

**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, 2017

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

TABLE OF CONTENTS

	<u>PAGE</u>
FINANCIAL SECTION	
Independent Auditor's Report	1-2
Management's Discussion and Analysis (un-audited)	i-vi
Basic Financial Statements:	
Statement of Net Position	3-4
Statement of Revenue, Expenses and Changes in Net Position	5
Statement of Cash Flows	6-7
Notes to the Basic Financial Statements	8-25
SUPPLEMENTAL INFORMATION	
PHA's Statement of Certification of Actual Modernization Costs	26
Schedule of Expenditures of Federal Awards	27
Financial Data Schedule	28-32
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	33-34
Independent Auditor's Report on Compliance for each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	35-36
Schedule of Findings and Questioned Costs	37

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, 2017, 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, 2017, 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.

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 Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 31, 2017, 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 31, 2017

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2017

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, 2017. Please read the MD&A in conjunction with the Housing Authority's financial statements.

Financial Highlights

- *Assets:*
Current assets increased by \$124,535 when compared to 2016 and net capital assets decreased by \$175,403. Total assets and deferred outflow of resources increased by \$24,442 from \$7,589,510 as of June 30, 2016 to \$7,613,952 as of June 30, 2017.
- *Liabilities:*
Total liabilities and deferred inflow of resources increased \$61,678 from \$575,795 as of June 30, 2016, to \$637,473 as of June 30, 2017.
- *Revenue:*
Total revenue increased to \$2,623,955 for the year ended June 30, 2017, from \$2,544,070 for the year ended June 30, 2016, an increase of \$79,885. Operating grants increased \$126,689 and investment income increased \$1,681, while tenant revenue decreased \$32,020, fraud recovery decreased \$3,832, other income decreased \$7,617, and capital grants decreased \$2,684 from 2016 making 2017 receipts \$100,059. There was a loss on sale of capital asset in fiscal year 2017 of \$2,332.
- *Expenses:*
Total expenses increased from 2016 to 2017. Total expenses were \$2,564,060 for the year ended June 30, 2016, and increased \$97,131 to \$2,661,191 for the year ended June 30, 2017. Administrative expenses decreased by \$37,585, with a majority of the decrease attributable to accounting for KPERS' underfunded liability. Tenant services expense decreased by \$3,375. Maintenance expenses and general expenses increased by \$7,374 and \$7,040, respectively. HAP payments increased 9.6% or \$123,253.

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, 2017

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, 2017. 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, 2017 and the expenses incurred in operating the Housing Authority for the year ended June 30, 2017.

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 \$6,976,479 at the close of the year ended June 30, 2019. This represents a decrease of \$37,236 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.

Net Position
June 30,

	2017	2016	Change	%-Change
Current Assets	\$2,197,480	\$2,072,945	\$124,535	6%
Capital Assets, Net	\$5,330,745	5,506,148	(\$175,403)	-3%
Non-Current Assets				
Total Assets	\$7,528,225	\$7,579,093	(\$50,868)	-1%
Deferred Outflow of Resources	85,727	10,417	\$75,310	723%
Total Assets and Deferred Outflow of Resources	7,613,952	7,589,510	24,442	0%

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)

June 30, 2017

Financial Analysis – (Continued)

Net Position – (Continued)

June 30,

	2017	2016	Change	%-Change
Current Liabilities	\$181,749	\$200,930	(\$19,181)	-10%
Non-Current Liabilities	\$440,395	374,865	\$65,530	17%
Total Liabilities	\$622,144	\$575,795	\$46,349	8%
Deferred Inflow of Resources	15,329	-	\$15,329	100%
 Net Position:				
Net Investment in Capital Assets	\$5,330,745	5,506,148	(\$175,403)	-3%
Restricted Assets	\$14,718	\$27,390	(\$12,672)	-46%
Unrestricted Assets	\$1,631,016	1,480,177	\$150,839	10%
Total Net Position	\$6,976,479	\$7,013,715	(\$37,236)	-1%
Total Liabilities, Deferred Inflow of Resources and Total Net Position	7,613,952	7,589,510	24,442	0%

Assets:

Total current assets were \$2,072,945 as of June 30, 2016 and increased by \$124,535 to \$2,197,480 as of June 30, 2017. The balance of cash increased by \$117,578 as of June 30, 2017. The increase was due to numerous factors including, but not limited to, unspent VASH EAF and Greater Salina Community Foundation funding, an increase in Operating Subsidy, and decreases in fixed asset purchases, health insurance participation, and tenant services salary and benefits.

Net investment in capital assets decreased to \$5,330,745 as of June 30, 2017 from \$5,506,148 as of June 30, 2016. This decrease of \$175,403 in net investment in capital assets includes the sale of one Low Rent housing unit and depreciation of \$273,130.

Liabilities:

Total current liabilities decreased from \$200,930 as of June 30, 2016, to \$181,749 as of June 30, 2017, a decrease of \$19,181. The decrease includes a reduction in pending FSS graduation disbursements of \$11,246, decreased payments in lieu of taxes (PILOT) from \$33,115 as of June 30, 2016 to \$27,606 as of June 30, 2017, and a reduction in accounts payable to vendors.

Net Position:

Net position decreased by \$37,236 as of June 30, 2017 as total expenses of \$2,661,191 exceeded total revenue of \$2,623,955. As of June 30, 2017, there was \$14,718 set aside as Restricted Net Position for the Housing Choice Voucher program.

Expendable Fund Balance:

Expendable Fund Balance	2017	2016	Change	%-Change
Expendable Fund Balance	1,930,373	1,772,750	\$157,623	8.89%
Number of Months Expendable Fund	23.57	21.14	\$2.42	11.45%

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)

June 30, 2017

Financial Analysis – (Continued)

Expendable Fund Balance – (Continued):

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 \$1,930,373 at the end of the 2017 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 expense of \$81,917. 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, 2017 was 23.57 months.

Changes in Net Position
For the Year Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>%-Change</u>
Revenue:				
Tenant Revenue	\$384,749	\$416,769	(\$32,020)	-8%
Federal Grants & Subsidy	\$2,224,874	\$2,100,869	\$124,005	6%
Investment Income	\$8,835	\$7,154	\$1,681	23%
Other Income	\$7,829	\$19,278	(\$11,449)	-59%
Gain/Loss on Sale of Fixed Assets	(\$2,332)	\$0	(\$2,332)	-100%
Total Revenue	<u>\$2,623,955</u>	<u>\$2,544,070</u>	<u>\$79,885</u>	<u>3%</u>
Expenses:				
Administrative	\$449,286	\$486,871	(\$37,585)	-8%
Tenant Services	\$60,304	\$63,679	(\$3,375)	-5%
Utilities	\$18,143	\$14,741	\$3,402	23%
Routine Maintenance	\$302,917	\$295,543	\$7,374	2%
Protective Services	\$193	\$167	\$26	16%
General Expenses	\$152,159	\$145,119	\$7,040	5%
Housing Assistance Payments	1,405,059	1,281,806	\$123,253	10%
Depreciation	\$273,130	\$276,134	(\$3,004)	-1%
Total Operating Expenses	<u>\$2,661,191</u>	<u>\$2,564,060</u>	<u>\$97,131</u>	<u>4%</u>
Increase (Decrease) in Net Position	<u>(\$37,236)</u>	<u>(\$19,990)</u>	<u>(\$17,246)</u>	<u>86%</u>

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 decreased by approximately 8% for the current year from \$416,769 for the year ended June 30, 2016 to \$384,749 for the year ended June 30, 2017. 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 \$10,949. 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.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)

June 30, 2017

Financial Analysis – (Continued)

Revenue – (Continued):

Total federal grants and subsidy revenue increased from \$2,100,869 for the year ended June 30, 2016 to \$2,224,874 for the year ended June 30, 2017, for an increase of \$124,005. Operating subsidy funding increased by \$23,036. Housing choice voucher HAP assistance increased \$156,051 due to increased leasing and additional funding for VASH and Portability vouchers, while Shelter Plus Care funding increased \$5,501 as a result in increased costs per unit month. A change in timing in drawing CFP operations funds resulted in a \$34,300 decrease in fiscal year 2017. Security deposit assistance funding decreased by \$8,160. Capital grant revenue decreased by \$2,684.

Other income decreased \$11,449 as the amount recorded for the year ended June 30, 2016 was \$19,278 and \$7,829 for the year ended June 30, 2017. A reduction in fraud recovery accounts for a third of this decrease, with the remainder consisting of a reduction in revenue from external sources.

Expenses:

Administrative expenses decreased by \$37,585 from \$486,871 for the year ended June 30, 2016 to \$449,286 for year ended June 30, 2017. The decrease is attributable to accounting for the Kansas Public Employees Retirement System (KPERS) underfunded liability and a decrease in health insurance participation. Routine maintenance expense increased by \$7,374, from \$295,543 for fiscal year 2016 to \$302,917 for fiscal year 2017, consisting of a \$8,400 decrease pension liability expense and a \$15,800 increase in contracted maintenance. As a result of increased leasing and costs per unit month, housing assistance payments increased by \$123,253, which is a 10% increase. General expense increased by \$7,040, consisting of a decrease in PILOT of \$5,509 and an increase in bad debt of \$9,861.

Capital Assets:

At June 30, 2017 the Housing Authority had \$5,330,745 invested in net capital assets. This amount represents a net decrease of \$175,403 in net investment in capital assets when compared to net capital assets as of June 30, 2016.

Disposals consisted of one Public Housing lot with a basement and various non-functioning kitchen appliances.

During the current year, some work in progress projects were completed and certain assets of \$104,592 were transferred from construction in progress to other capital assets categories.

As of June 30, 2017, the Housing Authority has approximately \$112,578 in Capital program funds to spend on future improvements.

Capital Assets at Year End
(Net of Accumulated Depreciation)

June 30,

	2017	2016	Change	%-Change
Land	\$1,454,559	\$1,456,891	(\$2,332)	0%
Buildings	\$7,355,222	7,266,666	\$88,556	1%
Equipment - dwellings	\$3,055	\$4,341	(\$1,286)	-30%
Equipment - administration	\$226,898	\$226,898	\$0	0%
Leasehold improvements	\$714,171	709,752	\$4,419	1%
Construction in progress	\$148,719	153,252	(\$4,533)	-3%
Subtotal	\$9,902,624	\$9,817,800	\$84,824	1%
Accumulated depreciation	(\$4,571,879)	(4,311,652)	(\$260,227)	6%
Net Capital Assets	\$5,330,745	\$5,506,148	(\$175,403)	-3%

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) – (Continued)

June 30, 2017

Debt

As of June 30, 2017, the Authority does not have any outstanding debt, bonds, mortgages, or notes payable. There are non-current liabilities as of June 30, 2017 for employee compensated absences of approximately \$28,576, escrow amounts of \$38,412 held for participating tenants of the FSS escrow program, and KPERS net pension liability of \$373,407.

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 2018 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. 5th St., Salina, KS 67401, telephone number 785-827-0441.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

STATEMENT OF NET POSITION
June 30, 2017

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,149,661
Cash - restricted		146,622
Investments		812,413
Receivables - net of allowances		18,369
Inventory - net of allowances		30,763
Prepaid expenses		<u>39,652</u>

Total Current Assets 2,197,480

Non-current Assets:

Capital assets:

Land and construction in progress		1,603,278
Other capital assets, net of depreciation		<u>3,727,467</u>

Total capital assets - net 5,330,745

Total Non-current Assets 5,330,745

DEFERRED OUTFLOW OF RESOURCES

Accrued pension		<u>85,727</u>
-----------------	--	---------------

Total Deferred Outflow of Resources 85,727

Total Assets and Deferred Outflow of Resources \$ 7,613,952

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

STATEMENT OF NET POSITION - (Continued)
June 30, 2017

LIABILITIES

Current Liabilities:

Accounts payable	\$	38,686
Accrued salaries and benefits		37,118
Tenant security deposit liability		92,027
Accrued compensated absences		3,176
Unearned revenues		<u>10,742</u>

Total Current Liabilities 181,749

Non-current Liabilities:

Compensated absences		28,576
Non-current liabilities - Other		<u>411,819</u>

Total Non-current Liabilities 440,395

Total Liabilities 622,144

DEFERRED INFLOW OF RESOURCES

Accrued pension		<u>15,329</u>
-----------------	--	---------------

Total Deferred Inflow of Resources 15,329

NET POSITION

Net investment in capital assets		5,330,745
Restricted		14,718
Unrestricted		<u>1,631,016</u>

Total Net Position 6,976,479

Total Liabilities, Deferred Inflow of Resources and Net Position \$ 7,613,952

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, 2017

OPERATING REVENUES	
Tenant revenue	\$ 384,749
Governmental grants and subsidy	2,124,815
Miscellaneous	<u>7,829</u>
Total operating revenue	<u>2,517,393</u>
OPERATING EXPENSES	
Administrative	449,286
Tenant services	60,304
Utilities	18,143
Ordinary maintenance and operations	302,917
Protective services	193
Insurance	102,418
General	49,741
Housing assistance payment	1,405,059
Depreciation expense	<u>273,130</u>
Total operating expenses	<u>2,661,191</u>
Operating income (loss)	<u>(143,798)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	8,835
Gain (loss) on disposal of capital assets	<u>(2,332)</u>
Net non-operating revenues (expenses)	<u>6,503</u>
Income (loss) before contributions and transfers	<u>(137,295)</u>
Capital contributions	<u>100,059</u>
Change in net position	(37,236)
Total net position - beginning of year	<u>7,013,715</u>
Total net position - end of year	<u>\$ 6,976,479</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, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	371,683
Received from governmental grants and subsidy		2,122,976
Received from other operating activities		262,228
Payments for goods and services		(638,310)
Payments to employees		(630,780)
Payment in lieu of taxes		(33,115)
Payment for housing assistance		<u>(1,405,059)</u>

Net cash provided by (used in) operating activities 49,623

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions		99,070
Purchases of capital assets		(100,059)
Receipts (payments) from deferred credits and escrow deposits		<u>63,992</u>

Net cash provided by (used in) capital and related financing activities 63,003

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		(3,839)
Receipts of interest and dividends		<u>8,791</u>

Net cash provided by (used in) investing activities 4,952

Net increase (decrease) in cash and cash equivalents 117,578
Cash and cash equivalents at beginning of year 1,178,705

Cash and cash equivalents at end of year \$ 1,296,283

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, 2017

Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (143,798)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	273,130
Change in assets and liabilities:	
Receivables, net	(1,769)
Inventories, net	(615)
Prepaid expenses	(75,011)
Accounts and other payables	(19,086)
Tenant security deposit	(3,581)
Deferred revenues	20,160
Compensated absences	1,710
Accrued expenses	<u>(1,517)</u>
Net cash provided by (used) by operating activities	\$ <u><u>49,623</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 - (Continued)
June 30, 2017

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
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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, Deferred Outflow, Liabilities, Deferred Inflow 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, miscellaneous and tenant accounts receivable.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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

1F. Assets, Deferred Outflow, Liabilities, Deferred Inflow 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 Paid Time Off (PTO) permit employees to accumulate earned but unused PTO. 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority reports deferred outflows of resources for pension contributions made after the actuarial measurement date and for actuarial adjustments due to the proportionate share of the contributions made to the pension liability which will be amortized over the expected average remaining service life time.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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

1F. Assets, Deferred Outflow, Liabilities, Deferred Inflow and Equity - (Continued)

Deferred Outflows/Inflows of Resources - (Continued)

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. The Authority has deferred inflows of resources relating to the net pension obligation reported in the Statement of Net Position. These deferred inflows of resources are the result of the net difference between projected and actual earnings on pension plan investments. These amounts are deferred and amortized over a five-year period on a straight-line basis.

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.”

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.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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.

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, 2017, the Authority complied, in all material respects, with these revenue restrictions.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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, 2017, the Authority had the following cash deposits and investments:

Cash deposits	\$	1,296,233
Certificate of deposit		812,413
Petty cash / change fund		<u>50</u>
Total	\$	<u>2,108,696</u>

Following is a reconciliation of the Authority's deposit balances as of June 30, 2017:

Cash - unrestricted	\$	1,149,661
Cash - restricted		146,622
Investments – unrestricted		<u>812,413</u>
Total	\$	<u>2,108,696</u>

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, 2017, the Authority's bank balances of \$1,324,505 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, 2017, the Authority's investment balance of \$812,413 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.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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

3A. Investments – (Continued)

Concentration of Credit Risk

The Authority places no limit on the amount the Authority may invest in any one issuer. At June 30, 2017, 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	\$ 153,510	2/5/2018
Certificate of Deposit	65,060	10/27/2017
Certificate of Deposit	110,261	8/25/2017
Certificate of Deposit	104,142	1/26/2018
Certificate of Deposit	110,289	9/30/2017
Certificate of Deposit	207,141	5/29/2018
Certificate of Deposit	32,163	11/12/2017
Certificate of Deposit	29,847	3/10/2018
	<u>\$ 812,413</u>	

3B. Restricted Assets

Restricted assets at June 30, 2017 consist of the following:

<u>Type of Restricted Assets</u>	<u>Cash</u>	<u>Investments</u>	<u>Accrued Interest</u>	<u>Total</u>
FSS Escrow	\$ 39,877	\$ ----	\$ ----	\$ 39,877
HAP funds	14,718	----	----	14,718
Security deposit	92,027	----	----	92,027
	<u>\$ 146,622</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 146,622</u>

3C. Receivables

Receivables at June 30, 2017, consist of the following:

Tenants - net of allowance	\$ 5,207
Less: Allowance or doubtful account - tenants	<u>(1,000)</u>
Tenants - net of allowance	4,207
Fraud recovery	2,616
HUD	8,369
Miscellaneous	2,742
Interest	<u>435</u>
Receivables - net of allowances	<u>\$ 18,369</u>

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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

3D. Inventory

Inventory at June 30, 2017 comprised of the following:

Inventory	\$	32,382
Less: Allowance for obsolete inventory		<u>(1,619)</u>
Inventory - net of allowance	\$	<u>30,763</u>

3E. Capital Assets

A summary of capital asset activity for the year ended June 30, 2017 is as follows:

	Balance July 1, 2016	Additions	(Retirement)	Reclass/ Transfers in (out)	Balance June 30, 2017
Non-depreciable assets:					
Land	\$ 1,456,891	\$ -	\$ (2,332)	\$ -	\$ 1,454,559
Construction in progress	<u>153,252</u>	<u>100,059</u>	<u>-</u>	<u>(104,592)</u>	<u>148,719</u>
Total non-depreciable assets	<u>1,610,143</u>	<u>100,059</u>	<u>(2,332)</u>	<u>(104,592)</u>	<u>1,603,278</u>
Depreciable assets:					
Building	7,266,666	-	-	88,556	7,355,222
Equipment - dwelling	4,341	-	(1,286)	-	3,055
Equipment - administration	226,898	-	-	-	226,898
Leasehold improvements	<u>709,752</u>	<u>-</u>	<u>-</u>	<u>4,419</u>	<u>714,171</u>
Total depreciable assets	8,207,657	-	(1,286)	92,975	8,299,346
Accumulated depreciation	<u>(4,311,652)</u>	<u>(273,130)</u>	<u>12,903</u>	<u>-</u>	<u>(4,571,879)</u>
Total depreciable assets, net	<u>3,896,005</u>	<u>(273,130)</u>	<u>11,617</u>	<u>92,975</u>	<u>3,727,467</u>
Capital assets, net	\$ <u>5,506,148</u>	\$ <u>(173,071)</u>	\$ <u>9,285</u>	\$ <u>(11,617)</u>	\$ <u>5,330,745</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent	\$ 262,203
COCC	10,732
Housing Choice Voucher	<u>195</u>
Total depreciation expense	\$ <u>273,130</u>

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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

3F. Accounts Payable

Accounts payable at June 30, 2017, consist of the following:

Vendors & contractors	\$ 5,500
PILOT	27,606
Other	4,545
Accrued utilities	<u>1,035</u>
 Total Accounts Payable	 <u>\$ 38,686</u>

3G. Non-current Liabilities

Non-current liabilities at June 30, 2017, consist of the following:

Accrued compensated absences	\$ 28,576
Accrued pension	373,407
FSS escrow	<u>38,412</u>
 Total Non-Current Liabilities	 <u>\$ 440,395</u>

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

	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2017</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 27,038	\$ 1,538	\$ ---	\$ 28,576	\$ 3,176
Accrued pension	318,110	55,297	---	373,407	---
FSS escrow	<u>29,717</u>	<u>8,695</u>	<u>---</u>	<u>38,412</u>	<u>1,465</u>
	<u>\$ 374,865</u>	<u>\$ 65,530</u>	<u>\$ ---</u>	<u>\$ 440,395</u>	<u>\$ 4,641</u>

3H. 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.

	<u>Transfers In</u>	<u>Transfers Out</u>
Low Rent	\$ 60,710	\$ -
Capital Fund Program	<u>-</u>	<u>(60,710)</u>
 Total	 <u>\$ 60,710</u>	 <u>\$ (60,710)</u>

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

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

3H. Inter-program Transactions and Balances - (Continued)

Inter-program Receivable/Payable

Inter-program receivable/payable is eliminated for financial statement presentation. The following inter-program receivable/payable existed at June 30, 2017:

	Due From	Due To
Low Rent	\$ 5,413	\$ -
COCC	22,000	-
Housing Choice Voucher		(21,000)
HOME program		(1,000)
Shelter Care Plus		(1,836)
ROSS	-	(3,577)
Total	\$ 27,413	\$ (27,413)

NOTE 4 – OTHER NOTES

4A. Net Pension Obligation

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.

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.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

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" (Police and Firemen's normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

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.

The 2012 Legislature made changes affecting new hires, current members and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

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.

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 1.1% of total payroll for the fiscal year ended June 30, 2016 (Plan's year-end).

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Contributions - (Continued)

The actuarially determined employer contribution rates (not including the 1.00% contribution rate for the Death and Disability Program) and statutory contribution rates for Local employees is 9.18%. Member contribution rates as a percentage of eligible compensation for the fiscal year 2017 is 6.00% for Local employees.

Basis of Presentation

The schedules of employer and non-employer allocations and the schedules of pension amounts by employer and non-employer (the Schedules) present amounts that are elements of the financial statements of the System or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of either the System or its participating employers. The amounts presented in the Schedules were prepared in accordance with the accounting principles generally accepted in the United States of America. Such preparation requires management of the System to make a number of estimates and assumptions relating to the reported amounts. Actual results could differ from those estimates.

Employer and Non-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 percentages for each group as of June 30, 2016, are based on the ratio of each employer's contributions to total employer and non-employer contributions of the group for the fiscal years ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. The employer allocation percentages have been rounded for presentation purposes. Therefore, use of these percentages to recalculate individual employer amounts presented in the schedules of pension amounts by employer and non-employer may result in immaterial differences due to rounding.

The contributions used exclude contributions made for prior service, excess benefits and irregular payments.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Net Pension Liability

At June 30, 2017 and June 30, 2016, the Authority reported a liability of \$373,407 and \$318,110, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability for the June 30, 2016 (plan’s year-end), measurement date was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	3.00%
Wage inflation	4.00%
Salary increases, including wage increases	4.00% to 16.00%, 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, 2015 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2012.

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, 2016 are summarized in the following table:

Asset Class	Long-Term Target Allocation	Long-Term Expected Real Rate of Return
Global equity	47.00%	6.80%
Fixed income	13.00%	1.25%
Yield driven	8.00%	6.55%
Real return	11.00%	1.71%
Real estate	11.00%	5.05%
Alternatives	8.00%	9.85%
Short-term investments	2.00%	(0.25%)
Total	100.00%	

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (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. The State, School and Local employers do not necessarily contribute the full actuarially determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the System's Board of Trustees for these groups may not increase by more than the statutory cap. The expected KPERS employer statutory contribution was modeled for future years, assuming all actuarial assumptions are met in future years. 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 table presents the net pension liability of the Pension Plan as of June 30, 2016 (plan's year-end), calculated using the discount rate of 8.00%, as well as what the Pension Plan's 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:

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

1% Decrease (7.00%)	Discount rate (8.00%)	1% Increase (9.00%)
\$511,814	\$373,407	\$256,048

Pension Expense

For the year ended June 30, 2017, the Authority recognized pension expense of \$32,442 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.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	\$2,167	\$6,740
Net differences between projected and actual earnings on investments	\$44,110	--
Changes in proportion	\$2,467	\$5,096
Changes of assumption	--	\$3,493
Employer contributions subsequent to June 30, 2016	\$36,983	--
Total	\$85,727	\$15,329

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

Year ended June 30:	
2018	\$39,382
2019	\$16,286
2020	\$12,198
2021	\$134
2022	\$2,398
Thereafter	--

The Authority's balance of deferred outflows of resources of \$85,727 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.

The Authority is involved in an ongoing investigation by the HUD for housing discrimination case filed by an individual. The ultimate outcome of the investigation is currently not known and cannot reasonably be estimated.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

NOTE 4 – OTHER NOTES - (Continued)

4C. 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 and housing assistance payment (HAP) and includes investment income and capital contributions in operating activities, which differs from the presentation of basic financial statements.

4D. Commitments

At June 30, 2017, the Authority had the following pending Capital Fund, ROSS and Shelter Care Plus 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 501-16	\$ 198,147	\$ 85,569	
<u>ROSS:</u>			
ROSS 2016	\$ 60,000	\$ 31,411	
<u>Shelter Care Plus:</u>			
SNAP 1506	\$ 104,085	\$ 89,878	

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.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2017

NOTE 4 – OTHER NOTES - (Continued)

4F. 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 31, 2017 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

4G. 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 2018 federal budget.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
June 30, 2017

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-15</u>
Funds approved	\$ 195,275
Funds expended	<u>195,275</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 195,275
Funds expended	<u>195,275</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated October 12, 2017 submitted to HUD for approval is in agreement with the Authority's records as of June 30, 2017.
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, 2017

<u>Federal Grantor</u>	<u>Federal CFDA #</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Program	14.850	\$ 374,842
Capital Fund Program	14.872	178,501
Housing Choice Vouchers	14.871	1,457,897
ROSS	14.870	57,523
Shelter Care Plus	14.238	89,878
Pass-through Kansas Housing Resources Corporation (KHRC) HOME Investment Partnership Program	14.239	66,233
Total Expenditures of Federal Awards		\$ <u>2,224,874</u>

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal grant activity of the Housing Authority of the City of Salina, Kansas (Authority) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE
Year Ended June 30, 2017

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$524,457		\$16,579	\$1,015	\$4	\$55,166	\$552,440	\$1,149,661		\$1,149,661
113 Cash - Other Restricted	\$37,763		\$15,367					\$53,130		\$53,130
114 Cash - Tenant Security Deposits	\$92,027							\$92,027		\$92,027
115 Cash - Restricted for Payment of Current Liabilities	\$1,465							\$1,465		\$1,465
100 Total Cash	\$655,712	\$0	\$31,946	\$1,015	\$4	\$55,166	\$552,440	\$1,296,283	\$0	\$1,296,283
122 Accounts Receivable - HUD Other Projects	\$2,956	\$3,577		\$1,836				\$8,369		\$8,369
125 Accounts Receivable - Miscellaneous			\$10				\$2,732	\$2,742		\$2,742
126 Accounts Receivable - Tenants	\$5,207							\$5,207		\$5,207
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,000							-\$1,000		-\$1,000
128 Fraud Recovery	\$2,616							\$2,616		\$2,616
129 Accrued Interest Receivable	\$288					\$147		\$435		\$435
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$10,067	\$3,577	\$10	\$1,836	\$0	\$147	\$2,732	\$18,369	\$0	\$18,369
131 Investments - Unrestricted	\$543,262					\$269,151		\$812,413		\$812,413
142 Prepaid Expenses and Other Assets	\$38,694		\$344				\$614	\$39,652		\$39,652
143 Inventories	\$32,382							\$32,382		\$32,382
143.1 Allowance for Obsolete Inventories	-\$1,619							-\$1,619		-\$1,619
144 Inter Program Due From	\$3,577						\$1,836	\$5,413	-\$5,413	\$0
150 Total Current Assets	\$1,282,075	\$3,577	\$32,300	\$2,851	\$4	\$324,464	\$557,622	\$2,202,893	-\$5,413	\$2,197,480
161 Land	\$1,413,085						\$41,474	\$1,454,559		\$1,454,559
162 Buildings	\$7,188,447						\$166,775	\$7,355,222		\$7,355,222
163 Furniture, Equipment & Machinery - Dwellings	\$3,055							\$3,055		\$3,055
164 Furniture, Equipment & Machinery - Administration	\$148,938		\$12,375				\$65,585	\$226,898		\$226,898
165 Leasehold Improvements	\$714,171							\$714,171		\$714,171
166 Accumulated Depreciation	-\$4,392,164		-\$12,325				-\$167,390	-\$4,571,879		-\$4,571,879
167 Construction in Progress	\$148,719							\$148,719		\$148,719
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,224,251	\$0	\$50	\$0	\$0	\$0	\$106,444	\$5,330,745	\$0	\$5,330,745

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2017

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
180 Total Non-Current Assets	\$5,224,251	\$0	\$50	\$0	\$0	\$0	\$106,444	\$5,330,745	\$0	\$5,330,745
200 Deferred Outflow of Resources	\$50,262		\$9,550				\$25,915	\$85,727		\$85,727
290 Total Assets and Deferred Outflow of Resources	\$6,556,588	\$3,577	\$41,900	\$2,851	\$4	\$324,464	\$689,981	\$7,619,365	-\$5,413	\$7,613,952
312 Accounts Payable <= 90 Days	\$3,221		\$485				\$1,794	\$5,500		\$5,500
321 Accrued Wage/Payroll Taxes Payable	\$21,241		\$4,192				\$11,685	\$37,118		\$37,118
322 Accrued Compensated Absences - Current Portion	\$1,813		\$113				\$1,250	\$3,176		\$3,176
333 Accounts Payable - Other Government	\$27,606							\$27,606		\$27,606
341 Tenant Security Deposits	\$92,027							\$92,027		\$92,027
342 Unearned Revenue	\$10,742							\$10,742		\$10,742
345 Other Current Liabilities	\$4,523		\$22					\$4,545		\$4,545
346 Accrued Liabilities - Other	\$815		\$109				\$111	\$1,035		\$1,035
347 Inter Program - Due To		\$3,577		\$1,836				\$5,413	-\$5,413	\$0
310 Total Current Liabilities	\$161,988	\$3,577	\$4,921	\$1,836	\$0	\$0	\$14,840	\$187,162	-\$5,413	\$181,749
353 Non-current Liabilities - Other	\$37,763		\$649					\$38,412		\$38,412
354 Accrued Compensated Absences - Non Current	\$16,316		\$1,013				\$11,247	\$28,576		\$28,576
357 Accrued Pension and OPEB Liabilities	\$220,310		\$41,075				\$112,022	\$373,407		\$373,407
350 Total Non-Current Liabilities	\$274,389	\$0	\$42,737	\$0	\$0	\$0	\$123,269	\$440,395	\$0	\$440,395
300 Total Liabilities	\$436,377	\$3,577	\$47,658	\$1,836	\$0	\$0	\$138,109	\$627,557	-\$5,413	\$622,144
400 Deferred Inflow of Resources	\$9,044		\$1,686				\$4,599	\$15,329		\$15,329
508.4 Net Investment in Capital Assets	\$5,224,251		\$50				\$106,444	\$5,330,745		\$5,330,745
511.4 Restricted Net Position			\$14,718					\$14,718		\$14,718
512.4 Unrestricted Net Position	\$886,916	\$0	-\$22,212	\$1,015	\$4	\$324,464	\$440,829	\$1,631,016		\$1,631,016
513 Total Equity - Net Assets / Position	\$6,111,167	\$0	-\$7,444	\$1,015	\$4	\$324,464	\$547,273	\$6,976,479	\$0	\$6,976,479
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,556,588	\$3,577	\$41,900	\$2,851	\$4	\$324,464	\$689,981	\$7,619,365	-\$5,413	\$7,613,952

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2017

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$308,927							\$308,927		\$308,927
70400 Tenant Revenue - Other	\$75,822							\$75,822		\$75,822
70500 Total Tenant Revenue	\$384,749	\$0	\$0	\$0	\$0	\$0	\$0	\$384,749	\$0	\$384,749
70600 HUD PHA Operating Grants	\$453,284	\$57,523	\$1,457,897	\$89,878	\$66,233			\$2,124,815		\$2,124,815
70610 Capital Grants	\$100,059							\$100,059		\$100,059
70710 Management Fee							\$149,801	\$149,801	-\$149,801	\$0
70720 Asset Management Fee							\$19,440	\$19,440	-\$19,440	\$0
70730 Book Keeping Fee							\$46,628	\$46,628	-\$46,628	\$0
70700 Total Fee Revenue							\$215,869	\$215,869	-\$215,869	\$0
71100 Investment Income - Unrestricted	\$4,590		\$128	\$3	\$4	\$1,778	\$2,332	\$8,835		\$8,835
71400 Fraud Recovery			\$5,044					\$5,044		\$5,044
71500 Other Revenue	\$3,971		\$6,838				\$35,279	\$46,088	-\$43,303	\$2,785
71600 Gain or Loss on Sale of Capital Assets	-\$2,332							-\$2,332		-\$2,332
70000 Total Revenue	\$944,321	\$57,523	\$1,469,907	\$89,881	\$66,237	\$1,778	\$253,480	\$2,883,127	-\$259,172	\$2,623,955
91100 Administrative Salaries	\$82,208		\$46,684				\$126,682	\$255,574		\$255,574
91200 Auditing Fees	\$5,564		\$1,688				\$2,045	\$9,297		\$9,297
91300 Management Fee	\$98,903		\$49,296	\$3,893	\$5,350	\$384		\$157,826	-\$157,826	\$0
91310 Book-keeping Fee	\$14,273		\$30,810	\$1,545				\$46,628	-\$46,628	\$0
91500 Employee Benefit contributions - Administrative	\$29,821		\$22,801				\$41,872	\$94,494		\$94,494
91600 Office Expenses	\$40,913		\$18,030	\$24			\$8,641	\$67,608	-\$34,328	\$33,280
91700 Legal Expense	\$7,141		\$1,294					\$8,435		\$8,435
91800 Travel	\$700		\$291				\$1,525	\$2,516	-\$943	\$1,573
91900 Other	\$14,919		\$11,270				\$20,444	\$46,633		\$46,633
91000 Total Operating - Administrative	\$294,442	\$0	\$182,164	\$5,462	\$5,350	\$384	\$201,209	\$689,011	-\$239,725	\$449,286
92000 Asset Management Fee	\$19,440							\$19,440	-\$19,440	\$0
92100 Tenant Services - Salaries		\$36,978						\$36,978		\$36,978
92300 Employee Benefit Contributions - Tenant Services		\$20,545						\$20,545		\$20,545
92400 Tenant Services - Other	\$2,781							\$2,781		\$2,781
92500 Total Tenant Services	\$2,781	\$57,523	\$0	\$0	\$0	\$0	\$0	\$60,304	\$0	\$60,304

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2017

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
93100 Water	\$2,039						\$362	\$2,401		\$2,401
93200 Electricity	\$7,520						\$829	\$8,349		\$8,349
93300 Gas	\$5,318						\$153	\$5,471		\$5,471
93600 Sewer	\$1,826						\$96	\$1,922		\$1,922
93000 Total Utilities	\$16,703	\$0	\$0	\$0	\$0	\$0	\$1,440	\$18,143	\$0	\$18,143
94100 Ordinary Maintenance and Operations - Labor	\$110,129							\$110,129		\$110,129
94200 Ordinary Maintenance and Operations - Materials and Other	\$49,074		\$110				\$149	\$49,333		\$49,333
94300 Ordinary Maintenance and Operations Contracts	\$88,020		\$108				\$1,966	\$90,094		\$90,094
94500 Employee Benefit Contributions - Ordinary Maintenance	\$53,361							\$53,361		\$53,361
94000 Total Maintenance	\$300,584	\$0	\$218	\$0	\$0	\$0	\$2,115	\$302,917	\$0	\$302,917
95200 Protective Services - Other Contract Costs	\$92		\$44				\$57	\$193		\$193
95000 Total Protective Services	\$92	\$0	\$44	\$0	\$0	\$0	\$57	\$193	\$0	\$193
96110 Property Insurance	\$84,253							\$84,253		\$84,253
96120 Liability Insurance	\$1,779		\$453				\$569	\$2,801		\$2,801
96130 Workmen's Compensation	\$6,322		\$1,697				\$2,177	\$10,196		\$10,196
96140 All Other Insurance	\$4,376						\$792	\$5,168		\$5,168
96100 Total insurance Premiums	\$96,730	\$0	\$2,150	\$0	\$0	\$0	\$3,538	\$102,418	\$0	\$102,418
96200 Other General Expenses	\$0		\$2,983					\$2,983	-\$7	\$2,976
96300 Payments in Lieu of Taxes	\$27,606							\$27,606		\$27,606
96400 Bad debt - Tenant Rents	\$19,159							\$19,159		\$19,159
96000 Total Other General Expenses	\$46,765	\$0	\$2,983	\$0	\$0	\$0	\$0	\$49,748	-\$7	\$49,741
96900 Total Operating Expenses	\$777,537	\$57,523	\$187,559	\$5,462	\$5,350	\$384	\$208,359	\$1,242,174	-\$259,172	\$983,002
97000 Excess of Operating Revenue over Operating Expenses	\$166,784	\$0	\$1,282,348	\$84,419	\$60,887	\$1,394	\$45,121	\$1,640,953	\$0	\$1,640,953

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2017

	Project Total	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	14.238 Shelter Plus Care	14.239 HOME Investment Partnerships Program	1 Business Activities	COCC	Subtotal	ELIM	Total
97300 Housing Assistance Payments			\$1,259,755	\$84,421	\$60,883			\$1,405,059		\$1,405,059
97400 Depreciation Expense	\$262,203		\$195				\$10,732	\$273,130		\$273,130
90000 Total Expenses	\$1,039,740	\$57,523	\$1,447,509	\$89,883	\$66,233	\$384	\$219,091	\$2,920,363	-\$259,172	\$2,661,191
10010 Operating Transfer In	\$60,710							\$60,710	-\$60,710	\$0
10020 Operating transfer Out	-\$60,710							-\$60,710	\$60,710	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$95,419	\$0	\$22,398	-\$2	\$4	\$1,394	\$34,389	-\$37,236	\$0	-\$37,236
11030 Beginning Equity	\$6,206,586	\$0	-\$29,842	\$1,017	\$0	\$323,070	\$512,884	\$7,013,715		\$7,013,715
11170 Administrative Fee Equity			-\$22,162					-\$22,162		-\$22,162
11180 Housing Assistance Payments Equity			\$14,718					\$14,718		\$14,718
11190 Unit Months Available	1874		4150	230			0	6254		6254
11210 Number of Unit Months Leased	1837		4102	230			0	6169		6169
11270 Excess Cash	\$949,550							\$949,550		\$949,550
11620 Building Purchases	\$100,059						\$0	\$100,059		\$100,059

**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, 2017, 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 31, 2017.

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 31, 2017

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

Board of Commissioners
Housing Authority of the City of 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 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, 2017. The Authority’s major federal program is 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Audit Solutions, LLC

Chesterfield, Missouri

October 31, 2017

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
<u>Internal control over financial reporting:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

Federal Awards

<u>Internal control over major programs:</u>	
➤ Material weakness(es) identified?	No
➤ Significant deficiency(ies) identified?	No
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No
<u>Identification of major programs:</u>	
➤ CFDA #14.871 Housing Choice Voucher	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended June 30, 2017 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended June 30, 2017 disclosed no Federal Awards audit finding and questioned costs.