827-0441.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**STATEMENT OF NET POSITION**  
June 30, 2015

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**ASSETS**

Current Assets:

Cash and cash equivalents	\$	825,882
Cash - restricted		153,627
Investments		805,232
Receivables - net of allowances		29,813
Inventory - net of allowances		26,112
Prepaid expenses		<u>36,982</u>

Total Current Assets 1,877,648

Non-current Assets:

Capital assets:

Land and construction in progress		1,601,294
Other capital assets, net of depreciation		<u>4,062,250</u>

Total capital assets - net 5,663,544

Total Non-current Assets 5,663,544

**DEFERRED OUTFLOW OF RESOURCES**

Accrued pension		<u>20,660</u>
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Total Deferred Outflow of Resources 20,660

Total Assets and Deferred Outflow of Resources \$ 7,561,852

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**STATEMENT OF NET POSITION - (Continued)**  
June 30, 2015

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**LIABILITIES**

Current Liabilities:

Accounts payable	\$	36,555
Accrued salaries and benefits		37,718
Tenant security deposit liability		94,979
Accrued compensated absences		2,307
Unearned revenues		<u>10,265</u>

Total Current Liabilities 181,824

Non-current Liabilities:

Compensated absences		20,764
Non-current liabilities - Other		<u>325,559</u>

Total Non-current Liabilities 346,323

Total Liabilities 528,147

**DEFERRED INFLOW OF RESOURCES**

Accrued pension		<u>-</u>
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Total Deferred Inflow of Resources -

**NET POSITION**

Net investment in capital assets		5,663,544
Restricted		28,140
Unrestricted		<u>1,342,021</u>

Total Net Position 7,033,705

Total Liabilities, Deferred Inflow of Resources and Net Position \$ 7,561,852

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
For the Year Ended June 30, 2015

<b>OPERATING REVENUES</b>	
Tenant revenue	\$ 369,355
Governmental grants and subsidy	1,773,035
Miscellaneous	<u>117,775</u>
Total operating revenue	<u>2,260,165</u>
<b>OPERATING EXPENSES</b>	
Administrative	372,738
Tenant services	60,209
Utilities	15,027
Ordinary maintenance and operations	244,345
Protective services	168
Insurance	99,942
General	43,995
Non routine maintenance	106,185
Housing assistance payment	1,104,137
Depreciation expense	<u>282,090</u>
Total operating expenses	<u>2,328,836</u>
Operating income (loss)	<u>(68,671)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Investment income	<u>7,242</u>
Net non-operating revenues (expenses)	<u>7,242</u>
Income (loss) before contributions and transfers	<u>(61,429)</u>
Capital contributions	<u>97,525</u>
Change in net position	36,096
Total net position - beginning of year	7,373,068
Prior period adjustments	<u>(375,459)</u>
Total net position - end of year	<u>\$ 7,033,705</u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**STATEMENT OF CASH FLOWS**  
For the Year Ended June 30, 2015

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from tenants	\$	361,204
Received from governmental grants and subsidy		1,767,674
Received from other operating activities		391,838
Payments for goods and services		(721,158)
Payments to employees		(470,146)
Payment in lieu of taxes		(26,044)
Payment for housing assistance		<u>(1,104,137)</u>

Net cash provided by (used in) operating activities 199,231

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from capital contributions		95,428
Purchases of capital assets		(151,986)
Receipts (payments) from deferred credits and escrow deposits		<u>(87,238)</u>

Net cash provided by (used in) capital and related financing activities (143,796)

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds (payments) from sale (purchase) of investments		100,062
Receipts of interest and dividends		<u>7,387</u>

Net cash provided by (used in) investing activities 107,449

Net increase (decrease) in cash and cash equivalents 162,884  
Cash and cash equivalents at beginning of year 816,625

Cash and cash equivalents at end of year \$ 979,509

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**STATEMENT OF CASH FLOWS - (Continued)**  
For the Year Ended June 30, 2015

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**Reconciliation of operating income (loss) to net cash provided (used) by operating activities**

Operating income (loss)	\$	(68,671)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		282,090
Change in assets and liabilities:		
Receivables, net		(8,543)
Inventories, net		(484)
Prepaid expenses		(21,856)
Accounts and other payables		(1,258)
Tenant security deposit		12,596
Deferred revenues		(1,294)
Compensated absences		3,509
Accrued expenses		<u>3,142</u>
Net cash provided by (used) by operating activities	\$	<u><u>199,231</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2015

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

The Housing Authority of the City of Salina (Authority) is a public body and a body corporate and politic organized under the laws of the State of Kansas that is legally separate, fiscally independent and governed by a Board of Commissioners. The Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development (HUD) and other applicable federal agencies. Additionally, HUD has entered into Annual Contributions Contract with the Authority for the purpose of administering housing and housing relating programs described herein. The Authority is not subject to federal or state income taxes and is not required to file federal or state income tax returns.

The financial statements of the Authority have been prepared in conformity with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

**1A. Financial Reporting Entity**

The Authority’s financial reporting entity comprises the following:

Primary Government:   Housing Authority

In determining the financial reporting entity, the Authority complies with the provisions of GASB Statement No. 14 as amended by GASB No. 39 and No. 61, “The Financial Reporting Entity,” and includes all component units of which the Authority appointed a voting majority of the units’ board; the Authority is either able to impose its will on the unit or a financial benefit or burden relationship exists. On the basis of the application of these criteria, there are no component units which are required to be included in the Authority’s financial statements.

**1B. Basis of Presentation**

The accounts of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund’s assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds consist of three major categories: governmental, proprietary and fiduciary. Funds within each major category are grouped by fund type in the combined financial statements. The Authority uses the following fund:

**Proprietary Fund Types** - This fund is used to account for the Authority’s ongoing activities that are similar to those often found in the private sector. The accounting objectives are a determination of net income, financial position and changes in cash flow. All assets and liabilities associated with a proprietary fund’s activities are included on its statement of net position. Proprietary fund equity is segregated into net investment in capital assets and restricted and unrestricted net position. The following are the Authority’s proprietary fund types:

**Enterprise Fund** - Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes all of the Authority’s programs as an enterprise fund.



HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1B. Basis of Presentation - (Continued)**

The Authority operates the following programs in the enterprise fund:

**Low Rent** – The objective of the program is to provide decent, safe and sanitary housing and related facilities for eligible low-income individuals.

**Capital Fund Program** – The purpose of this program is to provide funds annually to Housing Authorities for the modernization of the housing development and for management improvements.

**Housing Choice Vouchers** – The objective of the program is to help low-income families obtain decent, safe, and sanitary housing through a system of rental assistance. HUD reimburses the Authority for the rental supplements paid to private landlords and the administrative costs of managing the program.

**Resident Opportunity and Supportive Services** – The objective of this program is to provide housing residents with supportive services, resident empowerment activities and assistance in becoming economically self-sufficient.

**Shelter Plus Care** – The Shelter Plus Care Program provides rental assistance to homeless persons with disabilities (primarily persons who are seriously mentally ill; have chronic problems with alcohol, drugs, or both, or have acquired immunodeficiency syndrome and related diseases) and their families.

**Business Activities** – The funds in this program are set aside for the development of new public housing units.

**Home Investment Partnerships Program** – The objective of the program is to expand the supply of affordable housing, particularly rental housing, for low and very low income Americans; to strengthen the abilities of state and local governments to design and implement strategies for achieving adequate supplies of decent, affordable housing; and to extend and strengthen partnerships among all levels of government and the private sector, including for-profit and nonprofit organizations, in the production and operation of affordable housing.

**Central Office Cost Center (COCC)** – Under the Asset Management rule, the purpose of this program is to provide day-to-day operation of other programs of the Housing Authority funded through property management, asset management, bookkeeping, program management and fee for service fee.

**1C. Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1C. Measurement Focus and Basis of Accounting - (Continued)**

Measurement Focus - The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current) associated with their activities are reported. Proprietary fund equity is classified as net position.

Basis of Accounting - In the financial statements, the proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

**1D. Budgets**

Budgets are prepared for regulatory purposes in accordance with the Authority’s contract with HUD on an annual basis for all operating programs and on a project length basis for capital projects funds which are approved by the Board of Commissioners and submitted to HUD for their approval, if required.

**1E. Estimates and assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

**1F. Assets, Liabilities, and Equity**

Cash and Investments

For the purpose of the Statement of Net Position, “cash and cash equivalents” includes all demand, savings accounts, and certificates of deposits or short-term investments with an original maturity of three months or less. For the purpose of the Statement of Cash Flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations, if any, with a remaining maturity at the time of purchase of one year or less. Those investments, if any, are reported at amortized cost. Fair value is based on quoted market price. Additional cash and investment disclosures are presented in Notes 2B and 3A.

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur within individual funds that may result in amounts owed between funds. Inter-fund receivables and payables between funds are eliminated for financial statement presentation.

Receivables

Receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances consist of HUD and tenant accounts receivable.

HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1F. Assets, Liabilities, and Equity - (Continued)**

Inventories

Inventories are accounted for under the consumption method and recorded at lower of cost or market. Inventories consist primarily of maintenance materials and supplies held for consumption. The cost of these supplies is regarded as an expenditure at the time the items are consumed. Inventories are classified as current assets on the Statement of Net Position, net of an allowance for obsolete inventory.

Fixed Assets

Fixed assets in the proprietary fund types are stated at historical cost, or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. It is the policy of the Authority to capitalize all assets with a cost of \$500 or greater. The cost of maintenance and repairs are charged to operations as incurred. Costs of major additions, improvements, and betterments are capitalized.

Depreciation of all exhaustible fixed assets is charged as an expense against operations and is recorded in the Statement of Revenues, Expenses and Changes in Net Position with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Building	20-40 years
Site Improvements	15 years
Furniture, equipment and machinery - dwelling	7 years
Furniture, equipment and machinery - administrative	3-10 years

Restricted Assets

Restricted assets include cash of the proprietary fund that are legally restricted as to their use. The primary restricted assets are related to the security deposit fund, FSS escrow and HAP funds under the Low Rent program and Housing Choice Voucher program.

Compensated Absences

The Authority's policies regarding vacation time permit employees to accumulate earned but unused vacation leave. The liability for these compensated absences is recorded as long-term and short-term liabilities based on historical trends. Amounts not expected to be paid within the next fiscal year are classified as long-term liabilities.

Equity Classifications

Equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- 2) Restricted net position - Consists of net position with constraints placed on the use either by (i) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (ii) law through constitutional provisions or enabling legislation.
- 3) Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**1F. Assets, Liabilities, and Equity - (Continued)**

Use of Restricted/Unrestricted Net Position

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, the Authority's policy is to apply restricted assets first.

**1G. Revenues, Expenditures, and Expenses**

Operating Revenues and Expenses

Operating revenues and expenses are those that result from providing services and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, non-capital financing, or investing activities.

Inter-fund Transfers

Permanent reallocation of resources between programs of the reporting entity is classified as inter-fund transfers. For the purposes of the Statement of Revenues, Expenses and Changes in Net Position, all inter-fund transfers between individual programs, if any, have been eliminated.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The Authority and its component units, if any, are subject to various federal, state, and local laws and contractual regulations. An analysis of the Authority's compliance with significant laws and regulations and demonstration of its stewardship over Authority resources follows.

**2A. Program Accounting Requirements**

The Authority's complies with all state and local laws and regulations requiring the use of separate programs. The programs used by the Authority are as follows:

<u>Program</u>	<u>Required By</u>
Public and Indian Housing	U.S. Department of Housing and Urban Development
Capital Fund Program	U.S. Department of Housing and Urban Development
Housing Choice Vouchers	U.S. Department of Housing and Urban Development
Resident Opportunity and Supportive Services-ROSS	U.S. Department of Housing and Urban Development
Shelter Care Plus	U.S. Department of Housing and Urban Development
HOME Program	U.S. Department of Housing and Urban Development
Central Office Cost Center-COCC	U.S. Department of Housing and Urban Development
Business Activities	Housing Authority

**2B. Deposits and Investments Laws and Regulations**

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance. The Authority must maintain a written collateral agreement from all financial institutions pledging collateral to the Authority. As reflected in Note 3A, all deposits were fully insured or collateralized.

HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - (Continued)**

**2B. Deposits and Investments Laws and Regulations - (Continued)**

Investing is performed in accordance with HUD regulations and State Statutes. Funds may be invested in the following type of investments:

- Direct obligations of the U.S. Government pledged by its full faith and credit.
- Demand, savings, money-market and certificates of deposit at commercial banks, mutual savings banks, savings and loan associations and credit unions provided that the entire deposit be insured by the FDIC and any deposits in excess of insured amounts are adequately collateralized.

**2C. Revenue Restrictions**

The Authority has various restrictions placed over certain revenue sources. The primary restricted revenue sources include:

<u>Revenue Source</u>	<u>Legal Restrictions of Use</u>
Capital Fund Program	Modernization
Housing Choice Vouchers	Housing assistance payments
ROSS	Resident supportive services
Shelter Care Plus	Housing assistance payments
HOME Program	Housing assistance payments

For the year ended June 30, 2015, the Authority complied, in all material respects, with these revenue restrictions.

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**3A. Cash and Investments**

As of June 30, 2015, the Authority had the following cash deposits and investments:

Cash deposits	\$ 979,459
Certificate of deposit	805,232
Petty cash / change fund	<u>50</u>
Total	\$ <u>1,784,741</u>

Following is a reconciliation of the Authority's deposit balances as of June 30, 2015:

Cash - unrestricted	\$ 825,882
Cash - restricted	153,627
Investments - unrestricted	<u>805,232</u>
Total	\$ <u>1,784,741</u>

HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3A. Cash and Investments – (Continued)**

**Deposits**

Custodial Credit Risk - Deposits

The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, the Authority will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. At June 30, 2015, the Authority's bank balances of \$988,194 were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

**Investments**

Custodial Credit Risk - Investments

The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2015, the Authority's investment balance of \$805,232 was entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

Interest Rate Risk

The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

State law limits investment in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organization. As the Authority's investments consist entirely of certificate of deposits, credit risk is not applicable to the Housing Authority.

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2015, the concentration of the Authority's investment (excluding cash deposits) was as follows:

<u>Type of Investment</u>	<u>Market Value</u>	<u>Maturity Date</u>
Certificate of Deposit	\$ 151,812	8/15/2016
Certificate of Deposit	64,766	10/27/2015
Certificate of Deposit	109,516	8/25/2015
Certificate of Deposit	103,386	1/26/2016
Certificate of Deposit	109,543	9/30/2015
Certificate of Deposit	204,443	11/29/2015
Certificate of Deposit	31,918	11/12/2015
Certificate of Deposit	29,848	3/10/2016
	<u>\$ 805,232</u>	

HOUSING AUTHORITY OF THE CITY OF SALINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3B. Restricted Assets**

Restricted assets at June 30, 2015 consist of the following:

Type of Restricted Assets	Cash	Investments	Accrued Interest	Total
FSS Escrow	\$ 30,508	\$ ----	\$ ----	\$ 30,508
HAP funds	28,140	----	----	28,140
Security deposit	94,979	----	----	94,979
	<u>\$ 153,627</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 153,627</u>

**3C. Receivables**

Receivables at June 30, 2015, consist of the following:

Tenants - net of allowance	\$ 11,432
Less: Allowance for doubtful account - tenants	(1,100)
Tenants - net of allowance	<u>10,332</u>
HUD	17,844
Miscellaneous	1,272
Interest	<u>365</u>
Total Accounts Receivable	<u>\$ 29,813</u>

**3D. Capital Assets**

A summary of capital asset activity for the year ended June 30, 2015 is as follows:

	Balance July 1, 2014	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance June 30, 2015
<b>Non-depreciable assets:</b>					
Land	\$ 1,456,891	\$ -	\$ -	\$ -	1,456,891
Construction in progress	143,475	97,525	-	(96,597)	144,403
<b>Total non-depreciable assets</b>	<u>1,600,366</u>	<u>97,525</u>	<u>-</u>	<u>(96,597)</u>	<u>1,601,294</u>
<b>Depreciable assets:</b>					
Building	7,086,645	-	-	88,829	7,175,474
Equipment - dwelling	18,730	-	(4,979)	-	13,751
Equipment - administration	181,238	54,461	(9,485)	-	226,214
Leasehold improvements	699,282	-	-	7,768	707,050
<b>Total depreciable assets</b>	<u>7,985,895</u>	<u>54,461</u>	<u>(14,464)</u>	<u>96,597</u>	<u>8,122,489</u>
<b>Accumulated depreciation</b>	<u>(3,790,383)</u>	<u>(282,090)</u>	<u>14,464</u>	<u>(2,230)</u>	<u>(4,060,239)</u>
<b>Total depreciable assets, net</b>	<u>4,195,512</u>	<u>(227,629)</u>	<u>-</u>	<u>94,367</u>	<u>4,062,250</u>
<b>Capital assets, net</b>	<u>\$ 5,795,878</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(2,230)</u>	<u>\$ 5,663,544</u>

HOUSING AUTHORITY OF THE CITY OF SALINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3D. Capital Assets - (Continued)**

Depreciation expense is charged to programs as follows:

	Business-type Activities
Low Rent	\$ 270,968
COCC	10,650
Housing Choice Voucher	472
Total depreciation expense	\$ 282,090

**3E. Accounts Payable**

Accounts payable at June 30, 2015, consist of the following:

Vendors & contractors	\$ 6,447
PILOT	27,447
Miscellaneous	1,613
Accrued utilities	1,048
Total Accounts Payable	\$ 36,555

**3F. Non-current Liabilities**

Non-current liabilities at June 30, 2015, consist of the following:

Accrued compensated absences	\$ 20,764
Accrued pension	295,051
FSS escrow	30,508
Total Non-Current Liabilities	\$ 346,323

The following is the summary of changes in non-current liabilities:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2015</b>	<b>Amounts Due within One Year</b>
Accrued compensated absences	\$ 17,606	\$ 3,158	\$ ---	\$ 20,764	\$ 2,307
Accrued pension	---	373,229	78,178	295,051	---
FSS escrow	39,568	38,998	48,058	30,508	---
	\$ 57,174	\$ 376,387	\$ 87,238	\$ 346,323	\$ 2,307



HOUSING AUTHORITY OF THE CITY OF SALINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

**NOTE 3 – DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS - (Continued)**

**3G. Inter-program Transactions and Balances**

Operating Transfers

Transfers are used to move revenues from one program to the other program in accordance with the budgetary authorizations.

	<b>Transfers In</b>	<b>Transfers Out</b>
Low Rent	\$ 80,000	\$ -
Capital Fund Program	-	80,000
Total	\$ 80,000	\$ 80,000

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at June 30, 2015:

	<b>Due From</b>	<b>Due To</b>
Low Rent	\$ 6,678	\$ -
COCC	26,500	-
Housing Choice Voucher		(26,500)
ROSS	-	(6,678)
Total	\$ 33,178	\$ 33,178

**3H. - Prior Period Adjustment**

Low Rent Program:

Accrued pension liability – To record prior year net pension liability \$ (216,473)

Housing Choice Voucher:

Accrued pension liability – To record prior year net pension liability (48,520)

COCC:

Accrued pension liability – To record prior year net pension liability (108,236)

Accumulated depreciation – To correct prior year depreciation (2,230)

110,466

Total \$ (375,459)

HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

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**NOTE 4 – OTHER NOTES**

**4A. Pension Plan**

Description of Pension Plan

The Housing Authority of the City of Salina (Authority) participates in a cost-sharing multiple-employer pension plan (Pension Plan), as defined in Governmental Accounting Standards Board Statement No.67, *Financial Reporting for Pension Plans*. The Pension Plan is administered by the Kansas Public Employees Retirement System (KPERs), a body corporate and an instrumentality of the State of Kansas. KPERs financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERs website at [www.kpers.org](http://www.kpers.org).

KPERs provides benefit provisions to the following statewide pension groups under one plan, as provided by K.S.A. 74, article 49:

- Public employees, which includes:
  - State/School employees
  - Local employees
- Police and Firemen
- Judges

Substantially all public employees in Kansas are covered by the Pension Plan. The State of Kansas and Kansas schools are required to participate, while participation by local political subdivisions is optional, but irrevocable once elected.

Those employees participating in the Pension Plan for the Authority are included in the Local employee group.

Benefits

Benefits are established by statute and may only be changed by the General Assembly. Members (except Police and Firemen) with ten or more years of credited service may retire as early as age 55 (Police and Firemen may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever a member's combined age and years of service equal 85 "points".

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. For all pension coverage groups, the accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Members choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas. For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

HOUSING AUTHORITY OF THE CITY OF SALINA  
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)  
June 30, 2015

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**NOTE 4 – OTHER NOTES - (Continued)**

**4A. Pension Plan - (Continued)**

Contributions

Member contributions are established by state law, and are paid by the employee according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined based on the results of each annual actuarial valuation for each of the three state-wide pensions groups. The contributions and assets of all groups are deposited in the Kansas Public Employees Retirement Fund established by K.S.A. 74-4921. All of the retirement systems are funded on an actuarial reserve basis.

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 0.9% of total payroll for the fiscal year ended June 30, 2014.

The actuarially determined employer contribution rates (not including the 0.85% contribution rate for the Death and Disability Program) and statutory contribution rates for Local employees are 9.77% and 8.84%, respectively. Member contribution rates as a percentage of eligible compensation for the fiscal year ended June 30, 2014 are 4.00%, 5.00%, or 6.00% for Local employees.

Employer Allocations

Although KPERS administers one cost sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarial determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows and resources, deferred inflows of resources, and pension expense are determined separately for each of the following groups of the plan:

- State/School
- Local
- Police and Firemen
- Judges

To facilitate the separate (sub) actuarial valuations, KPERS maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and non-employer allocations are applied to amounts presented in the schedules of pension amounts by employer and non-employer.

The allocation percentage for the Authority's share of the collective pension amounts as of June 30, 2014 and 2013 was based on the ratio of its contributions to the total of the employer and non-employer contributions of the group for the fiscal years ended June 30, 2014 and 2013, respectively.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2014, the Authority's proportion was 0.023972%, which was a decrease from its proportion measured at June 30, 2013.

HOUSING AUTHORITY OF THE CITY OF SALINA  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

**NOTE 4 – OTHER NOTES - (Continued)**

**4A. Pension Plan - (Continued)**

Net Pension Liability

At June 30, 2015 and 2014, the Authority reported a liability of \$295,051 and \$373,229, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of December 31, 2013, which was rolled forward to June 30, 2014, using the following actuarial assumptions:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00% to 12.50%, including inflation
Long-term rate of return, net of investment expenses, and including price inflation	8%

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvement based on Scale AA.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2009.

The long-term expected rate of return of pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pensions plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pensions plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<b>Asset Class</b>	<b>Long-Term Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global equity	47.00%	6.00%
Fixed income	14.00%	0.85%
Yield driven	8.00%	5.50%
Real return	11.00%	3.75%
Real estate	11.00%	6.65%
Alternatives	8.00%	9.50%
Short-term investments	1.00%	--
<b>Total</b>	<b>100.00%</b>	

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**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

**NOTE 4 – OTHER NOTES - (Continued)**

**4A. Pension Plan - (Continued)**

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 8.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7.00%) or 1-percentage point higher (9.00%) than the current rate:

1% Decrease (7.00%)	Discount rate (8.00%)	1% Increase (9.00%)
\$423,696	\$295,051	\$186,053

Pension Expense

For the year ended June 30, 2015, the Authority recognized pension expense of \$23,012 which includes the changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred outflows of resources</b>	<b>Deferred inflows of resources</b>
Differences between actual and expected experience	--	\$8,378
Net differences between projected and actual earnings on investments	--	53,118
Changes in proportion	--	6,920
Employer contributions subsequent to June 30, 2014	37,049	--
<b>Total</b>	<b>\$37,049</b>	<b>\$68,416</b>

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

**NOTE 4 – OTHER NOTES - (Continued)**

**4A. Pension Plan - (Continued)**

Deferred Outflows of Resources and Deferred Inflows of Resources - (Continued)

Amounts reported as deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$20,660
2017	(16,389)
2018	(16,389)
2019	(16,389)
2020	(2,860)
Thereafter	--

The Authority's balance of deferred outflows of resources of \$37,049 will be included as a reduction of the collective net pension liability in future years.

**4B. Contingencies**

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. No significant violations of finance-related legal or contractual provisions occurred.

**4C. Commitments**

At June 30, 2015, the Authority had the following pending Capital Fund, ROSS, Shelter Care Plus and HOME projects in progress. The commitments related to these projects are summarized as follows:

	<u>Funds Approved</u>	<u>Funds Expended - Project to Date</u>
<u>Capital Fund Program:</u>		
CFP 501-14	\$ 199,093	\$ 73,678
 <u>ROSS:</u>		
ROSS 2013	\$ 60,000	\$ 48,224
ROSS 2014	59,500	32,699
	<u>\$ 119,500</u>	<u>\$ 80,923</u>
 <u>Shelter Care Plus:</u>		
SNAP 1304	\$ 100,665	\$ 99,924
 <u>HOME:</u>		
2015	\$ 100,000	\$ 28,496

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

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**NOTE 4 – OTHER NOTES - (Continued)**

**4D. Financial Data Schedule**

The Authority prepares its Financial Data Schedule (FDS) in accordance with HUD requirements in a prescribed format which differs from the presentation of the basic financial statements. The FDS format excludes depreciation expense, casualty losses, extraordinary maintenance and housing assistance payment (HAP) and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

**4E. Risk Management**

The Authority is exposed to various risks of losses related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employee’s health and life; and natural disasters. Claims liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. The Authority manages these various risks of loss as follows:

<u>Type of Loss</u>	<u>Method Managed</u>
a. Torts, errors and omissions	Purchased insurance with Housing Authority Property Insurance, A Mutual Co.
b. Injuries to employees (workers' compensation)	Purchased insurance with QBE Insurance Co. Claims are administered by the same company.
c. Physical property loss and natural disasters	Purchased commercial insurance with \$5,000 deductibles.
d. Health and life	Purchased health with Blue Cross Blue Shield of Kansas - Life insurance is provided by KPERS.

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Authority. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**4F. Change in Accounting Principle**

The Authority have implemented GASB Statement No. 68 “Accounting and Financial Reporting for Pensions: an amendment of GASB Statement No. 27”. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Revenue, Expenses, and Changes in Net Position as prior period adjustment. The implementation of this principle has reduced the prior period net position for the Housing Authority by \$373,229 and is reported as a prior period adjustment on the Statement of Revenue, Expenses, and Changes in Net Position.

**4G. Subsequent Events**

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through October 26, 2015 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)**  
June 30, 2015

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**NOTE 4 – OTHER NOTES - (Continued)**

**4H. Economic Dependency**

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2016 federal budget.



HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST**  
June 30, 2015

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1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-13</u>
Funds approved	\$ 199,447
Funds expended	<u>199,447</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 199,447
Funds expended	<u>199,447</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated September 11, 2015 submitted to HUD for approval is in agreement with the Authority's records as of June 30, 2015.
3. All costs have been paid and all related liabilities have been discharged through payments.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
Year Ended June 30, 2015

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>		
Low Rent Program	14.850	\$ 320,313
Capital Fund Program	14.872	204,417
Housing Choice Vouchers	14.871	1,140,461
ROSS	14.870	77,160
Shelter Care Plus	14.238	99,713
Pass-through Kansas Housing Resources Corporation (KHRC) HOME Investment Partnership Program	14.239	28,496
<b>Total Federal Awards</b>		<b>\$ <u>1,870,560</u></b>

**Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Salina, Kansas and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits 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.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**FINANCIAL DATA SCHEDULE**  
Year Ended June 30, 2015

	Project Total	14.239 HOME	1 Business Activities	14.238 Shelter Plus Care	14.871 Housing Choice Vouchers	14.870 ROSS	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$310,246	\$414	\$55,420	\$1,260	\$8,147		\$450,395	\$825,882		\$825,882
113 Cash - Other Restricted	\$30,249	\$0	\$0	\$0	\$28,399			\$58,648		\$58,648
114 Cash - Tenant Security Deposits	\$94,979	\$0	\$0	\$0	\$0			\$94,979		\$94,979
100 Total Cash	\$435,474	\$414	\$55,420	\$1,260	\$36,546	\$0	\$450,395	\$979,509	\$0	\$979,509
122 Accounts Receivable - HUD Other Projects	\$11,166	\$0	\$0	\$0	\$0	\$6,678		\$17,844		\$17,844
125 Accounts Receivable - Miscellaneous	\$0	\$0	\$0	\$0	\$291		\$981	\$1,272		\$1,272
126 Accounts Receivable - Tenants	\$11,432	\$0	\$0	\$0	\$0			\$11,432		\$11,432
126.1 Allowance for Doubtful Accounts -Tenants	-\$1,100	\$0	\$0	\$0	\$0			-\$1,100		-\$1,100
129 Accrued Interest Receivable	\$227	\$0	\$138	\$0	\$0			\$365		\$365
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$21,725	\$0	\$138	\$0	\$291	\$6,678	\$981	\$29,813	\$0	\$29,813
131 Investments - Unrestricted	\$539,023	\$0	\$266,209	\$0	\$0			\$805,232		\$805,232
142 Prepaid Expenses and Other Assets	\$35,832	\$0	\$0	\$0	\$290		\$860	\$36,982		\$36,982
143 Inventories	\$27,486	\$0	\$0	\$0	\$0			\$27,486		\$27,486
143.1 Allowance for Obsolete Inventories	-\$1,374	\$0	\$0	\$0	\$0			-\$1,374		-\$1,374
144 Inter Program Due From	\$6,678	\$0	\$0	\$0	\$0		\$26,500	\$33,178	-\$33,178	\$0
150 Total Current Assets	\$1,064,844	\$414	\$321,767	\$1,260	\$37,127	\$6,678	\$478,736	\$1,910,826	-\$33,178	\$1,877,648
161 Land	\$1,415,417	\$0	\$0	\$0	\$0		\$41,474	\$1,456,891		\$1,456,891
162 Buildings	\$7,008,699	\$0	\$0	\$0	\$0		\$166,775	\$7,175,474		\$7,175,474
163 Furniture, Equipment & Machinery - Dwellings	\$13,751	\$0	\$0	\$0	\$0			\$13,751		\$13,751
164 Furniture, Equipment & Machinery - Administration	\$159,537	\$0	\$0	\$0	\$12,750		\$53,927	\$226,214		\$226,214
165 Leasehold Improvements	\$707,050	\$0	\$0	\$0	\$0			\$707,050		\$707,050
166 Accumulated Depreciation	-\$3,900,234	\$0	\$0	\$0	-\$12,036		-\$147,969	-\$4,060,239		-\$4,060,239
167 Construction in Progress	\$144,403	\$0	\$0	\$0	\$0			\$144,403		\$144,403
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,548,623	\$0	\$0	\$0	\$714	\$0	\$114,207	\$5,663,544	\$0	\$5,663,544

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended June 30, 2015

	Project Total	14.239 HOME	1 Business Activities	14.238 Shelter Plus Care	14.871 Housing Choice Vouchers	14.870 ROSS	COCC	Subtotal	ELIM	Total
180 Total Non-Current Assets	\$5,548,623	\$0	\$0	\$0	\$714	\$0	\$114,207	\$5,663,544	\$0	\$5,663,544
200 Deferred Outflow of Resources	\$11,983	\$0	\$0	\$0	\$2,686		\$5,991	\$20,660		\$20,660
290 Total Assets and Deferred Outflow of Resources	\$6,625,450	\$414	\$321,767	\$1,260	\$40,527	\$6,678	\$598,934	\$7,595,030	-\$33,178	\$7,561,852
312 Accounts Payable <= 90 Days	\$2,904	\$0	\$0	\$0	\$1,542		\$2,001	\$6,447		\$6,447
321 Accrued Wage/Payroll Taxes Payable	\$22,678	\$0	\$0	\$0	\$4,181		\$10,859	\$37,718		\$37,718
322 Accrued Compensated Absences - Current Portion	\$1,235	\$0	\$0	\$0	\$98		\$974	\$2,307		\$2,307
333 Accounts Payable - Other Government	\$27,447	\$0	\$0	\$0	\$0			\$27,447		\$27,447
341 Tenant Security Deposits	\$94,979	\$0	\$0	\$0	\$0			\$94,979		\$94,979
342 Unearned Revenue	\$9,554	\$550	\$0	\$161	\$0			\$10,265		\$10,265
345 Other Current Liabilities	\$0	\$0	\$0	\$0	\$1,613			\$1,613		\$1,613
346 Accrued Liabilities - Other	\$880	\$0	\$0	\$0	\$83		\$85	\$1,048		\$1,048
347 Inter Program - Due To	\$0	\$0	\$0	\$0	\$26,500	\$6,678		\$33,178	-\$33,178	\$0
310 Total Current Liabilities	\$159,677	\$550	\$0	\$161	\$34,017	\$6,678	\$13,919	\$215,002	-\$33,178	\$181,824
353 Non-current Liabilities - Other	\$30,249	\$0	\$0	\$0	\$259			\$30,508		\$30,508
354 Accrued Compensated Absences - Non Current	\$11,115	\$0	\$0	\$0	\$883		\$8,766	\$20,764		\$20,764
357 Accrued Pension and OPEB Liabilities	\$171,130	\$0	\$0	\$0	\$38,357		\$85,564	\$295,051		\$295,051
350 Total Non-Current Liabilities	\$212,494	\$0	\$0	\$0	\$39,499	\$0	\$94,330	\$346,323	\$0	\$346,323
300 Total Liabilities	\$372,171	\$550	\$0	\$161	\$73,516	\$6,678	\$108,249	\$561,325	-\$33,178	\$528,147
400 Deferred Inflow of Resources		\$0	\$0	\$0				\$0		\$0
508.4 Net Investment in Capital Assets	\$5,548,623				\$714		\$114,207	\$5,663,544		\$5,663,544
511.4 Restricted Net Position					\$28,140			\$28,140		\$28,140
512.4 Unrestricted Net Position	\$704,656	-\$136	\$321,767	\$1,099	-\$61,843	\$0	\$376,478	\$1,342,021		\$1,342,021
513 Total Equity - Net Assets / Position	\$6,253,279	-\$136	\$321,767	\$1,099	-\$32,989	\$0	\$490,685	\$7,033,705	\$0	\$7,033,705
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,625,450	\$414	\$321,767	\$1,260	\$40,527	\$6,678	\$598,934	\$7,595,030	-\$33,178	\$7,561,852

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended June 30, 2015

	Project Total	14.239 HOME	1 Business Activities	14.238 Shelter Plus Care	14.871 Housing Choice Vouchers	14.870 ROSS	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$307,106	\$0	\$0	\$0	\$0			\$307,106		\$307,106
70400 Tenant Revenue - Other	\$62,249	\$0	\$0	\$0	\$0			\$62,249		\$62,249
70500 Total Tenant Revenue	\$369,355	\$0	\$0	\$0	\$0	\$0	\$0	\$369,355	\$0	\$369,355
70600 HUD PHA Operating Grants	\$427,205	\$28,496	\$0	\$99,713	\$1,140,461	\$77,160		\$1,773,035		\$1,773,035
70610 Capital Grants	\$97,525	\$0	\$0	\$0	\$0			\$97,525		\$97,525
70710 Management Fee							\$163,234	\$163,234	-\$163,234	\$0
70720 Asset Management Fee							\$19,440	\$19,440	-\$19,440	\$0
70730 Book Keeping Fee							\$43,103	\$43,103	-\$43,103	\$0
70700 Total Fee Revenue							\$225,777	\$225,777	-\$225,777	\$0
71100 Investment Income - Unrestricted	\$3,327	\$2	\$1,620	\$4	\$107		\$2,182	\$7,242		\$7,242
71400 Fraud Recovery	\$0	\$0	\$0	\$0	\$6,752			\$6,752		\$6,752
71500 Other Revenue	\$117,795	\$0	\$0	\$0	\$5,702		\$36,184	\$159,681	-\$48,658	\$111,023
70000 Total Revenue	\$1,015,207	\$28,498	\$1,620	\$99,717	\$1,153,022	\$77,160	\$264,143	\$2,639,367	-\$274,435	\$2,364,932
91100 Administrative Salaries	\$83,376	\$0	\$0	\$0	\$46,089		\$117,637	\$247,102		\$247,102
91200 Auditing Fees	\$5,564	\$0	\$0	\$0	\$1,688		\$1,688	\$8,940		\$8,940
91300 Management Fee	\$105,356	\$5,140	\$360	\$3,811	\$43,068	\$19,829		\$177,564	-\$177,564	\$0
91310 Book-keeping Fee	\$14,340	\$0	\$0	\$1,845	\$26,918			\$43,103	-\$43,103	\$0
91500 Employee Benefit contributions - Administrative	\$9,432	\$0	\$0	\$0	\$8,520		\$15,037	\$32,989		\$32,989
91600 Office Expenses	\$41,380	\$138	\$0		\$18,940		\$8,430	\$68,888	-\$34,328	\$34,560
91700 Legal Expense	\$2,262	\$0	\$0	\$0	\$48			\$2,310		\$2,310
91800 Travel	\$820	\$0	\$0	\$0	\$500		\$2,408	\$3,728		\$3,728
91900 Other	\$16,005	\$0	\$0	\$0	\$12,182		\$14,922	\$43,109		\$43,109
91000 Total Operating - Administrative	\$278,535	\$5,278	\$360	\$5,656	\$157,953	\$19,829	\$160,122	\$627,733	-\$254,995	\$372,738
92000 Asset Management Fee	\$19,440	\$0	\$0	\$0	\$0			\$19,440	-\$19,440	\$0
92100 Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$0	\$38,558		\$38,558		\$38,558
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$0	\$18,773		\$18,773		\$18,773
92400 Tenant Services - Other	\$2,878	\$0	\$0	\$0	\$0			\$2,878		\$2,878
92500 Total Tenant Services	\$2,878	\$0	\$0	\$0	\$0	\$57,331	\$0	\$60,209	\$0	\$60,209

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended June 30, 2015

	Project Total	14.239 HOME	1 Business Activities	14.238 Shelter Plus Care	14.871 Housing Choice Vouchers	14.870 ROSS	COCC	Subtotal	ELIM	Total
93100 Water	\$1,432	\$0	\$0	\$0	\$0		\$217	\$1,649		\$1,649
93200 Electricity	\$6,281	\$0	\$0	\$0	\$0		\$860	\$7,141		\$7,141
93300 Gas	\$4,662	\$0	\$0	\$0	\$0		\$165	\$4,827		\$4,827
93600 Sewer	\$1,348	\$0	\$0	\$0	\$0		\$62	\$1,410		\$1,410
93000 Total Utilities	\$13,723	\$0	\$0	\$0	\$0	\$0	\$1,304	\$15,027	\$0	\$15,027
94100 Ordinary Maintenance and Operations - Labor	\$105,452	\$0	\$0	\$0	\$0			\$105,452		\$105,452
94200 Ordinary Maintenance and Operations - Materials and Other	\$44,120	\$0	\$0	\$0	\$149		\$547	\$44,816		\$44,816
94300 Ordinary Maintenance and Operations Contracts	\$78,906	\$0	\$0	\$0	\$0		\$2,168	\$81,074		\$81,074
94500 Employee Benefit Contributions - Ordinary Maintenance	\$13,003	\$0	\$0	\$0	\$0			\$13,003		\$13,003
94000 Total Maintenance	\$241,481	\$0	\$0	\$0	\$149	\$0	\$2,715	\$244,345	\$0	\$244,345
95200 Protective Services - Other Contract Costs	\$84	\$0	\$0	\$0	\$42		\$42	\$168		\$168
95000 Total Protective Services	\$84	\$0	\$0	\$0	\$42	\$0	\$42	\$168	\$0	\$168
96110 Property Insurance	\$77,377	\$0	\$0	\$0	\$0			\$77,377		\$77,377
96120 Liability Insurance	\$1,757	\$0	\$0	\$0	\$319		\$782	\$2,858		\$2,858
96130 Workmen's Compensation	\$9,005	\$0	\$0	\$0	\$1,638		\$4,009	\$14,652		\$14,652
96140 All Other Insurance	\$4,459	\$0	\$0	\$0	\$7		\$589	\$5,055		\$5,055
96100 Total insurance Premiums	\$92,598	\$0	\$0	\$0	\$1,964	\$0	\$5,380	\$99,942	\$0	\$99,942
96200 Other General Expenses	\$0	\$0	\$0	\$0	\$316		\$37	\$353		\$353
96300 Payments in Lieu of Taxes	\$27,447	\$0	\$0	\$0	\$0			\$27,447		\$27,447
96400 Bad debt - Tenant Rents	\$16,195	\$0	\$0	\$0	\$0			\$16,195		\$16,195
96000 Total Other General Expenses	\$43,642	\$0	\$0	\$0	\$316	\$0	\$37	\$43,995	\$0	\$43,995
96900 Total Operating Expenses	\$692,381	\$5,278	\$360	\$5,656	\$160,424	\$77,160	\$169,600	\$1,110,859	-\$274,435	\$836,424
97000 Excess of Operating Revenue over Operating Expenses	\$322,826	\$23,220	\$1,260	\$94,061	\$992,598	\$0	\$94,543	\$1,528,508	\$0	\$1,528,508

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**FINANCIAL DATA SCHEDULE - (Continued)**  
Year Ended June 30, 2015

	Project Total	14.239 HOME	1 Business Activities	14.238 Shelter Plus Care	14.871 Housing Choice Vouchers	14.870 ROSS	COCC	Subtotal	ELIM	Total
97100 Extraordinary Maintenance	\$50	\$0	\$0	\$0	\$0			\$50		\$50
97200 Casualty Losses - Non-capitalized	\$106,135	\$0	\$0	\$0	\$0			\$106,135		\$106,135
97300 Housing Assistance Payments	\$0	\$23,356	\$0	\$94,268	\$986,513			\$1,104,137		\$1,104,137
97400 Depreciation Expense	\$270,968	\$0	\$0	\$0	\$472		\$10,650	\$282,090		\$282,090
90000 Total Expenses	\$1,069,534	\$28,634	\$360	\$99,924	\$1,147,409	\$77,160	\$180,250	\$2,603,271	-\$274,435	\$2,328,836
10010 Operating Transfer In	\$80,000	\$0	\$0	\$0	\$0			\$80,000	-\$80,000	\$0
10020 Operating transfer Out	-\$80,000	\$0	\$0	\$0	\$0			-\$80,000	\$80,000	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$54,327	-\$136	\$1,260	-\$207	\$5,613	\$0	\$83,893	\$36,096	\$0	\$36,096
11030 Beginning Equity	\$6,524,079	\$0	\$320,507	\$1,306	\$9,918	\$0	\$517,258	\$7,373,068		\$7,373,068
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$216,473				-\$48,520		-\$110,466	-\$375,459		-\$375,459
11170 Administrative Fee Equity	\$0				-\$61,129			-\$61,129		-\$61,129
11180 Housing Assistance Payments Equity					\$28,140			\$28,140		\$28,140
11190 Unit Months Available	1898	49	0	246	3745		0	5938		5938
11210 Number of Unit Months Leased	1869	49	0	246	3641		0	5805		5805
11270 Excess Cash	\$757,517							\$757,517		\$757,517
11620 Building Purchases	\$97,525						\$0	\$97,525		\$97,525
11640 Furniture & Equipment - Administrative Purchases	\$54,304						\$0	\$54,304		\$54,304

**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 Salina  
Salina, Kansas

I 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 of the Housing Authority of the City of Salina (Authority), Kansas, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued my report thereon dated October 26, 2015.

**Internal Control Over Financial Reporting**

In planning and performing my audit of the financial statements, I considered the Authority’s internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, I 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.

My 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 my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority’s financial statements are free from material misstatement, I 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of this Report**

The purpose of this report is solely to describe the scope of my 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 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.

*Audit Solutions, LLC*

Chesterfield, Missouri

October 26, 2015

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Commissioners  
Housing Authority of the City of Salina  
Salina, Kansas

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

I have audited the City of Housing Authority of the City of Salina (Authority), Kansas’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Authority’s major federal programs for the year ended June 30, 2015. 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.

***Management’s Responsibility***

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

***Auditor’s Responsibility***

My responsibility is to express an opinion on compliance for each of the Authority’s major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the Authority’s compliance.

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

In my opinion, the Housing Authority of the City of Salina, Kansas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control Over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the Authority’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the Authority’s internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Audit Solutions, LLC***

Chesterfield, Missouri

October 26, 2015

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**SIGNIFICANT DEFICIENCIES COMMUNICATED IN PRIOR YEAR**  
June 30, 2015

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The prior audit report for the year ended June 30, 2014 contained the following audit finding:

**Financial Statement Findings**

None noted.

**Federal Award Findings**

None noted.

HOUSING AUTHORITY OF THE CITY OF SALINA  
Salina, Kansas

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
June 30, 2015

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**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

➤ Material weakness(es) identified? No  
➤ Significant deficiency(ies) identified? No

Noncompliance material to financial statements noted? No

**Federal Awards**

Internal control over major programs:

➤ Material weakness(es) identified? No  
➤ Significant deficiency(ies) identified? No

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133? No

Identification of major programs:

➤ CFDA #14.850 Public and Indian Housing – Low Rent Program  
➤ CFDA #14.872 Capital Fund Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes

**Section II - Financial Statement Findings**

The current audit report for the year ended June 30, 2015 disclosed no Financial Statement audit finding.

**Section III - Federal Award Findings and Questioned Costs**

The current audit report for the year ended June 30, 2015 disclosed no Federal Awards audit finding and questioned costs.