

**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, 2018

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Salina (Authority), Kansas, as of and for the year ended June 30, 2018, 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, 2018, 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 12, 2018, 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 12, 2018

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
June 30, 2018

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 of the City of Salina, Kansas, provides an overview of the financial activities for the fiscal year ended June 30, 2018. Please read the MD&A in conjunction with the Housing Authority's financial statements.

Financial Highlights

➤ *Assets:*

Current assets increased by \$34,730 when compared to 2017 and net capital assets decreased by \$145,124. Total assets and deferred outflow of resources decreased by \$127,003 from \$7,613,952 as of June 30, 2017 to \$7,486,949 as of June 30, 2018.

➤ *Liabilities:*

Total liabilities and deferred inflow of resources decreased \$23,197 from \$637,473 as of June 30, 2017, to \$614,276 as of June 30, 2018.

➤ *Revenue:*

Total revenue decreased to \$2,507,375 for the year ended June 30, 2018, from \$2,623,955 for the year ended June 30, 2017, a decrease of \$116,580. Capital grants increased \$17,257 while operating grants decreased \$97,583, investment income increased \$6,289, and other income including fraud recovery increased \$4,714 and tenant revenue decreased \$49,589. There was a loss on sale of capital assets in fiscal year 2017 of \$2,332 and none in fiscal year 2018.

➤ *Expenses:*

Total expenses were \$2,661,191 for the year ended June 30, 2017 and decreased \$57,106 to \$2,604,085 for the year ended June 30, 2018. Administrative expenses increased by \$7,044, with a majority of the increase attributable to a 1.5% increase in administrative salaries and a \$3,609 increase in legal expense. Tenant services expense increased by \$2,660, insurance premiums increased by \$3,534, and maintenance expenses increased by \$9,031. General expenses decreased by \$6,932. HAP payments decreased 4.4%, or \$61,559.

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, 2018

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, 2018. 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, 2018 and the expenses incurred in operating the Housing Authority for the year ended June 30, 2018.

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 \$6,872,673 at the close of the year ended June 30, 2018. This represents a decrease of \$103,806 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 properties, 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,			
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%-Change</u>
Current Assets	\$2,232,210	\$2,197,480	\$34,730	2%
Capital Assets, Net	\$5,185,621	5,330,745	(\$145,124)	-3%
Non-Current Assets				
Total Assets	<u><u>\$7,417,831</u></u>	<u><u>\$7,528,225</u></u>	<u><u>(\$110,394)</u></u>	<u><u>-1%</u></u>
Deferred Outflow of Resources	<u><u>69,118</u></u>	<u><u>85,727</u></u>	<u><u>(\$16,609)</u></u>	<u><u>-19%</u></u>
Total Assets and Deferred Outflow of Resources	<u><u>7,486,949</u></u>	<u><u>7,613,952</u></u>	<u><u>(127,003)</u></u>	<u><u>-2%</u></u>

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

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

June 30, 2018

Financial Analysis – (Continued)

	Net Position			
	June 30,			
	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>%-Change</u>
Current Liabilities	\$190,781	\$181,749	\$9,032	5%
Non-Current Liabilities	\$401,965	440,395	(\$38,430)	-9%
Total Liabilities	<u>\$592,746</u>	<u>\$622,144</u>	<u>(\$29,398)</u>	<u>-5%</u>
 Deferred Inflow of Resources	 <u>21,530</u>	 <u>15,329</u>	 <u>\$6,201</u>	 <u>40%</u>
 Net Position:				
Net Investment in Capital Assets	\$5,185,621	5,330,745	(\$145,124)	-3%
Restricted Assets	\$9,770	\$14,718	(\$4,948)	-34%
Unrestricted Assets	\$1,677,282	1,631,016	\$46,266	3%
Total Net Position	<u>\$6,872,673</u>	<u>\$6,976,479</u>	<u>(\$103,806)</u>	<u>-1%</u>
 Total Liabilities, Deferred Inflow of Resources and Total Net Position	 <u>7,486,949</u>	 <u>7,613,952</u>	 <u>(127,003)</u>	 <u>-2%</u>

Assets:

Total current assets were \$2,197,480 as of June 30, 2017 and increased by \$34,730 to \$2,232,210 as of June 30, 2018. The balance of cash increased by \$27,783 as of June 30, 2018. The increase was due to numerous factors including, but not limited to, increases in interest earned, CFP operations funding, and external grant funding, as well as decreases in operating subsidy, tenant revenue, PILOT payments and deferred outflows of cash.

Net capital assets decreased to \$5,185,621 as of June 30, 2018 from \$5,330,745 as of June 30, 2017. This decrease of \$145,124 in net capital assets includes depreciation of \$262,440.

Liabilities:

Total current liabilities increased from \$181,749 as of June 30, 2017, to \$190,781 as of June 30, 2018, an increase of \$9,032. The increase includes an increase in pending FSS graduation disbursements of \$6,036, an increase in security deposits held for current tenants, and a small increase in accounts payable to vendors.

Net Position:

Net position decreased by \$96,710 as of June 30, 2018 as total expenses of \$2,604,085 exceeded total revenue of \$2,507,375. As of June 30, 2018, there was \$9,770 set aside as Restricted Assets for the Housing Choice Voucher program.

Expendable Fund Balance:

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Expendable Fund Balance	<u>\$1,964,787</u>	<u>\$1,930,373</u>	<u>\$34,414</u>	<u>1.78%</u>
Number of Months Expendable Fund	<u>23.62</u>	<u>23.57</u>	<u>0.05</u>	<u>0.21%</u>

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

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

June 30, 2018

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 \$1,964,787 at the end of the 2018 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 \$83,179. 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, 2018 was 23.62 months.

Changes in Net Position

For the Year Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Revenue:				
Tenant Revenue	\$335,160	\$384,749	(\$49,589)	-13%
Federal Grants & Subsidy	\$2,144,548	\$2,224,874	(\$80,326)	-4%
Investment Income	\$15,124	\$8,835	\$6,289	71%
Other Income	\$12,543	\$7,829	\$4,714	60%
Gain/(Loss) on Sale of Asset	\$0	(\$2,332)	\$2,332	-100%
Total Revenue	\$2,507,375	\$2,623,955	(\$116,580)	-4%
Expenses:				
Administrative	\$456,330	\$449,286	\$7,044	2%
Tenant Services	\$62,964	\$60,304	\$2,660	4%
Utilities	\$17,534	\$18,143	(\$609)	-3%
Routine Maintenance	\$311,948	\$302,917	\$9,031	3%
Protective Services	\$608	\$193	\$415	215%
Insurance Premiums	\$105,952	\$102,418	\$3,534	3%
Other General Expenses	\$42,809	\$49,741	(\$6,932)	-14%
Housing Assistance Payments (HAP)	\$1,343,500	\$1,405,059	(\$61,559)	-4%
Depreciation	\$262,440	\$273,130	(\$10,690)	-4%
Total Operating Expenses	\$2,604,085	\$2,661,191	(\$57,106)	-2%
Increase (Decrease) in Net Position	(\$96,710)	(\$37,236)	(\$59,474)	160%

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 13% for the current year from \$384,749 for the year ended June 30, 2017 to \$335,160 for the year ended June 30, 2018. 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 decreased by \$12,293, while revenue collected for rent decreased by \$37,296. Tenant rents are also affected by the tenant's reported income, utility allowances, 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, 2018

Financial Analysis – (Continued)

Revenue – (Continued):

Total federal grants and subsidy revenue decreased from \$2,224,874 for the year ended June 30, 2017 to \$2,144,548 for the year ended June 30, 2018, for a decrease of \$80,326. Operating subsidy funding decreased by \$20,079. Housing choice voucher funding decreased a total of \$103,539 due to decreased leasing and VASH EAF funds received in fiscal year 2017 and not in fiscal year 2018. Shelter Plus Care funding for rental assistance increased \$15,806 and for administrative funding by \$5,000. Capital grant general activity revenue increased by \$17,257 and operation revenue increased by \$20,056. Security deposit assistance funding decreased by \$10,952.

Other income increased \$4,714 as the amount recorded for the year ended June 30, 2017 was \$7,829 and \$12,543 for the year ended June 30, 2018. An increase in recognition of scholarship grant revenue accounts for most of this increase.

Expenses:

Administrative expenses increased by \$7,044 from \$449,286 for the year ended June 30, 2017 to \$456,330 for year ended June 30, 2018. The increase is attributable to a 1.5% increase in administrative salaries and a \$3,609 increase in legal expense. Routine maintenance expense increased by \$9,031, from \$302,917 for fiscal year 2017 to \$311,948 for fiscal year 2018, consisting primarily of a 10% increase in contracted maintenance. As a result of HUD-mandated freeze on leasing in spring 2017, housing assistance payments decreased by \$61,559, which is a 4% decrease. General expense decreased by \$6,932, consisting of a decrease in net bad debt expense.

Capital Assets:

At June 30, 2018, the Housing Authority had \$5,185,621 invested in net capital assets. This amount represents a net decrease of \$145,124 in net capital assets when compared to net capital assets as of June 30, 2017. The net decrease consists of an increase in capital assets of \$117,316 and an increase in accumulated depreciation of \$262,440.

There were no capital disposals in FY 2018.

During the current year, some work in progress projects were completed and certain assets of \$104,058 were transferred from construction in progress to other capital assets categories.

As of June 30, 2018, the Housing Authority has approximately \$96,182 in Capital program funds to spend on future improvements.

Capital Assets at Year End
(Net of Accumulated Depreciation)
June 30,

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Land	\$1,454,559	\$1,454,559	\$0	0%
Buildings	\$7,456,157	\$7,355,222	\$100,935	1%
Equipment - dwelling	\$3,055	\$3,055	\$0	0%
Equipment - administration	\$226,898	\$226,898	\$0	0%
Leasehold improvements	\$717,294	\$714,171	\$3,123	0%
Construction in progress	\$161,977	\$148,719	\$13,258	9%
Subtotal	\$10,019,940	\$9,902,624	\$117,316	1%
Accumulated Depreciation	(\$4,834,319)	(\$4,571,879)	(\$262,440)	6%
Net Capital Assets	\$5,185,621	\$5,330,745	(\$145,124)	-3%

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

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

June 30, 2018

Debt

As of June 30, 2018, the Authority does not have any outstanding debt, bonds, mortgages, or notes payable. There are non-current liabilities as of June 30, 2018 for employee compensated absences of approximately \$24,833, escrow amounts of \$23,020 held for participating tenants of the FSS escrow program, and KPERS net pension and OPEB liability of \$354,112.

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 2019 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, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$	1,187,683
Cash - restricted		136,383
Investments		816,788
Receivables - net of allowances		12,548
Inventory - net of allowances		36,351
Prepaid expenses		<u>42,457</u>

Total Current Assets 2,232,210

Non-current Assets:

Capital assets:

Land and construction in progress		1,616,536
Other capital assets, net of depreciation		<u>3,569,085</u>

Total capital assets - net 5,185,621

Total Non-current Assets 5,185,621

DEFERRED OUTFLOW OF RESOURCES

Accrued pension and other post-employment benefits		<u>69,118</u>
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Total Deferred Outflow of Resources 69,118

Total Assets and Deferred Outflow of Resources \$ 7,486,949

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

STATEMENT OF NET POSITION - (Continued)
June 30, 2018

LIABILITIES

Current Liabilities:

Accounts payable	\$	48,850
Accrued salaries and benefits		35,803
Tenant security deposit liability		96,092
Accrued compensated absences		2,759
Unearned revenues		<u>7,277</u>

Total Current Liabilities 190,781

Non-current Liabilities:

Compensated absences		24,833
Non-current liabilities - Other		<u>377,132</u>

Total Non-current Liabilities 401,965

Total Liabilities 592,746

DEFERRED INFLOW OF RESOURCES

Accrued pension and other post-employment benefits		<u>21,530</u>
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Total Deferred Inflow of Resources 21,530

NET POSITION

Net investment in capital assets		5,185,621
Restricted		9,770
Unrestricted		<u>1,677,282</u>

Total Net Position 6,872,673

Total Liabilities, Deferred Inflow of Resources and Net Position \$ 7,486,949

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, 2018

OPERATING REVENUES	
Tenant revenue	\$ 335,160
Governmental grants and subsidy	2,027,232
Miscellaneous	<u>12,543</u>
Total operating revenue	<u>2,374,935</u>
OPERATING EXPENSES	
Administrative	456,330
Tenant services	62,964
Utilities	17,534
Ordinary maintenance and operations	311,948
Protective services	608
Insurance	105,952
General	42,809
Housing assistance payment	1,343,500
Depreciation expense	<u>262,440</u>
Total operating expenses	<u>2,604,085</u>
Operating income (loss)	<u>(229,150)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment income	<u>15,124</u>
Net non-operating revenues (expenses)	<u>15,124</u>
Income (loss) before contributions and transfers	<u>(214,026)</u>
Capital contributions	<u>117,316</u>
Change in net position	(96,710)
Total net position - beginning of year	6,976,479
Prior period adjustments	<u>(7,096)</u>
Total net position - end of year	<u>\$ 6,872,673</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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Received from tenants	\$	323,866
Received from governmental grants and subsidy		2,030,238
Received from other operating activities		278,140
Payments for goods and services		(655,053)
Payments to employees		(548,507)
Payment in lieu of taxes		(27,606)
Payment for housing assistance		<u>(1,343,500)</u>

Net cash provided by (used in) operating activities 57,578

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital contributions		118,557
Purchases of capital assets		(117,316)
Receipts (payments) from deferred credits and escrow deposits		<u>(41,783)</u>

Net cash provided by (used in) capital and related financing activities (40,542)

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds (payments) from sale (purchase) of investments		(4,375)
Receipts of interest and dividends		<u>15,122</u>

Net cash provided by (used in) investing activities 10,747

Net increase (decrease) in cash and cash equivalents 27,783
Cash and cash equivalents at beginning of year 1,296,283

Cash and cash equivalents at end of year \$ 1,324,066

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, 2018

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

Operating income (loss)	\$	(229,150)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		262,440
Change in assets and liabilities:		
Receivables, net		4,582
Inventories, net		(5,588)
Prepaid expenses		13,804
Accounts and other payables		10,507
Tenant security deposit		4,065
Unearned revenues		2,736
Compensated absences		(4,160)
Accrued expenses		<u>(1,658)</u>
Net cash provided by (used) by operating activities	\$	<u><u>57,578</u></u>

See accompanying notes to the basic financial statements

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1A. Financial Reporting Entity

The Authority's financial reporting entity comprises the following:

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

1B. Basis of Presentation

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

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

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

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

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, 2018

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 and tenant accounts receivable.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

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, 2018

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 and other post-employment benefits 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 and other post-employment benefits. 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 are available, the Authority’s policy is to apply restricted assets to fund restricted costs and then unrestricted as they are needed.

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
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

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, 2018, 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, 2018

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, 2018, the Authority had the following cash deposits and investments:

Cash deposits	\$ 1,324,016
Certificate of deposit	816,788
Petty cash / change fund	<u>50</u>
Total	<u>\$ 2,140,854</u>

Following is a reconciliation of the Authority's deposit balances as of June 30, 2018:

Cash - unrestricted	\$ 1,187,683
Cash - restricted	136,383
Investments – unrestricted	<u>816,788</u>
Total	<u>\$ 2,140,854</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, 2018, the Authority's bank balances of \$1,344,625 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, 2018, the Authority's investment balance of \$816,788 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, 2018

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, 2018, 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	\$ 154,548	8/5/2019
Certificate of Deposit	65,223	4/27/2019
Certificate of Deposit	110,786	9/21/2018
Certificate of Deposit	104,633	1/31/2019
Certificate of Deposit	110,789	9/30/2018
Certificate of Deposit	208,595	5/29/2019
Certificate of Deposit	32,366	11/12/2018
Certificate of Deposit	29,848	3/10/2019
	<u>\$ 816,788</u>	

3B. Restricted Assets

Restricted assets at June 30, 2018 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	\$ 30,521	\$ ----	\$ ----	\$ 30,521
HAP funds	9,770	----	----	9,770
Security deposit	96,092	----	----	96,092
	<u>\$ 136,383</u>	<u>\$ ----</u>	<u>\$ ----</u>	<u>\$ 136,383</u>

3C. Receivables

Receivables at June 30, 2018, consist of the following:

Tenants - net of allowance	\$ 4,314
Less: Allowance or doubtful account - tenants	<u>(790)</u>
Tenants - net of allowance	3,524
Fraud recovery	4,465
HUD	4,122
Interest	<u>437</u>
Receivables - net of allowances	<u>\$ 12,548</u>

HOUSING AUTHORITY OF THE CITY OF SALINA
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

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

3D. Inventory

Inventory at June 30, 2018 comprised of the following:

Inventory	\$ 38,264
Less: Allowance for obsolete inventory	<u>(1,913)</u>
Inventory - net of allowance	<u>\$ 36,351</u>

3E. Capital Assets

A summary of capital asset activity for the year ended June 30, 2018 is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>(Retirement)</u>	<u>Reclass/ Transfers in (out)</u>	<u>Balance June 30, 2018</u>
Non-depreciable assets:					
Land	\$ 1,454,559	\$ -	\$ -	\$ -	\$ 1,454,559
Construction in progress	<u>148,719</u>	<u>117,316</u>	<u>-</u>	<u>(104,058)</u>	<u>161,977</u>
Total non-depreciable assets	<u>1,603,278</u>	<u>117,316</u>	<u>-</u>	<u>(104,058)</u>	<u>1,616,536</u>
Depreciable assets:					
Building	7,355,222	-	-	100,935	7,456,157
Equipment - dwelling	3,055	-	-	-	3,055
Equipment - administration	226,898	-	-	-	226,898
Leasehold improvements	<u>714,171</u>	<u>-</u>	<u>-</u>	<u>3,123</u>	<u>717,294</u>
Total depreciable assets	8,299,346	-	-	104,058	8,403,404
Accumulated depreciation	<u>(4,571,879)</u>	<u>(262,440)</u>	<u>-</u>	<u>-</u>	<u>(4,834,319)</u>
Total depreciable assets, net	<u>3,727,467</u>	<u>(262,440)</u>	<u>-</u>	<u>104,058</u>	<u>3,569,085</u>
Capital assets, net	<u>\$ 5,330,745</u>	<u>\$ (145,124)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,185,621</u>

Depreciation expense is charged to programs as follows:

<u>Business-type Activities</u>	
Low Rent	\$ 253,326
COCC	9,064
Housing Choice Voucher	<u>50</u>
Total depreciation expense	<u>\$ 262,440</u>

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

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

3F. Accounts Payable

Accounts payable at June 30, 2018, consist of the following:

Vendors & contractors	\$ 9,938
PILOT	27,507
Other	10,713
Accrued utilities	<u>692</u>
 Total Accounts Payable	 <u>\$ 48,850</u>

3G. Non-current Liabilities

Non-current liabilities at June 30, 2018, consist of the following:

Accrued compensated absences	\$ 24,833
Accrued pension	345,226
Other post-employment benefits	8,886
FSS escrow	<u>23,020</u>
 Total Non-Current Liabilities	 <u>\$ 401,965</u>

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

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2018</u>	<u>Amounts Due within One Year</u>
Accrued compensated absences	\$ 28,576	\$ ---	\$ 3,743	\$ 24,833	\$ 2,759
Accrued pension	373,407	---	28,181	345,226	---
Other post-employment benefits	---	8,886	---	8,886	---
FSS escrow	<u>38,412</u>	<u>---</u>	<u>15,392</u>	<u>23,020</u>	<u>7,501</u>
	<u>\$ 440,395</u>	<u>\$ 8,886</u>	<u>\$ 47,316</u>	<u>\$ 401,965</u>	<u>\$ 10,260</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	\$ 65,000	\$ -
Capital Fund Program	<u>-</u>	<u>(65,000)</u>
 Total	 <u>\$ 65,000</u>	 <u>\$ (65,000)</u>

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

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, 2018:

	Due From	Due To
Low Rent	\$ 31,297	\$ -
COCC	14,000	(30,521)
Housing Choice Voucher	1,631	(12,000)
HOME program		(1,000)
Shelter Care Plus		(1,000)
ROSS	-	(2,407)
	\$ 46,928	\$ 46,928
Total	\$ 46,928	\$ 46,928

3I. - Prior Period Adjustment

Other Post-Employment Benefit – To record prior year OPEB

Low Rent Program	\$ 4,186
Housing Choice Voucher	781
COCC	2,129
Total	\$ 7,096

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

HOUSING AUTHORITY OF THE CITY OF SALINA
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES

4A. Net Pension Obligation - (Continued)

Description of Pension Plan - (Continued)

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

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

Benefits

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

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Contributions

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

For fiscal years beginning in 1995, Kansas legislation established statutory limits on increases in contribution rates for KPERS employers. Annual increases in the employer contribution rates related to subsequent benefit enhancements are not subject to these limitations. The statutory cap increase over the prior year contribution rate is 1.2% of total payroll for the fiscal year ended June 30, 2017 (Plan's year-end).

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 8.46%. 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

HOUSING AUTHORITY OF THE CITY OF SALINA
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Employer and Non-employer Allocations - (Continued)

To facilitate the separate (sub) actuarial valuations, the System 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, 2017, 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, 2017. 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. At June 30, 2017 (Plan's year-end), the Authority's proportion was 0.023834%, which was a decrease from its proportion measured at June 30, 2016.

Net Pension Liability

At June 30, 2018 and June 30, 2017, the Authority reported a liability of \$345,226 and \$373,407, respectively, for its proportionate share of the net pension liability.

Actuarial Assumptions

The total pension liability for the June 30, 2017 (plan's year-end), measurement date was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry age normal
Inflation	2.75%
Salary increase	3.50 to 12.00%, including price inflation
Investment rate of return	7.75% compounded annually, net of Investment expense, including price inflation

Mortality rates were based on the RP 2014 Mortality Tables, with age setbacks and age set forwards as well as other adjustments based on different membership groups. Future mortality improvements are anticipated using Scale MP-2016.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013, through December 31, 2015. The experience study is dated November 18, 2016.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Actuarial Assumptions - (Continued)

The actuarial assumptions changes adopted by the Pension Plan for all groups based on the experience study:

- Price inflation assumption lowered from 3.00 percent to 2.75 percent
- Investment return assumption was lowered from 8.00 percent to 7.75 percent
- General wage growth assumption was lowered from 4.00 to 3.5 percent
- Payroll growth assumption was lowered from 4.00 percent to 3.00 percent

The long term expected rate of return on 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 pension 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 as of the most recent experience study, dated November 18, 2016, as provided by KPERs' investment consultant, 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%	

Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate was based on member and employer contributions as outlined below:

In KPERs, the State/School and Local groups do not necessarily contribute the full actuarial determined rate. Based on legislation first passed in 1993 and subsequent legislation, the employer contribution rates certified by the Board may not increase by more than the statutory cap. The statutory cap for Fiscal Year 2017 was 1.2 percent.

In recent years, the Legislature has made several changes to statutory rates that deviate from the scheduled contribution increases set under the caps established in 2012 for the State/School group. Under 2015 SB 4, the previously certified State/School statutory rate for Fiscal Year 2015 of 11.27 percent was reduced to 8.65 percent for the last half of the fiscal year as part of the Governor's allotment. That same session, SB 228 recertified statutory rates for the State/School group to 10.91 percent for Fiscal Year 2016 and 10.81 percent for Fiscal Year 2017 in anticipation of the issuance of \$1 billion in pension obligation bonds.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Discount Rate - (Continued)

Legislation in the 2016 session (SB 161) provided for the delay of up to \$100 million in State and School contributions to the Pension Plan. Legislation passed by the 2017 Legislature removed the repayment provisions included in SB 161.

In addition, 2017 S Sub. For Sub. HB 2052 delayed \$64.1 million in Fiscal Year State/School contributions, to be repaid over 20 years in level dollar installments. The first-year payment of \$6.4 million was received in July 2017 and appropriations for Fiscal Year 2018 are intended to fully fund the State/School group statutory contribution rate of 12.01 percent for that year. Additional legislation in the 2017 Session (S Sub for HB 2002) provided for a reduction of \$194 million from the previously certified contribution rate of 13.21 percent in the State/School contributions for Fiscal Year 2019. Like the Fiscal Year 2017 reduction, it is to be paid back over a 20-year period, beginning in Fiscal Year 2020. Therefore, both reductions will be accounted for as long-term receivables by the Pension Plan.

Based on employer contribution history as described above, it is a reasonable estimate that the State/School group's contribution rate may not be certified at the statutory rate. It has been assumed that contribution rates will be made within the same range as have been seen in the past few years. Using this assumption actuarial modeling indicates that employer contribution rates for the State/School group are sufficient to avoid a depletion date.

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

The following tables present the net pension liability of the Pension Plan as of June 30, 2017 (plan's year-end), calculated using the discount rate of 7.75 percent, 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 (6.75 percent) or 1 percentage point higher (8.75 percent) than the current rate:

1% Decrease (6.75%)	Discount rate (7.75%)	1% Increase (8.75%)
\$497,199	\$345,226	\$217,116

Pension Expense

For the year ended June 30, 2018, the Authority recognized pension expense of \$31,100 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, 2018

NOTE 4 – OTHER NOTES - (Continued)

4A. Net Pension Obligation - (Continued)

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, 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	\$1,670	\$11,937
Net differences between projected and actual earnings on investments	\$10,829	--
Changes in proportion	\$1,806	\$6,884
Changes of assumption	\$18,592	\$2,525
Employer contributions subsequent to June 30, 2017	\$36,221	--
Total	\$69,118	\$21,346

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

Year ended June 30:	
2019	\$33,630
2020	\$11,125
2021	\$7,101
2022	(\$4,816)
2023	732
Thereafter	--

The Authority's balance of deferred outflows of resources of \$69,118 will be included as a reduction of the collective net pension liability in future years.

4B. Other Post Employment Benefit Plan

Plan Description

The Housing Authority of the City of Salina participates in a multiple-employer defined benefit other postemployment benefit (OPEB) plan (the Plan) which is administered by the Kansas Public Employees Retirement System (KPERs). The Plan provides long-term disability benefits and a life insurance benefit for disabled members to KPERs members, as provided by K.S.A. 74-04927. The Plan is administered through a trust held by KPERs that is funded to pay annual benefit payments. However, because the trust's assets are used to pay employee benefits other than OPEB, the trust does not meet the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Accordingly, the Plan is considered to be administered on a pay-as-you-go basis.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4B. Other Post Employment Benefit Plan - (Continued)

Benefits

Benefits are established by statute and may be amended by the KPERS Board of Trustees. The Plan provides long-term disability benefits equal to 60 percent (prior to January 1, 2006, 66 2/3 percent) of annual compensation, offset by other benefits. Members receiving long-term disability benefits also receive credit towards their KPERS retirement benefits and have their group life insurance coverage continued under the waiver of premium provision.

The monthly long-term disability benefit is 60 percent of the member's monthly compensation, with a minimum of \$100 and a maximum of \$5,000. The monthly benefit is subject to reduction by deductible sources of income, which include Social Security primary disability or retirement benefits, workers compensation benefits, other disability benefits from any other sources by reason of employment, and earnings from any form of employment. If the disability begins before age 60, benefits are payable while the disability continues until the member's 65th birthday or retirement date, whichever occurs first. If the disability begins after age 60, benefits are payable while the disability continues, for a period of five years or until the member retires, whichever occurs first. Benefit payments for disabilities caused or contributed to by substance abuse or non-biologically based mental illnesses are limited to the shorter of the term of the disability or 24 months per lifetime.

The death benefit paid to beneficiaries of disabled members is 150% of the greater of 1) the member's annual rate of compensation at the time of disability, or 2) the members previous 12 months of compensation at the time of the last date on payroll. If the member has been disabled for five or more years, the annual compensation or salary rate at the time of death will be indexed using the consumer price index, less one percentage point, to compute the death benefit. If a member is diagnosed as terminally ill with a life expectancy of 12 months or less, the member may be eligible to receive up to 100% of the death benefit rather than having the benefit paid to the beneficiary. If a member retires or disability benefits end, the member may convert the group life insurance coverage to an individual insurance policy.

Covered Employees

The Housing Authority of the City of Salina has the following employees covered by the Plan as of June 30, 2018:

Inactive employees or beneficiaries currently receiving benefit payments	0
Active employees	10
Total	10

HOUSING AUTHORITY OF THE CITY OF SALINA
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4B. Other Post Employment Benefit Plan - (Continued)

Total OPEB Liability

The Housing Authority of the City of Salina’s total OPEB liability of \$8,886 reported as of June 30, 2018 was measured as of June 30, 2017 (the measurement date), and was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017, using the following actuarial assumptions:

Price inflation	2.75%
Wage inflation	3.00%
Salary increases, including wage increases	3.50%
Discount rate (based on the 20-year municipal bond rate with an average rating of AA/Aa or better, obtained from the Summary of Actuarial Assumption index.)	3.58%

Mortality rates used for the death benefits were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females, adjusted for generational mortality improvement using Scale AA. Mortality rates used for the disability benefits were based on the RP-2000 Disabled Life Table with generational mortality improvement using Scale AA.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted for three years ending December 31, 2016 rolled forward to June 30, 2017.

Changes in Total OPEB Liability

Balance at June 30, 2017	\$7,096
Changes for the year:	
Service cost	\$1,743
Interest	\$252
Changes in benefit terms	-
Differences between actual and expected experience	-
Changes in assumptions or other inputs	(\$205)
Benefit payments	-
Net changes	\$1,790
Balance at June 30, 2018	\$8,886

Sensitivity Analysis

The following presents the Housing Authority of the City of Salina’s total OPEB liability calculated using the discount rate of 3.58%, as well as what the Housing Authority of the City of Salina’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.58%) or 1-percentage point higher (4.58%) than the current rate:

1% Decrease (2.58%)	Discount rate (3.58%)	1% Increase (4.58%)
\$9,144	\$8,886	\$8,588

HOUSING AUTHORITY OF THE CITY OF SALINA
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NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4B. Other Post Employment Benefit Plan – (Continued)

OPEB Expense

For the year ended June 30, 2018, the Housing Authority of the City of Salina’s recognized OPEB expense of \$1,974, which includes the changes in the total OPEB liability, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2018, the Housing Authority of the City of Salina’s reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows of resources	Deferred inflows of resources
Differences between actual and expected experience	-	-
Changes in assumptions	(\$184)	-
Total	(\$184)	-

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to other postemployment benefits will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(\$21)
2020	(\$21)
2021	(\$21)
2022	(\$21)
2023	(\$21)
Thereafter	(\$79)

4C. Contingencies

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

4D. Financial Data Schedule

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

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4E. Commitments

At June 30, 2018, the Authority had the following pending Capital Fund and ROSS 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 501-17	\$ <u>199,418</u>	\$ <u>103,236</u>
 <u>ROSS:</u>		
ROSS 2017	\$ <u>60,253</u>	\$ <u>25,059</u>

4F. 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 Berkshire Hathaway Homestate Companies. 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.

4G. Subsequent Events

Events that occur after the balance sheet date but before the financial statements were issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events, which provide evidence about conditions that existed after the balance sheet date, require disclosure in the accompanying notes. Management evaluated the activity of the Authority through October 12, 2018 and concluded that no subsequent events have occurred that would require adjustment to or disclosures within these financial statements.

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

NOTES TO THE BASIC FINANCIAL STATEMENTS - (Continued)
June 30, 2018

NOTE 4 – OTHER NOTES - (Continued)

4H. Economic Dependency

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget than by local economic conditions. The funding of programs could be significantly affected by the 2019 federal budget.

HOUSING AUTHORITY OF THE CITY OF SALINA
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PHA'S STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COST
June 30, 2018

1. Actual Capital Fund Program costs are as follows:

	<u>CFP 501-16</u>
Funds approved	\$ 198,147
Funds expended	<u>198,147</u>
Excess of Funds Approved	<u><u>\$ ---</u></u>
Funds advanced	\$ 198,147
Funds expended	<u>198,147</u>
Excess (deficiency) of Funds Advanced	<u><u>\$ ---</u></u>

2. The costs as shown on the Actual Cost Certificate dated May 11, 2018 submitted to HUD for approval is in agreement with the Authority's records as of June 30, 2018.

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, 2018

<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	\$ 354,763
Capital Fund Program	14.872	215,814
Housing Choice Vouchers	14.871	1,354,358
ROSS	14.870	53,648
Shelter Care Plus	14.238	105,684
Pass-through Kansas Housing Resources Corporation (KHRC) HOME Investment Partnership Program	14.239	55,281
Total Expenditures of Federal Awards		\$ <u>2,139,548</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, 2018. 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, 2018

	Project Total	14.239 HOME Investment Partnerships Program	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$495,600	\$6	\$55,059	\$679		\$18,699	\$617,640	\$1,187,683		\$1,187,683
113 Cash - Other Restricted	\$21,389	\$0	\$0	\$0		\$11,401	\$0	\$32,790		\$32,790
114 Cash - Tenant Security Deposits	\$96,092	\$0	\$0	\$0			\$0	\$96,092		\$96,092
115 Cash - Restricted for Payment of Current Liabilities	\$7,501	\$0	\$0	\$0			\$0	\$7,501		\$7,501
100 Total Cash	\$620,582	\$6	\$55,059	\$679	\$0	\$30,100	\$617,640	\$1,324,066	\$0	\$1,324,066
122 Accounts Receivable - HUD Other Projects	\$1,715	\$0	\$0	\$0	\$2,407		\$0	\$4,122		\$4,122
126 Accounts Receivable - Tenants	\$4,314	\$0	\$0	\$0			\$0	\$4,314		\$4,314
126.1 Allowance for Doubtful Accounts -Tenants	-\$790	\$0	\$0	\$0			\$0	-\$790		-\$790
128 Fraud Recovery	\$4,465	\$0	\$0	\$0			\$0	\$4,465		\$4,465
129 Accrued Interest Receivable	\$290	\$0	\$147	\$0			\$0	\$437		\$437
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$9,994	\$0	\$147	\$0	\$2,407	\$0	\$0	\$12,548	\$0	\$12,548
131 Investments - Unrestricted	\$545,979	\$0	\$270,809	\$0			\$0	\$816,788		\$816,788
142 Prepaid Expenses and Other Assets	\$41,606	\$0	\$0	\$19		\$257	\$575	\$42,457		\$42,457
143 Inventories	\$38,264	\$0	\$0	\$0			\$0	\$38,264		\$38,264
143.1 Allowance for Obsolete Inventories	-\$1,913	\$0	\$0	\$0			\$0	-\$1,913		-\$1,913
144 Inter Program Due From	\$2,407		\$0	\$0			\$0	\$2,407	-\$2,407	\$0
150 Total Current Assets	\$1,256,919	\$6	\$326,015	\$698	\$2,407	\$30,357	\$618,215	\$2,234,617	-\$2,407	\$2,232,210
161 Land	\$1,413,085	\$0	\$0	\$0			\$41,474	\$1,454,559		\$1,454,559
162 Buildings	\$7,289,382	\$0	\$0	\$0			\$166,775	\$7,456,157		\$7,456,157
163 Furniture, Equipment & Machinery - Dwellings	\$3,055	\$0	\$0	\$0			\$0	\$3,055		\$3,055
164 Furniture, Equipment & Machinery - Administration	\$148,938	\$0	\$0	\$0		\$12,375	\$65,585	\$226,898		\$226,898
165 Leasehold Improvements	\$717,294	\$0	\$0	\$0			\$0	\$717,294		\$717,294
166 Accumulated Depreciation	-\$4,645,490	\$0	\$0	\$0		-\$12,375	-\$176,454	-\$4,834,319		-\$4,834,319
167 Construction in Progress	\$161,977	\$0	\$0	\$0			\$0	\$161,977		\$161,977

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	14.239 HOME Investment Partnerships Program	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
160 Total Capital Assets, Net of Accumulated Depreciation	\$5,088,241	\$0	\$0	\$0	\$0	\$0	\$97,380	\$5,185,621	\$0	\$5,185,621
180 Total Non-Current Assets	\$5,088,241	\$0	\$0	\$0	\$0	\$0	\$97,380	\$5,185,621	\$0	\$5,185,621
200 Deferred Outflow of Resources	\$39,239	\$0	\$0	\$0		\$7,898	\$21,981	\$69,118		\$69,118
290 Total Assets and Deferred Outflow of Resources	\$6,384,399	\$6	\$326,015	\$698	\$2,407	\$38,255	\$737,576	\$7,489,356	-\$2,407	\$7,486,949
312 Accounts Payable <= 90 Days	\$3,331	\$0	\$0	\$46		\$1,116	\$5,445	\$9,938		\$9,938
321 Accrued Wage/Payroll Taxes Payable	\$19,515	\$0	\$0	\$314		\$3,779	\$12,195	\$35,803		\$35,803
322 Accrued Compensated Absences - Current Portion	\$1,716	\$0	\$0	\$10		\$106	\$927	\$2,759		\$2,759
333 Accounts Payable - Other Government	\$27,507	\$0	\$0	\$0			\$0	\$27,507		\$27,507
341 Tenant Security Deposits	\$96,092	\$0	\$0	\$0			\$0	\$96,092		\$96,092
342 Unearned Revenue	\$7,277	\$0	\$0	\$0			\$0	\$7,277		\$7,277
345 Other Current Liabilities	\$10,691	\$0	\$0	\$0		\$22	\$0	\$10,713		\$10,713
346 Accrued Liabilities - Other	\$554	\$0	\$0	\$4		\$55	\$79	\$692		\$692
347 Inter Program - Due To	\$0	\$0	\$0	\$0	\$2,407		\$0	\$2,407	-\$2,407	\$0
310 Total Current Liabilities	\$166,683	\$0	\$0	\$374	\$2,407	\$5,078	\$18,646	\$193,188	-\$2,407	\$190,781
353 Non-current Liabilities - Other	\$21,389	\$0	\$0	\$0		\$1,631	\$0	\$23,020		\$23,020
354 Accrued Compensated Absences - Non Current	\$15,447	\$0	\$0	\$86		\$955	\$8,345	\$24,833		\$24,833
357 Accrued Pension and OPEB Liabilities	\$208,926	\$0	\$0	\$0		\$38,952	\$106,234	\$354,112		\$354,112
350 Total Non-Current Liabilities	\$245,762	\$0	\$0	\$86	\$0	\$41,538	\$114,579	\$401,965	\$0	\$401,965
300 Total Liabilities	\$412,445	\$0	\$0	\$460	\$2,407	\$46,616	\$133,225	\$595,153	-\$2,407	\$592,746
400 Deferred Inflow of Resources	\$12,703	\$0	\$0	\$0		\$2,368	\$6,459	\$21,530		\$21,530
508.4 Net Investment in Capital Assets	\$5,088,241					\$0	\$97,380	\$5,185,621		\$5,185,621

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	14.239 HOME Investment Partnerships Program	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
511.4 Restricted Net Position	\$0					\$9,770		\$9,770		\$9,770
512.4 Unrestricted Net Position	\$871,010	\$6	\$326,015	\$238	\$0	-\$20,499	\$500,512	\$1,677,282		\$1,677,282
513 Total Equity - Net Assets / Position	\$5,959,251	\$6	\$326,015	\$238	\$0	-\$10,729	\$597,892	\$6,872,673	\$0	\$6,872,673
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$6,384,399	\$6	\$326,015	\$698	\$2,407	\$38,255	\$737,576	\$7,489,356	-\$2,407	\$7,486,949

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	14.239 HOME Investment Partnerships Program	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$271,631	\$0	\$0	\$0			\$0	\$271,631		\$271,631
70400 Tenant Revenue - Other	\$63,529	\$0	\$0	\$0			\$0	\$63,529		\$63,529
70500 Total Tenant Revenue	\$335,160	\$0	\$0	\$0	\$0	\$0	\$0	\$335,160	\$0	\$335,160
70600 HUD PHA Operating Grants	\$453,261	\$55,281	\$0	\$105,684	\$53,648	\$1,354,358	\$0	\$2,022,232		\$2,022,232
70610 Capital Grants	\$117,316	\$0	\$0	\$0			\$0	\$117,316		\$117,316
70710 Management Fee							\$162,276	\$162,276	-\$162,276	\$0
70720 Asset Management Fee							\$19,440	\$19,440	-\$19,440	\$0
70730 Book Keeping Fee							\$43,432	\$43,432	-\$43,432	\$0
70700 Total Fee Revenue							\$225,148	\$225,148	-\$225,148	\$0
70800 Other Government Grants	\$0		\$0	\$5,000			\$0	\$5,000		\$5,000
71100 Investment Income - Unrestricted	\$7,421	\$2	\$1,935	\$5		\$109	\$5,652	\$15,124		\$15,124
71400 Fraud Recovery	\$0	\$0	\$0	\$0		\$3,008	\$0	\$3,008		\$3,008
71500 Other Revenue	\$8,612	\$0	\$0	\$225		\$5,234	\$35,020	\$49,091	-\$39,556	\$9,535
70000 Total Revenue	\$921,770	\$55,283	\$1,935	\$110,914	\$53,648	\$1,362,709	\$265,820	\$2,772,079	-\$264,704	\$2,507,375
91100 Administrative Salaries	\$84,612	\$0	\$0	\$3,609		\$44,457	\$126,692	\$259,370		\$259,370
91200 Auditing Fees	\$6,062	\$0	\$0	\$493		\$1,346	\$1,959	\$9,860		\$9,860
91300 Management Fee	\$114,538	\$5,150	\$384	\$2,160		\$44,580		\$166,812	-\$166,812	\$0
91310 Book-keeping Fee	\$14,220	\$0	\$0	\$1,350		\$27,862		\$43,432	-\$43,432	\$0
91500 Employee Benefit contributions - Administrative	\$34,000	\$0	\$0	\$2,100		\$21,319	\$33,877	\$91,296		\$91,296
91600 Office Expenses	\$41,761	\$0	\$0	\$1,395		\$16,316	\$7,764	\$67,236	-\$34,328	\$32,908
91700 Legal Expense	\$7,606	\$0	\$0	\$0		\$120	\$4,318	\$12,044		\$12,044

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	14.239 HOME Investment Partnerships Program	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
91800 Travel	\$1,216	\$0	\$0	\$23		\$190	\$5,102	\$6,531	-\$692	\$5,839
91900 Other	\$15,974	\$0	\$0	\$399		\$11,035	\$17,605	\$45,013		\$45,013
91000 Total Operating - Administrative	\$319,989	\$5,150	\$384	\$11,529	\$0	\$167,225	\$197,317	\$701,594	-\$245,264	\$456,330
92000 Asset Management Fee	\$19,440	\$0	\$0	\$0				\$19,440	-\$19,440	\$0
92100 Tenant Services - Salaries	\$0	\$0	\$0	\$0	\$35,075		\$0	\$35,075		\$35,075
92300 Employee Benefit Contributions - Tenant Services	\$0	\$0	\$0	\$0	\$18,573		\$0	\$18,573		\$18,573
92400 Tenant Services - Other	\$9,316	\$0	\$0	\$0			\$0	\$9,316		\$9,316
92500 Total Tenant Services	\$9,316	\$0	\$0	\$0	\$53,648	\$0	\$0	\$62,964	\$0	\$62,964
93100 Water	\$1,767	\$0	\$0	\$0			\$301	\$2,068		\$2,068
93200 Electricity	\$7,645	\$0	\$0	\$0			\$854	\$8,499		\$8,499
93300 Gas	\$5,192	\$0	\$0	\$0			\$186	\$5,378		\$5,378
93600 Sewer	\$1,540	\$0	\$0	\$0			\$49	\$1,589		\$1,589
93000 Total Utilities	\$16,144	\$0	\$0	\$0	\$0	\$0	\$1,390	\$17,534	\$0	\$17,534
94100 Ordinary Maintenance and Operations - Labor	\$112,205	\$0	\$0	\$0			\$0	\$112,205		\$112,205
94200 Ordinary Maintenance and Operations - Materials and Other	\$50,650	\$0	\$0	\$0		\$207	\$246	\$51,103		\$51,103
94300 Ordinary Maintenance and Operations Contracts	\$97,434	\$0	\$0	\$12			\$1,871	\$99,317		\$99,317
94500 Employee Benefit Contributions - Ordinary Maintenance	\$49,323	\$0	\$0	\$0			\$0	\$49,323		\$49,323
94000 Total Maintenance	\$309,612	\$0	\$0	\$12	\$0	\$207	\$2,117	\$311,948	\$0	\$311,948

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	14.239 HOME Investment Partnerships Program	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
95200 Protective Services - Other Contract Costs	\$354	\$0	\$0	\$0		\$44	\$210	\$608		\$608
95000 Total Protective Services	\$354	\$0	\$0	\$0	\$0	\$44	\$210	\$608	\$0	\$608
96110 Property Insurance	\$90,276	\$0	\$0	\$0			\$0	\$90,276		\$90,276
96120 Liability Insurance	\$1,738	\$0	\$0	\$25		\$428	\$325	\$2,516		\$2,516
96130 Workmen's Compensation	\$4,455	\$0	\$0	\$65		\$1,225	\$1,677	\$7,422		\$7,422
96140 All Other Insurance	\$4,766	\$0	\$0	\$0			\$972	\$5,738		\$5,738
96100 Total insurance Premiums	\$101,235	\$0	\$0	\$90	\$0	\$1,653	\$2,974	\$105,952	\$0	\$105,952
96200 Other General Expenses	\$0	\$0	\$0	\$0		\$2,725	\$0	\$2,725		\$2,725
96300 Payments in Lieu of Taxes	\$27,507	\$0	\$0	\$0			\$0	\$27,507		\$27,507
96400 Bad debt - Tenant Rents	\$12,577	\$0	\$0	\$0			\$0	\$12,577		\$12,577
96000 Total Other General Expenses	\$40,084	\$0	\$0	\$0	\$0	\$2,725	\$0	\$42,809	\$0	\$42,809
96900 Total Operating Expenses	\$816,174	\$5,150	\$384	\$11,631	\$53,648	\$171,854	\$204,008	\$1,262,849	-\$264,704	\$998,145
97000 Excess of Operating Revenue over Operating Expenses	\$105,596	\$50,133	\$1,551	\$99,283	\$0	\$1,190,855	\$61,812	\$1,509,230	\$0	\$1,509,230
97300 Housing Assistance Payments	\$0	\$50,131	\$0	\$100,060		\$1,190,829	\$0	\$1,341,020		\$1,341,020
97350 HAP Portability-In	\$0	\$0	\$0	\$0		\$2,480	\$0	\$2,480		\$2,480
97400 Depreciation Expense	\$253,326	\$0	\$0	\$0		\$50	\$9,064	\$262,440		\$262,440
90000 Total Expenses	\$1,069,500	\$55,281	\$384	\$111,691	\$53,648	\$1,365,213	\$213,072	\$2,868,789	-\$264,704	\$2,604,085
10010 Operating Transfer In	\$65,000	\$0	\$0	\$0			\$0	\$65,000	-\$65,000	\$0
10020 Operating transfer Out	-\$65,000	\$0	\$0	\$0			\$0	-\$65,000	\$65,000	\$0

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

FINANCIAL DATA SCHEDULE - (Continued)
Year Ended June 30, 2018

	Project Total	14.239 HOME Investment Partnerships Program	1 Business Activities	14.238 Shelter Plus Care	14.870 Resident Opportunity and Supportive Services	14.871 Housing Choice Vouchers	COCC	Subtotal	ELIM	Total
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$147,730	\$2	\$1,551	-\$777	\$0	-\$2,504	\$52,748	-\$96,710	\$0	-\$96,710
11030 Beginning Equity	\$6,111,167	\$4	\$324,464	\$1,015	\$0	-\$7,444	\$547,273	\$6,976,479		\$6,976,479
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$4,186					-\$781	-\$2,129	-\$7,096		-\$7,096
11170 Administrative Fee Equity	\$0					-\$20,499	\$0	-\$20,499		-\$20,499
11180 Housing Assistance Payments Equity						\$9,770		\$9,770		\$9,770
11190 Unit Months Available	1874	0	0	230		3745	0	5849		5849
11210 Number of Unit Months Leased	1829	0	0	230		3720	0	5779		5779
11270 Excess Cash	\$925,667							\$925,667		\$925,667
11620 Building Purchases	\$117,316						\$0	\$117,316		\$117,316

**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, 2018, 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 12, 2018.

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 12, 2018

**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, 2018. 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, 2018.

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 12, 2018

HOUSING AUTHORITY OF THE CITY OF SALINA
Salina, Kansas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2018

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?	None Reported
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?	None Reported
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 #14.850 Public and Indian Housing – Low Rent Program	
➤ CFDA #14.872 Capital Fund Program	
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

The current audit report for the year ended June 30, 2018 disclosed no Financial Statement audit finding.

Section III - Federal Award Findings and Questioned Costs

The current audit report for the year ended June 30, 2018 disclosed no Federal Awards audit finding and questioned costs.