

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2017**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	15
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	17
STATEMENT OF CASH FLOWS	18
NOTES TO FINANCIAL STATEMENTS	19
REQUIRED SUPPLEMENTARY INFORMATION	48
SCHEDULE OF KHRC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	49
SCHEDULE OF KHRC'S CONTRIBUTIONS	50
SUPPLEMENTARY INFORMATION	51
REVENUES, EXPENSES AND OPERATING INCOME (LOSS) BY FUND	52
KHRC OPERATIONS STATEMENT OF REVENUES AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION	53
STATE HOUSING TRUST FUND STATEMENT OF REVENUES AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION	54
KHRC OPERATIONS STATEMENT OF REVENUES AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION	55
STATE HOUSING TRUST FUND STATEMENT OF REVENUES AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION	56
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	57

INDEPENDENT AUDITORS' REPORT

Board of Directors
Kansas Housing Resources Corporation
Topeka, Kansas

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Kansas Housing Resources Corporation (KHRC), a component unit of the State of Kansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we 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 auditors' 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, we 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of KHRC as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Year Comparative Information

The 2016 summarized financial statements were audited by other auditors, whose report dated September 23, 2016, expressed an unmodified opinion on those statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information listed on the table of contents 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 financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise KHRC's basic financial statements. The Revenues, Expenses, and Operating Income (Loss) by Fund, the KHRC Operations Statement of Revenues and Expenses by Program, and Changes in Net Position, and the State Housing Trust Fund Statement of Revenues and Expenses by Program, and Changes in Net Position (the supplementary information) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Kansas Housing Resources Corporation

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, on our consideration of KHRC 's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of KHRC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KHRC's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Baltimore, Maryland
September 28, 2017

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

This annual financial report of the Kansas Housing Resources Corporation (KHRC) consists of three sections: basic financial statements, required supplementary information, and supplementary information. This section of the report presents management's discussion and analysis (MD&A) of financial position and changes in financial position for the fiscal year ended June 30, 2017.

KHRC is a self-supporting entity and utilizes enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. This analysis should be read in conjunction with the Independent Auditor's Report, audited financial statements, and accompanying notes.

FINANCIAL HIGHLIGHTS

KHRC reports separately *KHRC Operations* and activities of the *State Housing Trust Fund* (SHTF). This separate reporting provides an increased level of understanding for KHRC Operations and SHTF activities. KHRC Operations are defined as fee for service and Federal grant administration, while SHTF activities include funding KHRC receives based solely on its designation as the provider of housing services for the State of Kansas. KHRC administers the SHTF on behalf of the State of Kansas.

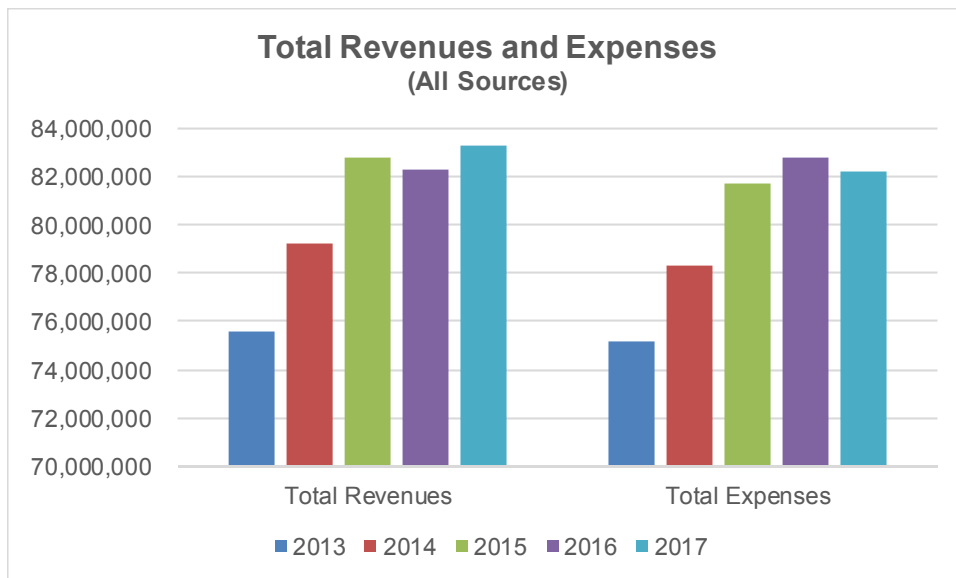
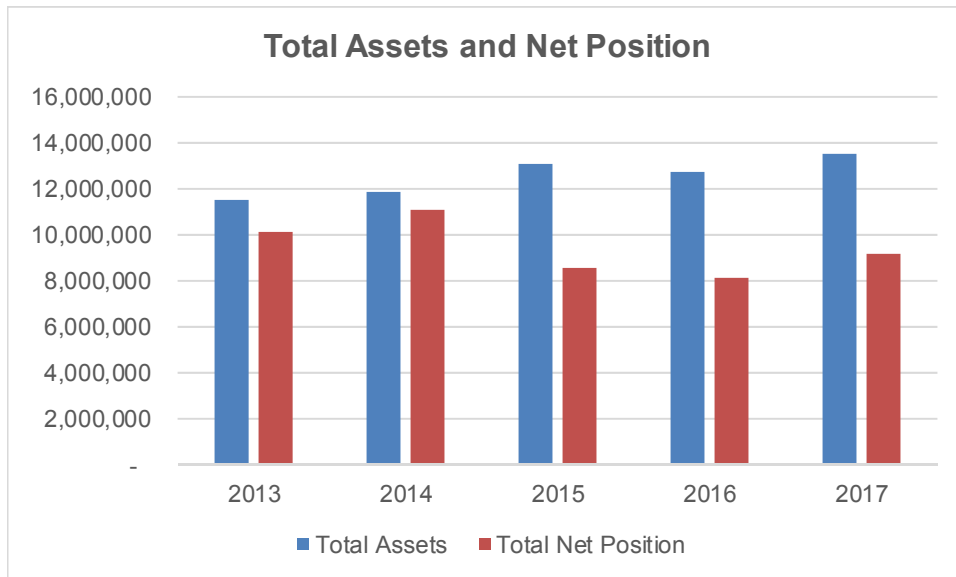
KHRC continues to utilize Federal and State government programs that serve its mission and provide resources leveraging its net position with other resources to finance affordable rental and owner-occupied housing for Kansans. Despite an era of dwindling revenues from Federal sources and continued challenges to effectively and efficiently administer programs, KHRC remains strong and viable. KHRC's challenge continues to be identifying longer term funding opportunities to meet Kansans' housing needs.

KHRC OPERATIONS

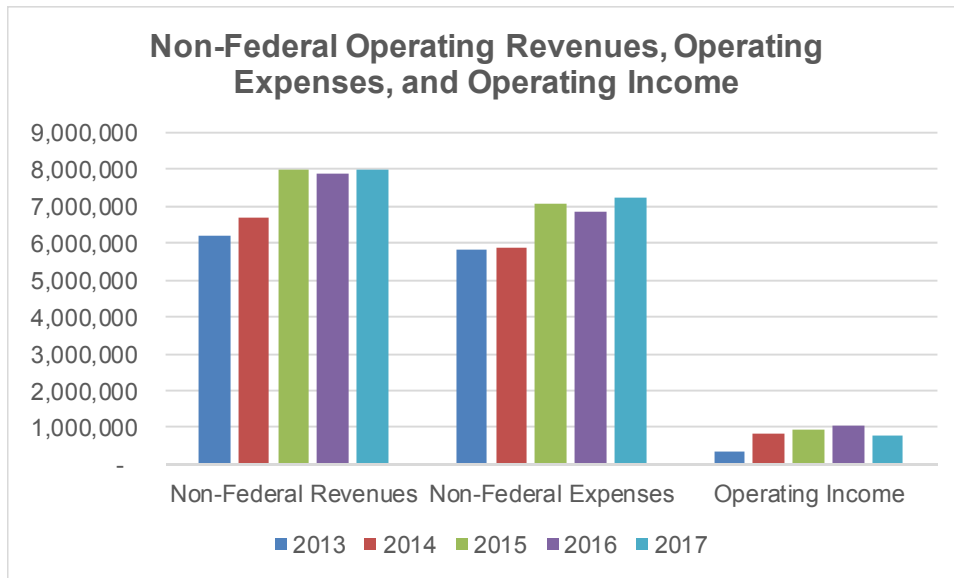
- Total assets were \$13.5 million at June 30, 2017, an increase of \$771,717 or 6.08 percent from fiscal year 2016 due primarily to a net increase in investments of \$672,642.
- Total liabilities were \$4.8 million at June 30, 2017, an increase of \$155,576 or 3.38 percent from fiscal year 2016 due primarily to an increase in unearned revenue and grants payable, net of the decrease in net pension liability.
- The change in deferred outflows and inflows of resources is due to updated actuarial assumptions, contributions, and other information relating to the Kansas Public Employees Retirement System (KPERs) Cost-Sharing Multiple-Employer Defined Benefit Pension Plan.
- Net position was \$9.1 million at June 30, 2017, a net increase of \$1.0 million or 12.46 percent from fiscal year 2016. This was primarily the result of \$805,559 in operating revenues and a one-time \$497,405 non-employer pension contribution from bonds issued by the state of Kansas, offset against a \$424,567 transfer to the SHTF for fees and the state-wide annual Kansas Housing Conference.
- Total revenues were \$83.3 million in fiscal year 2017, an increase of 1.12 percent from fiscal year 2016. Excluding Federal program revenues ("pass-throughs"), total revenues were \$8.6 million in fiscal year 2017, an increase of \$622,894 or 7.75 percent from fiscal year 2016. This was primarily due to the \$497,405 non-employer pension contribution from the state and a \$368,770 increase in fees for services revenue.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

- Total expenses were \$82.3 million in fiscal year 2017, a decrease of 0.7 percent from fiscal year 2016. Excluding Federal program expenses (“pass-throughs”), total expenses were \$7.6 million in fiscal year 2017, a decrease of \$868,434 or 10.19 percent from fiscal year 2016 primarily due to a decrease in transfers to the SHTF.
- Operating income was \$805,559 in fiscal year 2017, a decrease of \$221,717 or 21.6 percent from fiscal year 2016, primarily due to an increase in recognized match expense and salaries and related benefits of \$212,016 and \$111,105, respectively.



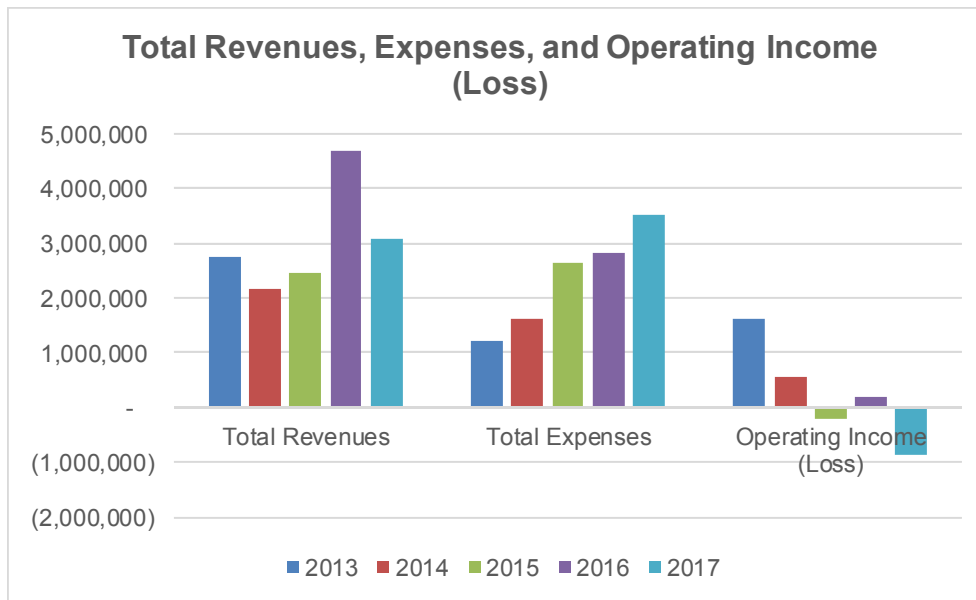
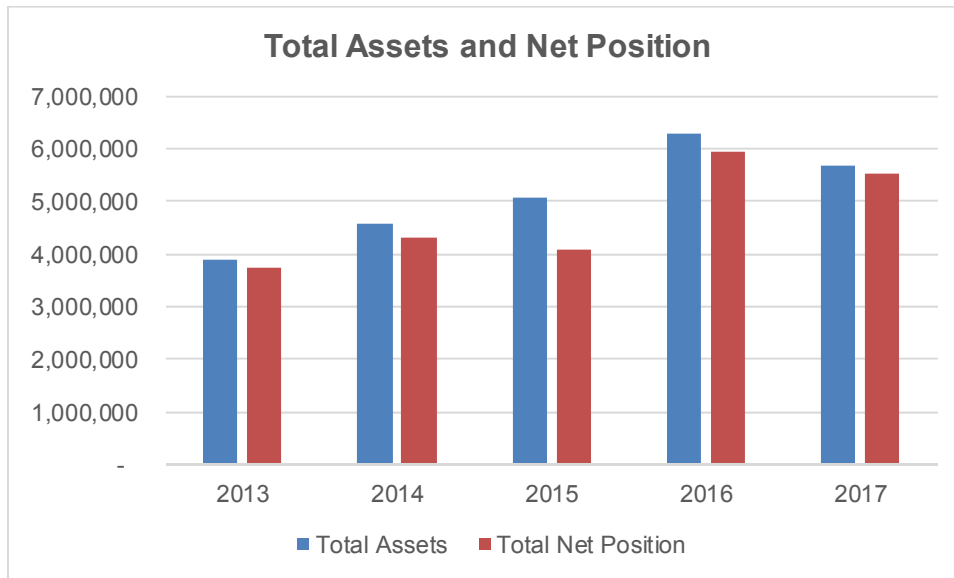
**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**



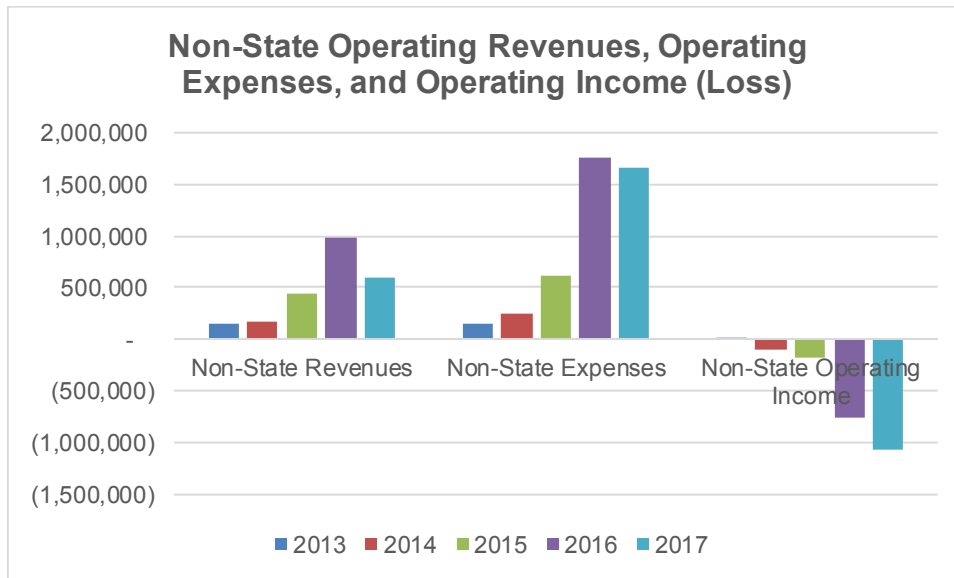
STATE HOUSING TRUST FUND

- Total assets were \$5.7 million at June 30, 2017, a decrease of \$627,444 or 9.96 percent from fiscal year 2016, due primarily to a net decrease in investments of \$885,406.
- Total liabilities were \$149,643 at June 30, 2017, a decrease of \$189,960 or 55.94 percent from fiscal year 2016, due primarily to a decrease in restricted unearned revenue of \$220,592.
- Net position was \$5.5 million at June 30, 2017, a decrease of \$437,484 or 7.34 percent, from fiscal year 2016. This was primarily the result of an operating loss of \$882,917, net a transfer in from KHRC Operations of \$424,567.
- Total revenues were \$3.1 million in fiscal year 2017, a decrease of \$1.6 million or 34.26 percent from fiscal year 2016. The decrease was primarily attributed to a decrease in contributions and donations of \$404,689, relating to the recognizing of earned revenue from the donation from Kansas Gas Service (KGS) received in 2015. The remaining decrease was due to a \$1.2 million decrease in operating transfers in. Excluding state program revenues and transfers, total revenues were approximately \$652,164 in fiscal year 2017, a decrease of \$373,510 or 36.42 percent, primarily due to recognition of the KGS donation in fiscal year 2016.
- Total expenses were \$3.5 million in fiscal year 2017, an increase of \$699,830 or 24.87 percent from fiscal year 2016, primarily due to an increase in state program expenses of \$784,034. Excluding state program expenses and transfers, total expenses were \$1.7 million in fiscal year 2017, a decrease of \$94,511 or 5.39 percent from fiscal year 2016. This was the result of a \$208,436 decrease in program expenses, net across-the-board immaterial increases in various expenses of \$113,925.
- The SHTF had an operating loss of \$882,917 in fiscal year 2017, compared to operating income of \$200,817 in fiscal year 2016. The \$1.1 million decrease in operating income is due to the decrease in contributions and donations revenue and the increase in state program expenses that were mentioned above.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**



**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**



OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The *Statement of Net Position*, similar to a balance sheet, answers the question, "How is our financial health at the end of the year?" This statement includes all assets, deferred outflows of resources, liabilities and deferred inflows of resources of KHRC, both financial and capital, short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net position presented in the statement is displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Over time for KHRC Operations, changes in net position may serve as a useful indicator of whether its financial position is improving or deteriorating. In contrast, the State Housing Trust Fund is designed to be a conduit for the deposit and subsequent payment or "pass-through" of housing funds to serve housing needs of the citizens of Kansas; thus, its financial position should not be evaluated from that perspective.

All of the current year's revenues and expenses of KHRC are accounted for in the *Statement of Revenues, Expenses, and Changes in Net Position*. This statement measures the activities of KHRC's operations over the past year and presents the excess of revenues over expenses and changes in net position. It can be used to determine whether KHRC has successfully recovered all of its costs through externally funded programs and other revenue sources. This statement helps answer the question, "Is KHRC as a whole better off or worse off as a result of the year's activities?"

The primary purpose of the *Statement of Cash Flows* is to provide information about the sources and uses of KHRC's cash and the change in cash balance during the reporting period. This statement reports cash receipts, cash payments, and net changes resulting from operating, capital and related financing, non-capital financing, and investing activities. It provides answers to such questions as "Where did cash come from?", "What was cash used for?", and "What was the change in cash balance during the reporting period?"

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements follow the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Statement of Net Position

The following table presents condensed statements of net position at June 30, 2017 and 2016:

	2017	2016	Increase (Decrease) 2017 vs. 2016
ASSETS			
CURRENT ASSETS			
Restricted	\$ 3,687,381	\$ 3,620,547	\$ 66,834
Unrestricted	13,118,657	13,080,074	38,583
Total Current Assets	16,806,038	16,700,621	105,417
NONCURRENT ASSETS			
Net Capital Assets	541,488	598,633	(57,145)
Restricted	767,157	529,752	237,405
Unrestricted	1,011,494	1,152,898	(141,404)
Total Noncurrent Assets	2,320,139	2,281,283	38,856
DEFERRED OUTFLOWS OF RESOURCES			
	601,432	248,249	353,183
Total Assets and Deferred Outflows of Resources	\$ 19,727,609	\$ 19,230,153	\$ 497,456
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
CURRENT LIABILITIES			
Restricted	\$ 225,625	\$ 310,843	\$ (85,218)
Unrestricted	775,579	630,732	144,847
Total Current Liabilities	1,001,204	941,575	59,629
NONCURRENT LIABILITIES			
Unrestricted	3,907,404	4,001,417	(94,013)
Total Liabilities	4,908,608	4,942,992	(34,384)
DEFERRED INFLOWS OF RESOURCES			
	188,799	228,454	(39,655)
NET POSITION			
Invested in Capital Assets	541,488	598,633	(57,145)
Restricted	4,228,913	3,839,457	389,456
Unrestricted	9,859,801	9,620,617	239,184
Total Net Position	14,630,202	14,058,707	571,495
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 19,727,609	\$ 19,230,153	\$ 497,456

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Analysis of Assets, Liabilities, and Net Position

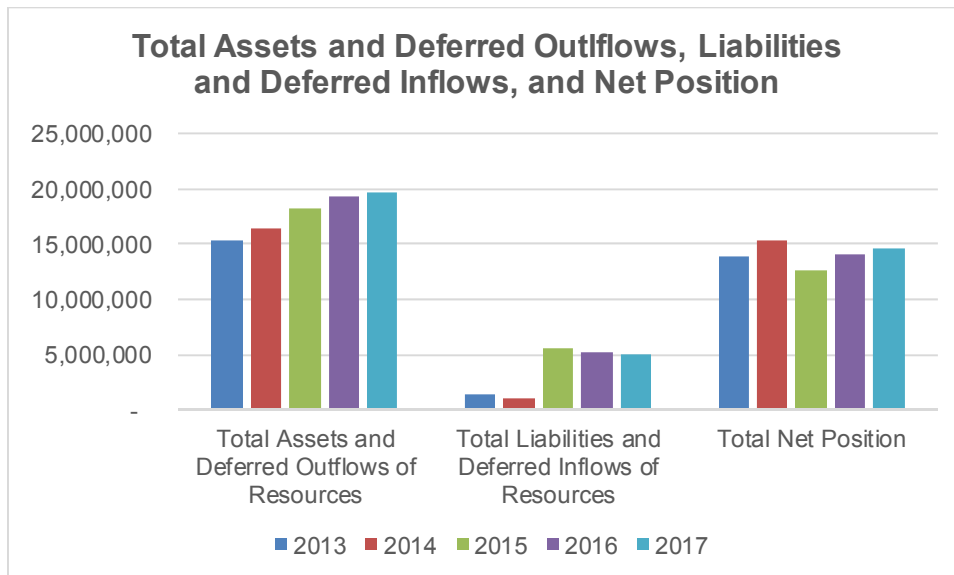
Restricted noncurrent assets increased \$237,405 due primarily to the issuance of a \$206,500 loan receivable during fiscal year 2017.

Unrestricted current liabilities increased \$144,847 primarily due to a \$144,849 increase in unearned revenue.

Net capital assets decreased \$57,145. This was the net effect of \$89,460 in additions, offset against \$140,364 in current fiscal year depreciation expense, plus the disposal of \$41,874 of assets that had an accumulated depreciation amount of \$35,633 at fiscal year-end that was removed.

Total net position increased by \$571,495 or 4.07 percent from 2016 to 2017 due to the changes discussed below in the Analysis of Revenues, Expenses, and Changes in Net Position

KHRC OPERATIONS AND STATE HOUSING TRUST FUND (Combined)



**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Statements of Revenues, Expenses, and Changes in Net Position

The following table presents condensed statements of revenues, expenses, and changes in net position for the years ended June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>	<u>Increase (Decrease) 2017 vs. 2016</u>
Revenues			
Operating Revenues:			
Fees for Services	\$ 4,254,481	\$ 3,864,195	\$ 390,286
Grant Administration/Grant Income	1,375,254	1,529,141	(153,887)
Recognized Match Income	2,420,422	2,195,966	224,456
Contributions and Donations	306,970	711,659	(404,689)
Other Income	266,341	283,409	(17,068)
Federal Program Revenues	74,608,363	74,292,918	315,445
Federal Loan Proceeds	-	300,000	(300,000)
State Program Revenues	<u>2,000,000</u>	<u>2,000,000</u>	<u>-</u>
Total Operating Revenues	85,231,831	85,177,288	54,543
Non-Operating Revenues	<u>648,853</u>	<u>155,115</u>	<u>493,738</u>
Total Revenues	<u>85,880,684</u>	<u>85,332,403</u>	<u>548,281</u>
Expenses			
Operating Expenses:			
Salaries, General and Administrative	5,306,420	5,077,272	229,148
Provision for Loan Losses, Net of Recoveries	100,670	77,823	22,847
Program Expenses	1,054,978	1,270,914	(215,936)
Recognized Match Expense	2,420,422	2,195,966	224,456
Federal Program Expenses	74,608,363	74,292,918	315,445
State Program Expenses	<u>1,818,336</u>	<u>1,034,302</u>	<u>784,034</u>
Total Expenses	<u>85,309,189</u>	<u>83,949,195</u>	<u>1,359,994</u>
Transfers In	461,344	1,680,738	(1,219,394)
Transfers Out	<u>(461,344)</u>	<u>(1,680,738)</u>	<u>1,219,394</u>
Excess of Revenues Over Expenses	571,495	1,383,208	(811,713)
Total Net Position - Beginning of Year	<u>14,058,707</u>	<u>12,675,499</u>	<u>1,383,208</u>
Total Net Position - End of Year	<u>\$ 14,630,202</u>	<u>\$ 14,058,707</u>	<u>\$ 571,495</u>

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Analysis of Revenues, Expenses, and Changes in Net Position

The majority of KHRC's revenue is from Federal and State program revenues, fees for services, grant administration/grant income, and recognized match income, which produce 98.57 percent of KHRC's revenues.

Fees for services revenue increased \$390,286, primarily due to the net effect of a \$581,576 increase in Section 8 HAP fees due to Management Occupancy Review incentive fees earned during the fiscal year and a \$200,625 decrease in Rent Development Program fees due to timing of construction developments.

Recognized match income and recognized match expense increased \$224,457 due primarily to an increase in HOME Investment Partnership Program draws subject to match.

Contributions and donations income decreased \$404,689 due to a decrease in funding remaining relating to the one-time \$1.2 million KGS donation for KHRC weatherization partner agencies to provide weatherization services.

Federal program revenues and expenses increased by \$315,445 due to increased traditional Federal program pass-thru payments and other financial assistance. Federal program revenues and expenses represent subsidy (pass-through) proceeds and other financial assistance received or to be received by KHRC and transferred to or spent on behalf of secondary recipients. Federal program revenues equal Federal program expenses resulting in a zero net effect on KHRC's financial statements.

Federal loan proceeds decreased \$300,000 due to a \$300,000 Federal HOME program loan that was issued during fiscal year 2016 that was not repeated in fiscal year 2017.

Salaries, general and administrative expenses increased \$229,148 due primarily to an increase in employee benefits of \$232,864.

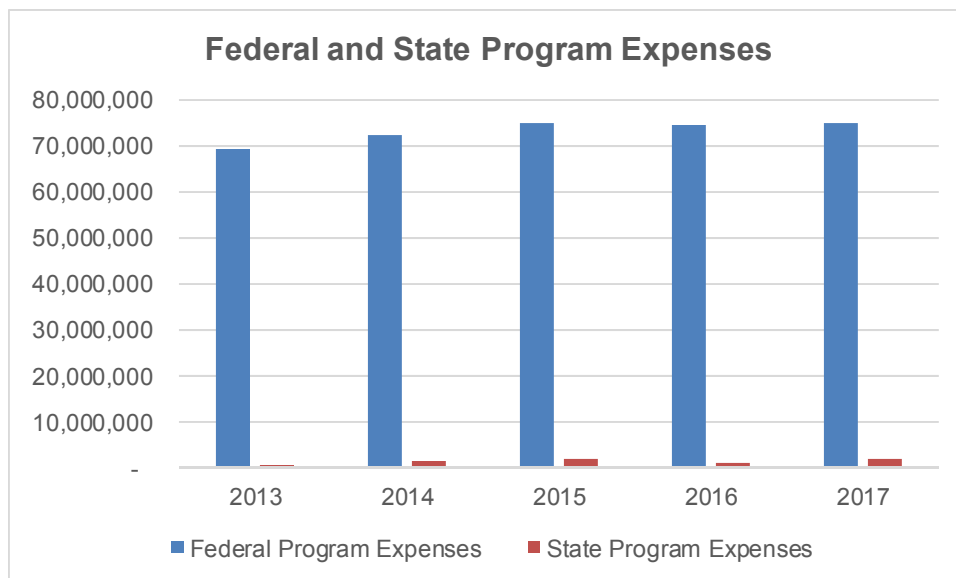
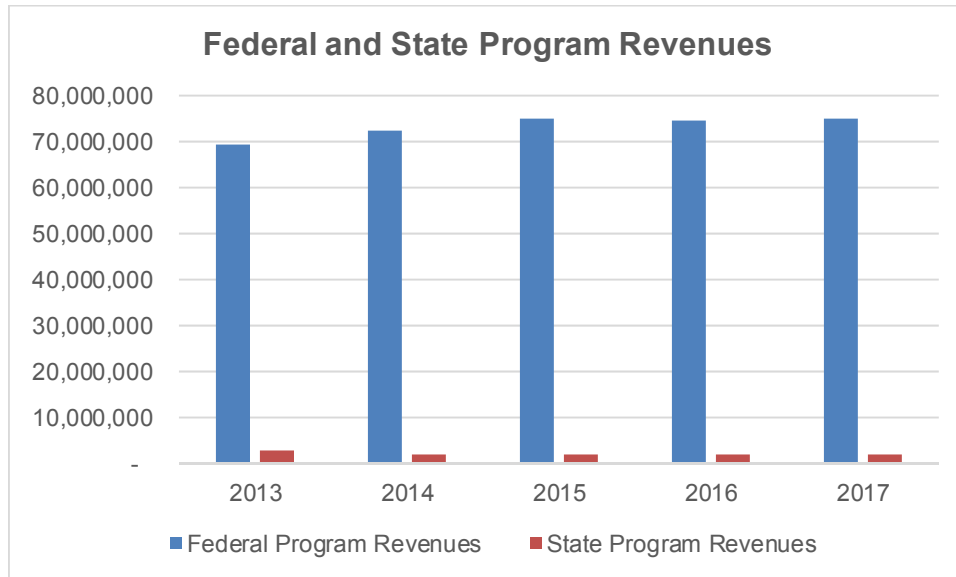
Program expenses decreased \$215,936 due primarily to changes in program payments for the following: Kansas Individual Development Account Program (\$126,885 increase) Kansas Gas Service Weatherization Program (\$432,317 decrease). KHRC also implemented the Kansas City Power and Light (KCP&L) Program, which resulted in an increase in program expenses of \$61,178.

Receipt of State program funds (State program revenues) represent subsidy (pass-through) grant proceeds received by KHRC and transferred to or spent on behalf of secondary recipients. However, unlike Federal funds which are drawn and recorded as Federal program revenue and Federal program expense when the Federal program requirements are met (spent) by secondary recipients, State program funds are recognized as revenue upon *receipt* from the State and recognized as expense when *transferred to or spent* on behalf of secondary recipients in accordance with GASB Statements No. 24 and 33 (Note 1). Since State funding is generally received in one lump sum at the beginning of a fiscal year and spent over multiple fiscal years, timing differences result. For example, in 2013-2016, \$2.0 million was received and \$380,524 was spent for the MIH program in its first program year, while in fiscal years 2014, 2015, and 2016, \$1.3 million, \$2.0 million, and \$1.0 million was spent, respectively. In fiscal year 2017, state program expenses were \$1.8 million. The balance of the MIH funds will be spent in subsequent periods.

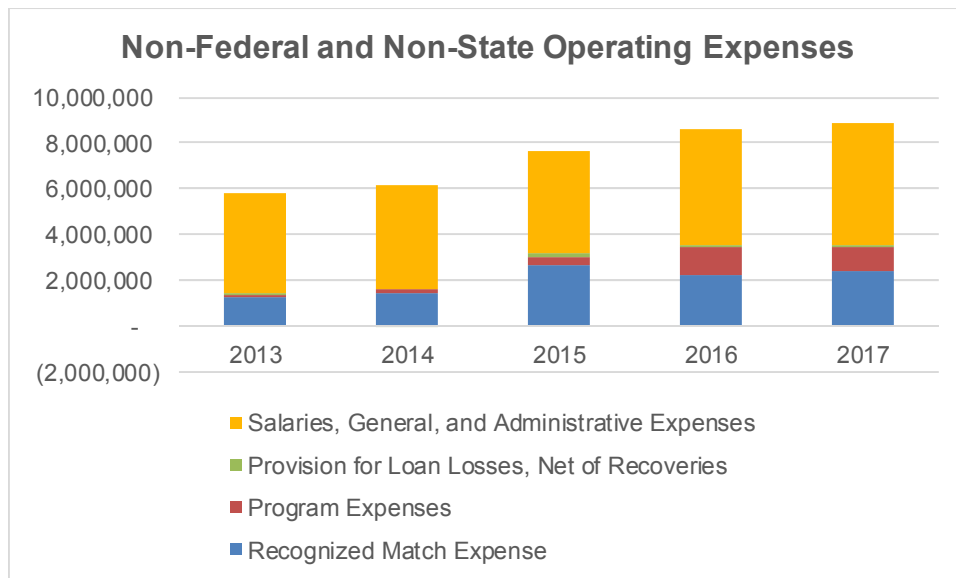
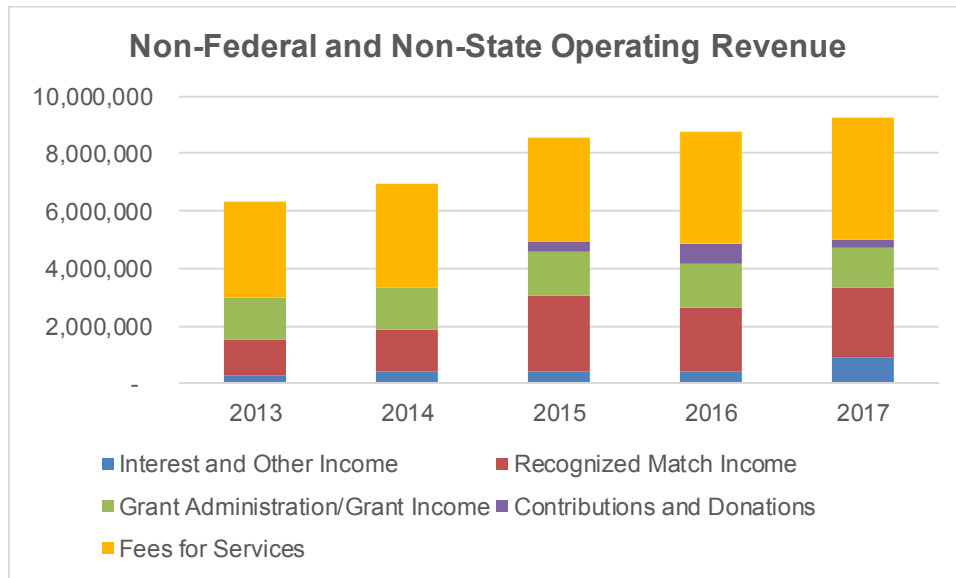
**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

Transfers in and Transfers out decreased \$1,219,394 due primarily to KHRC transferring \$1.6 million from KHRC Operations to the SHTF to fund the new IDA and KAMP/ERP programs in fiscal year 2016. In fiscal year 2017, KHRC Operations transferred \$424,567 to the SHTF for fees and the state-wide annual Kansas Housing Conference.

KHRC OPERATIONS AND STATE HOUSING TRUST FUND (Combined)



**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**



Contacting KHRC's Financial Management

This financial report is designed to provide stakeholders in KHRC with a general overview of KHRC's finances and to show KHRC's accountability for the resources it receives, invests, and expends. If you have questions about this report, or need additional financial information, please contact Lori Threadgold, Chief Financial Officer, at Kansas Housing Resources Corporation, 611 Kansas Avenue, Suite 300, Topeka, Kansas 66603-3803, or visit our website at www.kshousingcorp.org.

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
STATEMENT OF NET POSITION

JUNE 30, 2017

(with Summarized Comparative Information as of June 30, 2016)

	2017			2016
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents:				
Restricted	\$ 168,855	\$ 3,425,049	\$ 3,593,904	\$ 3,281,325
Unrestricted	761,720	984	762,704	807,420
Total Cash and Cash Equivalents	<u>930,575</u>	<u>3,426,033</u>	<u>4,356,608</u>	<u>4,088,745</u>
Investments:				
Restricted	-	-	-	220,592
Unrestricted	9,756,589	1,272,744	11,029,333	11,021,505
Total Investments	<u>9,756,589</u>	<u>1,272,744</u>	<u>11,029,333</u>	<u>11,242,097</u>
Accounts Receivable:				
Restricted	46,400	-	46,400	71,801
Unrestricted	1,167,988	6,099	1,174,087	1,008,820
Total Accounts Receivable	<u>1,214,388</u>	<u>6,099</u>	<u>1,220,487</u>	<u>1,080,621</u>
Prepays	71,578	7,800	79,378	136,453
Program Loans Accrued Interest Receivable:				
Restricted	2,229	4,249	6,478	4,510
Unrestricted	2,275	2,381	4,656	7,595
Program Loans Receivable:				
Restricted	40,599	-	40,599	42,319
Unrestricted	18,972	49,527	68,499	98,281
Total Current Assets	<u>12,037,205</u>	<u>4,768,833</u>	<u>16,806,038</u>	<u>16,700,621</u>
NONCURRENT ASSETS				
Security Deposit	12,635	-	12,635	12,635
Program Loans Accrued Interest Receivable	-	11,496	11,496	9,697
Program Loans Receivable:				
Restricted	480,657	286,500	767,157	529,752
Unrestricted	383,693	603,670	987,363	1,130,566
Capital Assets:				
Furniture and Equipment	1,396,961	-	1,396,961	1,226,275
Asset in Progress	-	-	-	123,100
Vehicles	52,776	-	52,776	52,776
Leasehold Improvements	244,146	-	244,146	244,146
Less Accumulated Depreciation	(1,152,395)	-	(1,152,395)	(1,047,664)
Net Capital Assets	<u>541,488</u>	<u>-</u>	<u>541,488</u>	<u>598,633</u>
Total Noncurrent Assets	<u>1,418,473</u>	<u>901,666</u>	<u>2,320,139</u>	<u>2,281,283</u>
Total Assets	<u>13,455,678</u>	<u>5,670,499</u>	<u>19,126,177</u>	<u>18,981,904</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Outflows - Pension	601,432	-	601,432	248,249
Total Assets and Deferred Outflows of Resources	<u>\$ 14,057,110</u>	<u>\$ 5,670,499</u>	<u>\$ 19,727,609</u>	<u>\$ 19,230,153</u>

See accompanying Notes to Financial Statements

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2017
(with Summarized Comparative Information as of June 30, 2016)

	2017			2016
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
CURRENT LIABILITIES				
Accounts Payable	\$ 75,092	\$ 38,982	\$ 114,074	\$ 80,293
Accrued Salaries and Wages	110,076	5,313	115,389	161,602
Compensated Absences	272,535	1,707	274,242	261,812
Housing Conference Liability	-	-	-	-
Unearned Revenue	170,590	101,284	271,874	127,025
Current Liabilities Payable from Restricted Assets:				
Unearned Revenue	-	-	-	220,592
Grants/Refunds Payable	225,625	-	225,625	90,251
Total Current Liabilities	<u>853,918</u>	<u>147,286</u>	<u>1,001,204</u>	<u>941,575</u>
NONCURRENT LIABILITIES				
Compensated Absences	376,357	2,357	378,714	361,550
Net OPEB Obligation	-	-	-	440
Net Pension Liability	3,528,690	-	3,528,690	3,639,427
Total Noncurrent Liabilities	<u>3,905,047</u>	<u>2,357</u>	<u>3,907,404</u>	<u>4,001,417</u>
Total Liabilities	<u>4,758,965</u>	<u>149,643</u>	<u>4,908,608</u>	<u>4,942,992</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows - Pension	188,799	-	188,799	228,454
NET POSITION				
Invested in Capital Assets	541,488	-	541,488	598,633
Restricted	513,115	3,715,798	4,228,913	3,839,457
Unrestricted	8,054,743	1,805,058	9,859,801	9,620,617
Total Net Position	<u>9,109,346</u>	<u>5,520,856</u>	<u>14,630,202</u>	<u>14,058,707</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 14,057,110</u>	<u>\$ 5,670,499</u>	<u>\$ 19,727,609</u>	<u>\$ 19,230,153</u>

See accompanying Notes to Financial Statements

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017
(with Summarized Comparative Information for the year ended June 30, 2016)

	2017			2016
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
OPERATING REVENUES				
Fees for Services	\$ 4,111,887	\$ 142,594	\$ 4,254,481	\$ 3,864,195
Grant Administration/Grant Income	1,372,410	2,844	1,375,254	1,529,141
Recognized Match Income	2,420,422	-	2,420,422	2,195,966
PAB Multi-family Allocation Fees	-	7,600	7,600	-
Contributions and Donations	-	306,970	306,970	711,659
Program Loan and Other Interest	111,091	87,592	198,683	195,121
Other Income	13,137	46,921	60,058	88,288
Federal Program Revenues	74,608,363	-	74,608,363	74,292,918
Federal Loan Proceeds	-	-	-	300,000
State Program Revenues	-	2,000,000	2,000,000	2,000,000
Total Operating Revenues	<u>82,637,310</u>	<u>2,594,521</u>	<u>85,231,831</u>	<u>85,177,288</u>
OPERATING EXPENSES				
Salaries and Wages	2,420,053	172,273	2,592,326	2,679,964
Employee Benefits	828,054	51,695	879,749	646,885
Communication	49,787	2,726	52,513	48,548
Printing and Advertising	8,311	13,620	21,931	35,334
Rents and Parking Fees	250,437	29,679	280,116	265,776
Repairs and Maintenance	33,131	406	33,537	14,596
Travel	217,019	24,756	241,775	222,659
Legal Fees	13,417	13	13,430	2,574
Audit Fees	25,342	4,266	29,608	29,573
Inspections	20,375	-	20,375	17,815
Dues and Subscriptions	41,668	447	42,115	37,651
Insurance	30,900	1,081	31,981	33,412
Data Processing and Data Services	419,495	17,244	436,739	370,804
Other Fees/Services	72,395	119,031	191,426	195,139
Office and Data Processing Supplies	33,035	11,253	44,288	51,826
Meeting and Venue Expenses	5,054	127,853	132,907	78,372
Expensed Furniture and Equipment	89,639	3,634	93,273	157,545
Provision for Loan Losses, Net of Recoveries	66,523	34,147	100,670	77,823
Depreciation	140,364	-	140,364	109,402
Program Expenses	10,000	1,044,978	1,054,978	1,270,914
Recognized Match Expense	2,420,422	-	2,420,422	2,195,966
Federal Program Expenses	74,608,363	-	74,608,363	74,292,918
Program Income Grant Expenses	27,967	-	27,967	79,397
State Program Expenses	-	1,818,336	1,818,336	1,034,302
Total Operating Expenses	<u>81,831,751</u>	<u>3,477,438</u>	<u>85,309,189</u>	<u>83,949,195</u>
Operating Income (Loss)	<u>805,559</u>	<u>(882,917)</u>	<u>(77,358)</u>	<u>1,228,093</u>
NONOPERATING REVENUES AND EXPENSES				
Investment Income	100,046	30,027	130,073	155,115
Non-employer Pension Contribution	497,405	27,616	525,021	-
Loss on Sale of Fixed Asset	(6,241)	-	(6,241)	-
Total Non-Operating Revenues	<u>591,210</u>	<u>57,643</u>	<u>648,853</u>	<u>155,115</u>
Transfers In	36,777	424,567	461,344	1,680,738
Transfers Out	(424,567)	(36,777)	(461,344)	(1,680,738)
Excess (Deficiency) of Revenues Over (Under) Expenses	<u>1,008,979</u>	<u>(437,484)</u>	<u>571,495</u>	<u>1,383,208</u>
Net Position - Beginning of Year	<u>8,100,367</u>	<u>5,958,340</u>	<u>14,058,707</u>	<u>12,675,499</u>
NET POSITION - END OF YEAR	<u>\$ 9,109,346</u>	<u>\$ 5,520,856</u>	<u>\$ 14,630,202</u>	<u>\$ 14,058,707</u>

See accompanying Notes to Financial Statements

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

(with Summarized Comparative Information for the year ended June 30, 2016)

	2017			2016
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash Received from Others	\$ 82,238,768	\$ 2,493,561	\$ 84,732,329	\$ 82,750,928
Cash Paid to Others	(81,575,466)	(3,667,398)	(85,242,864)	(82,114,724)
Net Cash from Operating Activities	<u>663,302</u>	<u>(1,173,837)</u>	<u>(510,535)</u>	<u>636,204</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Non-employer Pension Contribution	497,405	27,616	525,021	-
Transfers in From Other funds	36,777	424,567	461,344	1,680,738
Transfers Out to Other Funds	(424,567)	(36,777)	(461,344)	(1,680,738)
Net Cash from Noncapital and Related Financing Activities	<u>109,615</u>	<u>415,406</u>	<u>525,021</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of Property and Equipment	(89,460)	-	(89,460)	(224,164)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from Sales and Maturities of Investments	1,450,441	1,243,037	2,693,478	3,452,213
Purchase of Investments	(2,123,083)	(357,631)	(2,480,714)	(3,351,128)
Investment Income	100,046	30,027	130,073	136,995
Net Cash from Investing Activities	<u>(572,596)</u>	<u>915,433</u>	<u>342,837</u>	<u>238,080</u>
NET CHANGE IN CASH	110,861	157,002	267,863	650,120
Cash and Cash Equivalents - Beginning of Year	819,714	3,269,031	4,088,745	3,438,625
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 930,575</u>	<u>\$ 3,426,033</u>	<u>\$ 4,356,608</u>	<u>\$ 4,088,745</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 805,559	\$ (882,917)	\$ (77,358)	\$ 1,228,093
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:				
Depreciation	140,364	-	140,364	109,402
Provision for Loan Losses, Net of Recoveries	66,523	34,147	100,670	77,823
Effects of Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:				
Accounts Receivable	(134,425)	(5,441)	(139,866)	(66,611)
Interest Receivable	2,337	(3,165)	(828)	(102,908)
Prepays	19,255	37,820	57,075	(9,567)
Program Loans Receivable	951	(164,321)	(163,370)	(129,133)
Deferred Outflows - Pension	(353,183)	-	(353,183)	(19,018)
Accounts Payable	1,021	32,760	33,781	29,137
Employee Payroll Liabilities	(673)	-	(673)	(3,107)
Accrued Salaries and Wages	(36,180)	(9,360)	(45,540)	(12,231)
Grants Payable	141,530	(6,156)	135,374	36,928
Unearned Revenue	132,941	(208,684)	(75,743)	(689,708)
Compensated Absences	28,114	1,480	29,594	416,779
Net OPEB Obligation	(440)	-	(440)	(187,560)
Net Pension Liability	(110,737)	-	(110,737)	275,962
Housing Conference Liability	-	-	-	(51,578)
Deferred Inflows - Pension	(39,655)	-	(39,655)	(266,499)
Net Cash from Operating Activities	<u>\$ 663,302</u>	<u>\$ (1,173,837)</u>	<u>\$ (510,535)</u>	<u>\$ 636,204</u>

See accompanying Notes to Financial Statements

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Kansas Housing Resources Corporation (KHRC) was established pursuant to Executive Reorganization Order No. 30 dated February 10, 2003 (ERO 30), and 2003 Kansas Senate Bill No. 285 (SB 285) which transferred the Division of Housing of the Kansas Department of Commerce and Housing to the Kansas Development Finance Authority (KDFA), effective July 1, 2003 to be organized in accordance with the Kansas Development Finance Authority Act (KDFA Act), K.S.A. 74-8901 et seq., as amended. KHRC was incorporated, effective July 1, 2003, by the KDFA to be a subsidiary corporation in accordance with the provisions of K.S.A. 74-8904 (v). That statute further provides that the Board members of KDFA shall constitute all the Board members of KHRC, and KDFA is the sole member of KHRC. KHRC is an independent instrumentality of the State of Kansas and a public body politic and corporate.

KHRC's mission is to enhance Kansas communities with housing opportunities. This goal is achieved through using a variety of strategies and approaches, including increasing home ownership opportunities, leveraging the construction of affordable rental housing, promoting energy efficiency improvements for owner-occupied and rental housing, providing affordable housing through rental assistance to low-income families and senior citizens, and creating housing opportunities for underserved persons and communities.

To accomplish its objectives, KHRC has the rights, powers, privileges, and duties conferred by ERO 30, SB 285, and its articles of incorporation and bylaws. These include making bylaws and adopting rules and regulations to carry out the purposes of KHRC; acquiring, holding, and disposing of real and personal property for its corporate purposes; appointing officers, agents and employees; entering into contracts and agreements; collecting fees and charging for its services; accepting gifts, grants, loans and other aid; investing and borrowing moneys; procuring insurance; and providing technical assistance and advice to the State of Kansas or political subdivisions of the State.

Accounting principles generally accepted in the United States of America require that the reporting entity include: (1) the primary government, (2) organizations for which the government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading. KHRC is financially accountable to its Board of Directors, appointed by the Governor of Kansas, and the State exercises oversight responsibility on financial interdependency and accountability for fiscal matters and scope of public service. KHRC is included in the State's financial reporting entity, and KHRC's transactions are reported in the State's Comprehensive Annual Financial Report as a component unit.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Reporting Entity (Continued)

KHRC does not have any component units as defined by Governmental Accounting Standards Board.

Financial Statement Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB).

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with KHRC's financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Basis of Accounting

KHRC's activities meet the definition of an enterprise fund because it is the intent of KHRC to recover, primarily through user charges and grant reimbursement, the cost of providing goods or services to the general public. These financial statements present the total business-type activities and the major enterprise funds of KHRC.

Transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the funds are included on the Statement of Net Position. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total position. Revenues are recognized when earned and expenses are recognized when the liability is incurred in accordance with the accrual basis of accounting.

KHRC administers grants and Federal and State assistance programs, representing "pass-through" financial assistance, on behalf of secondary recipients. In accordance with GASB Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*, KHRC recognizes financial activity related to pass-through grants and financial assistance as revenues and expenses of KHRC.

Grants and other financial assistance received from Federal and State governments and other third parties are recognized as operating revenue when all applicable eligibility requirements have been met in accordance with GASB No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

KHRC Operations

KHRC defines *KHRC Operations* as fees for services, Federal grant administration, and other activities that have the characteristics of an exchange transaction.

State Housing Trust Fund

The *State Housing Trust Fund* (SHTF) was established by House Bill No. 2517 as a vehicle to deposit housing funds and provide necessary match for the HOME program.

Now codified at KSA 74-8959, the SHTF legislation contains few requirements and funding sources and essentially created a discretionary, interest-bearing trust account for the purpose of housing programs and services. The Statute allows KHRC, as the administrator of this fund, to maintain and invest funds outside of the State Treasury and to apply for and receive grants, gifts, and donations.

KHRC defines SHTF funding sources as funding KHRC receives based solely on its designation as the provider of housing services for the State of Kansas. SHTF sources generally do not include federal grant administration/grant income or other activities that have the characteristics of an exchange transaction.

Use of Estimates

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

Related Parties

KHRC reimbursed KDFA for shared board-related expenses incurred during the year. In addition, KHRC purchases goods, supplies, and services from State agencies or entities and utilizes State contracts for administrative purposes.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Programs

The following is a brief description of significant programs financed by Federal, State and SHTF-funded grants or agreements over which KHRC exercises fiscal and administrative control with Supplementary Information program references in parentheses:

- Rental Development Program (Rental Development) - The Rental Development Program is designed to secure private equity capital for the development of affordable rental housing through tax incentives (i.e., tax credits) rather than direct subsidies. Enacted in the Tax Reform Act of 1986, the Tax Credit is a ten-year Federal tax credit against a taxpayer's ordinary income tax liability available to individuals (directly or through partnerships) and corporations who acquire or develop and own the affordable rental housing properties. The Tax Credit historically provides as much as 75-80 percent of the total development cost, which reduces the amount of debt financing in affordable rental housing developments. This allows lower rents and greater flexibility. KHRC receives application fees and fees for services from developers and owners who participate in the Rental Development (Tax Credit) program.
- Rental Compliance Program (Rental Compliance) – The Rental Compliance Program exists to service and oversee project performance for developments that received an allocation of Housing Tax Credits, Private Activity Bonds, and/or HOME Rental Housing Development, Tax Credit Assistance Program and Credit Exchange Program dollars. The program is responsible for the development, implementation and maintenance of policy, procedures and processes, and provides enhanced asset management features and monitoring oversight to help ensure initial and ongoing project viability for the term of the contractual agreement. The program is also involved in budget analyses, reserve draws, leasing and marketing, monthly and annual reporting, project stabilization, project monitoring through onsite reviews, training and technical assistance, conflict resolution, tenant complaints and other areas as necessary to ensure compliance with Federal and State laws. On the preservation side, Rental Compliance works with owners to: limit and/or mitigate risk; address overleveraged properties and options other than foreclosure; maximize utility cost savings through green building and energy efficient technologies; comply with fair housing, 504, and ADA requirements; accomplish project stabilization for distressed properties; provide outreach and education with other Affordable Housing Programs and local units of government; deliver technical assistance that aids KHRC partners in the exploration and evaluation of other programs, resources, and opportunities that may be available to meet ongoing preservation needs; and minimize the number of properties opting out of programs by offering incentives to remain in the programs. KHRC receives fees from owners for annual compliance monitoring, asset management, and other miscellaneous fees for services.
- KHRC Corporate (KHRC Corporate) - Activity includes miscellaneous fees for services (e.g., manufactured housing license fees), KHRC Operations-funded program loan interest, and other miscellaneous corporate revenues and expenses.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Federal Programs

- Section 8 Contract Administration and Housing Assistance Payments Program (Section 8 - HAP) - KHRC is the Section 8 Contract Administrator for project-based Section 8 properties in Kansas. The program also provides the Section 8 housing assistance payment to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing at rents they can afford. KHRC receives basic administrative fees for services from HUD to administer the program. See Note 18 for additional information on the status of KHRC's Section 8 Contract with HUD.
- HOME Investment Partnership Program (HOME) - HOME is funded through HUD and was created by Congress as part of the National Affordable Housing Act of 1990. The intent of the HOME Program is to provide decent, affordable housing to lower-income households, expand the capacity of non-profit housing providers, strengthen the ability of state and local governments to provide housing, and leverage private-sector participation. KHRC administers the Federal funds and required matching funds to carry out program activities related to down payment assistance, rental housing development, and tenant based rental assistance. KHRC is reimbursed for eligible costs associated with administration of the program.
- Weatherization Assistance Program (DOE-WAP) - DOE-WAP is a long-term formula grant program funded by the U.S. Department of Energy (DOE). The purpose of the program is to make low-income households in income-eligible, single or multi-family dwellings, including manufactured homes, more energy efficient, thereby reducing the utility bills of these families. Funds may be used for air leakage reduction, incidental repairs, health and safety measures, furnace and cooling system repair/replacement, insulation, and replacement of inefficient refrigerators. KHRC receives partial reimbursement of eligible costs associated with administration of the program.
- Low-Income Energy Assistance Program (LIEAP-WAP) - KHRC receives and administers up to 15 percent of a portion of the State of Kansas' LIEAP grant, a block grant program, funded by Health and Human Services (HHS) for the same purposes as the DOE-WAP program. KHRC received reimbursement of eligible costs associated with administration of the program.
- Community Services Block Grant (CSBG) - CSBG is a formula grant funded by HHS and enables local CSBG entities to provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the community. Services include the following areas: employment, education, making better use of available income, housing, emergency services, nutrition, and providing linkages to other community resources. KHRC receives reimbursement of eligible costs associated with administration of the program.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Federal Programs (Continued)

- Emergency Solutions Grant Program (ESG) - ESG is a formula grant funded by HUD and provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency homeless shelters, to help meet the costs of operating emergency shelters, and to provide certain essential social services to homeless individuals. KHRC receives partial reimbursement of eligible costs associated with administration of the program.
- Homeless Management Information Systems (HMIS) Program - HMIS is funded by HUD and provides a database management system to gather unduplicated client-level data on the extent of homelessness in Kansas to improve the effectiveness of homeless shelters and service delivery systems. KHRC receives partial reimbursement of eligible costs associated with administration of the program.
- National Housing Trust Fund Program (NHTF) - NHTF is a new HUD program designed to provide housing assistance for extremely low- and very low-income households. It is the first new housing resource since 1974 and is targeted to building, rehabilitating, preserving, and operating rental housing. Kansas was awarded \$3 million dollars in the grant agreement signed by HUD March 2, 2017. NHTF funds will be awarded with the HOME and LIHTC awards. KHRC began incurring administrative costs for the program in fiscal year 2016 and the first awards will be made in the summer of 2017.

State Housing Trust Fund Programs

- General State Housing Trust Fund (General SHTF) - Activity includes miscellaneous revenues, program loan interest income, funding for the housing locator www.kshousingsearch.org website, and other miscellaneous expenses incurred as the housing administrator for the State of Kansas.
- Moderate Income Housing Program (MIH) - The MIH Program funded by the State of Kansas provides \$2.0 million per year for fiscal years 2013 through 2019 for loans and grants to cities or counties for infrastructure or housing development in rural areas. KHRC receives no funding or reimbursement from the State for costs to administer the program.
- Kansas Housing Conference (KHC) - The KHC is a state-wide annual conference for elected officials, housing and community development leaders, business professionals, developers, and other stakeholders dedicated to creating innovative housing solutions for all Kansans. KHC activity represents revenues and expenses associated with the annual conference, which is held at various locations throughout the state.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

State Housing Trust Fund Programs (continued)

- Kansas Gas Service Weatherization Program (KGS-WAP) - The Kansas Gas Service (KGS) Program provides weatherization services to KGS customers over a two-year period (August 20, 2014 through August 20, 2016). Funding was provided by agreement between KHRC and KGS-WAP for a one-time \$1.2 million donation to be used as follows: \$60,000 for KHRC administrative costs and \$1,140,000 for KHRC weatherization partner agencies to provide weatherization services. The revenues and expenses are recognized over multiple fiscal years as eligible costs are incurred.
- Kansas Individual Development Account Program (IDA) - The IDA Program is a three-year savings and education program that began July 1, 2015, which awarded \$450,000 to a partner with an existing IDA program. The program assists clients who are saving for housing repairs/rehabilitation, which cannot be funded by Federal dollars, and matches client savings in a 2:1 ratio. Funding was provided by a \$450,000 transfer from KHRC Operations to the SHTF in 2016.
- Kansas Accessibility Modification and Emergency Repair Program (KAMP/ERP) - The KAMP/ERP program is a three-year program that began in 2016 and provides awards to existing weatherization agencies to facilitate weatherization client repairs with a traditional grant rather than a savings and education program. KAMP/ERP repair funding allows federally funded weatherization measures to move forward. Funding was provided by a \$1,150,000 transfer from KHRC Operations to the SHTF (\$1,050,000 for grants and \$100,000 for KHRC administrative costs) in 2016.
- Kansas City Power and Light Program (KCP&L) - The KCP&L program is a partnership KHRC has with KCP&L to provide weatherization services to KCP&L customers. The partnership resulted in two \$41,000 grants for KHRC.

Cash and Cash Equivalents

KHRC cash equivalents are defined as short-term highly liquid investments that are readily convertible to cash with an original maturity of three months or less.

Restricted cash and cash equivalents include cash held under Federal, State, and private grant programs, valued at fair value. Various government programs or external agreements dictate how these restricted funds may be used.

Investments

Investments are reported at fair value. KHRC's investment policy limits investments to the following investment types: U.S. Treasury Securities, U.S. Government agency obligations, certificates of deposit, investments in the Kansas Municipal Investment Pool, repurchase agreements, promissory notes with maturities of one year or less, commercial paper and money market funds.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fair Value of Financial Instruments

Effective June 30, 2016, KHRC implemented GASB 72, *Fair Value Measurement and Application*, which establishes a framework for measuring fair value that requires or permits fair value measurement and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The guidance requires three levels of fair value measurement based on the respective inputs.

Accounts Receivable

KHRC uses the reserve method of accounting for bad debts. Under this method, all uncollectible accounts are charged to the allowance account, and bad debt expense is determined by adjusting the balance in the allowance account to a reserve considered reasonable by management.

Restricted accounts receivable includes: Federal program receivables for subsidy (pass-through) grant proceeds to be received or spent on behalf of secondary recipients. Various government programs or external agreements dictate how restricted receivable proceeds may be used.

Program Loans Receivable

Program loans receivable consist of no-interest or below market-interest rate loans made to financially assist and develop difficult-to-develop affordable housing areas and provide funding for modifications benefiting disabled and moderate to very low-income rental housing tenants and homeowners. Program loans receivable are carried at the unpaid principal balance outstanding less an allowance for estimated program loans receivable losses. Program loans receivable are generally secured by a subordinated collateral position to the property owner's first mortgage.

Restricted program loans receivable consists of HOME loans funded by the HOME program or reported as HOME match contributions and Tax Credit Assistance Program (TCAP) loans. Since HOME match contributions are permanent contributions to the HOME program, subsequent repayment of the loans is restricted to a HOME project or to HOME-eligible housing. Subsequent repayment of the TCAP loans is restricted to TCAP rules and TCAP eligible uses.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Allowance for Program Loans Receivable Losses

The allowance for program loans receivable losses is increased by charges to expense and decreased by charge-offs (net of recoveries). The provision for program loans receivable losses is charged to expense when, in management's opinion, it is probable KHRC will be unable to collect all amounts (principal and interest) under the contractual terms of the loan documents. The provision for program loans receivable losses also includes corresponding accrued interest on program loans receivable included in the allowance for program loans receivable losses. In evaluating the provision, management generally considers the age of the various program loans receivable portfolios, historical performance of the borrower, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, subordination position, and current economic conditions.

Interest on Program Loans Receivable

Interest on program loans receivable is accrued based upon the principal amounts outstanding per program loans receivable agreements and includes interest on principal amounts outstanding included in the allowance for program loans receivable losses.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Individual items with a cost of \$5,000 or more with a useful life of more than one year are capitalized. Maintenance and repairs, which do not improve or extend the useful lives of the respective assets, are expensed as incurred. Depreciation is computed using the straight-line method with no salvage value over the estimated useful lives of the assets ranging from twenty-nine months to eight years for leasehold improvements, three to eight years for furniture and equipment, and five years for vehicles.

Grants Payable

Grants payable represent amounts received or due for various Federal and State government program grant awards unpaid to grant recipients as of year-end.

Restricted grants payable include amounts to be paid from restricted assets such as from subsidy (pass-through) grant proceeds to be received or spent on behalf of secondary recipients.

Compensated Absences

KHRC utilizes a modern paid time off (PTO) policy. Under terms of KHRC's PTO policy, which became effective July 1, 2016, employees are granted leave for vacation, sickness, and other personal time under a single accrual. Employees accrue PTO leave at a rate based upon the number of years employed. Minimum usage requirements also apply. Upon retirement or termination, KHRC employees are generally paid for unused PTO leave and accrued compensatory time.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Unrestricted Unearned Revenue

Unearned revenue represents Rental Development fees for services received, but not earned (e.g., for allocation fees received, since the owner/developer's allocation request and supporting documents have not been submitted, the fees are unearned), and Kansas Housing Conference registration fees received, but not earned (fees are recognized when the conference is held).

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension and pension expense, information about the fiduciary net position of the Kansas Public Employees Retirement System (KPERs), and additions to/deductions from KPERs' fiduciary net position have been determined on the same basis as they are reported by KPERs. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

Net position is classified as follows:

Invested in capital assets - represent KHRC's net investment in capital assets.

Restricted - represent those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. KHRC is legally or contractually obligated to spend these funds in accordance with the restriction imposed by third parties.

Unrestricted - consist of those operating funds over which the Board of Directors retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, KHRC's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Deferred Outflows of Resources/Deferred Inflows of Resources

The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. KHRC's deferred outflows - pension is the only item that qualifies for reporting in this category.

The separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. KHRC's deferred inflows - pension is the only item that qualifies for reporting in this category.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenues and Expenses

Revenues are classified as operating or non-operating according to the following criteria:

Operating revenues - include activities that have the characteristics of an exchange transaction (i.e., transactions where essentially equal value is exchanged) as well as those incurred which relate directly to housing programs for persons of low and moderate income such as a) fees for services, and b) grant administration/grant income. Operating revenues also include interest income on program loans, Federal and State program revenues associated with grant administration, contributions and donations, and other miscellaneous administrative fees as part of KHRC's principal ongoing operations.

Non-operating revenues - include activities that have the characteristics of non-exchange transactions such as investment income which is defined as non-operating revenue by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

Expenses are classified as operating or non-operating according to the following criteria:

Operating expenses - include activities that have the characteristics of an exchange transaction such as a) employee salaries, benefits, and related expenses; b) supplies and other services; c) insurance; and d) depreciation expense related to capital assets. Operating expenses also include Federal, State, and private program expenses associated with Federal and State grant administration and donated program funding administration.

Non-operating expenses - include activities that have the characteristics of non-exchange transactions not meeting the above definition for operating expenses.

Income Taxes

KHRC is a tax-exempt quasi-governmental organization. Accordingly, under Section 115 (1) of the Internal Revenue Code, no provision for income taxes has been included in the accompanying financial statements.

Reclassification

A reclassification was made to prior year summarized comparative information to conform to current year presentation. The reclassification moved a portion of accrued compensated absences to long-term liabilities. The reclassification did not affect net position of changes therein.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

**NOTE 1 REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

New Accounting Pronouncements

During the fiscal year, KHRC implemented GASB Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. GASB No. 82 addressed issues regarding: (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in the Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of this Statement resulted in changes to the pension disclosures.

NOTE 2 CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2017 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash:		
Financial Institution	\$ 930,574	\$ 930,574
Kansas State Treasurer	3,426,034	3,426,034
Certificates of Deposit	5,907,382	5,907,382
U.S. Agency Securities	5,121,106	5,121,951
Total	<u>\$ 15,385,096</u>	<u>\$ 15,385,941</u>

A summary of investments and maturities as of June 30, 2017 consisted of the following:

<u>Investment Type</u>	<u>Carrying Value</u>	<u>Investment Maturities (In Years)</u>	
		<u>Less than 1</u>	<u>1-5</u>
U.S. Agency Securities	\$ 5,121,951	\$ 3,706,400	\$ 1,415,551
Certificates of Deposit	5,907,382	987,919	4,919,463
Total	<u>\$ 11,029,333</u>	<u>\$ 4,694,319</u>	<u>\$ 6,335,014</u>

Investment Policy. KHRC has adopted a formal investment policy. The primary objectives, in priority order, of investment activities shall be safety, liquidity, and yield. The standard of care to be used by investment officials shall be the "prudent person" standard, and shall be applied in the context of managing an overall portfolio. Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk. KHRC minimizes the risk it will realize in losses due to declines in the market value of securities in its portfolios by structuring its investment portfolio so that securities mature to meet cash requirements for scheduled disbursements or ongoing operations, taking into account cash balances available or expected to be available for such requirements, thereby avoiding the need to sell securities on the open market prior to maturity. KHRC also diversifies its investments to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities.

Credit Risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. Per the investment policy, KHRC will minimize credit risk through pre-qualifying institutions, diversifying its portfolios, and maintaining a standard of quality of authorized eligible investments. As of June 30, 2017, KHRC's investments were rated AA+ by Standard & Poor's.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, KHRC will not be able to recover the value of its deposits or investments that are in the possession of an outside party. KHRC's investment policy requires collateralization on all demand deposit accounts, and to secure investments in certificates of deposits and repurchase agreements. KHRC also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, broker/dealers, intermediaries, and advisors with which KHRC will do business. Investments held at June 30, 2017 are held by the investment's counterparty. The deposits held with a financial institution and the Kansas State Treasurer were fully collateralized at June 30, 2017.

Concentration of Credit Risk. KHRC's investments are diversified to minimize the risk of loss resulting from over concentration of assets in a specific maturity, specific issuer, or specific class of securities. The maximum percentage of portfolio by investment type ranges from 100% for U.S. Treasury securities, U.S. Government Instrumentality Obligations and the State of Kansas Pooled Money Investment Board to 15% for bankers' acceptances and commercial paper. All of KHRC's investments, except for certificates of deposit (53.6%), are in U.S. Government Instrumentality Obligations, which include investments in the Federal National Mortgage Association (20.0%), Federal Farm Credit Bank (4.5%), Federal Home Loan Bank (13.5%), and the Federal Home Loan Mortgage Corporation (8.4%) as of June 30, 2017.

Risks and Uncertainties. KHRC maintains a portion of its total assets in a combination of bonds, fixed income securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market fluctuation and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect investments and the amounts reported in the combined statement of financial position.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 3 FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction. There is a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value.

Certificates of deposit are carried at cost, thus are not included in the fair value hierarchy.

The following describes three levels of inputs that may be used to measure fair value:

Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;

Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and

Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such instruments pursuant to the valuation hierarchy.

KHRC's U.S. Agency securities (Note 2) are valued on a recurring basis as follows:

Investments by Fair Value Level	Investment at Fair Value	Level 1	Level 2
U.S. Agency Securities	\$ 5,121,951	\$ -	\$ 5,121,951

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2017 consisted of the following:

Rental Compliance Monitoring Fees Receivable, Net (Various Property Owners)	\$ 440,841
HUD Section 8 Fees Receivable	459,187
Rental Development (Tax Credit) Fees Receivable, (Various Property Owners)	66,589
Federal Grant Administration/Grant Receivable	168,676
Other Receivables, Net	85,194
Total Accounts Receivable	\$ 1,220,487

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)

KHRC is responsible for the administration, allocation, and compliance of the Rental Development (tax credit) Program for the State of Kansas. Rental Development fees are recognized as revenue as projects progress through the tax credit application process from initial application to final allocation, while Rental Compliance monitoring fees are generally due for all placed-in-service properties no later than March 15th following the first year of credit. The allowance for accounts uncollectible and related provision for bad debts represent an estimate of compliance monitoring fees that will not be paid due to owners opting out of the program or leaving the program due to foreclosure. Rental Compliance monitoring fees receivable are shown net of allowance for uncollectible fees of \$10,000 at June 30, 2017.

Since compliance monitoring reports and related fees are reported on a calendar year basis, the Rental Compliance monitoring fees receivable generally represents an estimate of compliance monitoring fees due for the period January 2017 through June 2017 for 2017.

Amounts billed to and collected from government agencies are subject to adjustment as a result of government audits. Thus, HUD Section 8 fees receivable are subject to adjustment.

The Federal program receivable represents subsidy (pass-through) grant proceeds to be received and spent on behalf of secondary recipients. The Federal grant administration/grant receivable represents reimbursable eligible costs incurred in association with administration of various Federal programs.

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 PROGRAM LOANS RECEIVABLE

Program loans receivable as of June 30, 2017 consisted of the following:

	Program Loans Receivable	Allowance For Program Loans Receivables Losses	Net Programs Loans Receivable
Home Loans, Bearing Interest at 1.0%-5.02%, Collateralized by Mortgages (KHRC Operations)	\$ 3,096,256	\$ 2,575,000	\$ 521,256
TCAP Loans, Non-Interest Bearing, Collateralized by Mortgages (KHRC Operations)	4,581,248	4,581,248	-
State Housing Trust Fund Loans, Bearing Interest at 0%-5.1%, Collateralized by Mortgages (SHTF)	1,448,646	1,008,790	439,856
HUD Restructured Loans, Bearing Interest at 1.0%, Collateralized by Mortgages (SHTF)	2,580,688	2,580,688	-
Financing Adjustment Factor Loans, Non- Interest Bearing, Collateralized by Mortgages (SHTF)	230,366	230,366	-
Disaster Loans, Bearing Interest at 0%-5%, Collateralized by Mortgages (SHTF)	2,628,200	2,628,200	-
Kansas Energy Efficiency Program Loans, Non- Interest Bearing, Collateralized by Mortgages (SHTF)	213,340	-	213,340
Moderate Income Housing Loans, Bearing Interest at 0%-3%, Collateralized by Mortgages (SHTF)	286,500	-	286,500
Other KHRC Operations Loans, Bearing Interest at 0%-1.5%, Collateralized by Mortgages (KHRC Operations)	402,666	-	402,666
Total Program Loans Receivable	\$ 15,467,910	\$ 13,604,292	\$ 1,863,618

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 PROGRAM LOANS RECEIVABLE (CONTINUED)

Program loans accrued interest receivable as of June 30, 2017, consisted of the following:

	Program Loans Accrued Interest Receivable	Allowance for Program Loans Receivable Losses	Net Program Loans Accrued Interest Balance
Home Loans (KHRC Operations)	\$ 702,914	\$ 700,686	\$ 2,228
State Housing Trust Fund Loans (SHTF)	408,984	395,106	13,878
HUD Restructured Loans (SHTF)	126,293	126,293	-
Disaster Loans (SHTF)	129,495	129,495	-
Moderate Income Housing Loans (SHTF)	4,249	-	4,249
Other KHRC Operations Loans (KHRC Operations)	2,275	-	2,275
Total Program Loans Accrued Interest Receivable	<u>\$ 1,374,210</u>	<u>\$ 1,351,580</u>	<u>\$ 22,630</u>

The following is a brief description of the various types of program loans financed by KHRC Operations and the State Housing Trust Fund:

KHRC OPERATIONS

HOME loans provide loans for housing programs and services, which include programs for the repair, rehabilitation, and improvement of existing residential housing, accessibility modifications, rental subsidies and the provision of housing services and assistance to disabled persons and persons having low or moderate income. Most loans are secured by subordinated mortgages that run concurrent with the first mortgage. Loan repayment is generally based on the following: a percentage of annual excess cash flow (e.g., 25%) when the debt coverage ratio reaches or exceeds 1.25, or on an amortized schedule. First mortgages on tax credit properties are generally based on a 30-year amortization with a 15-year balloon payment. First mortgages on Section 8 properties are generally 40-year terms. Maturity dates vary from 2018-2049. HOME loans are restricted to a HOME project or to HOME eligible housing.

TCAP loans provided gap funding for Tax Credit projects, which but for this funding would likely not be developed in the current market. The TCAP loans were funded under ARRA through HUD. Loan repayment is based on a balloon payment due sixteen years after the commencement of the compliance period as defined by Internal Revenue Code Section 42. All loans are secured by a mortgage and mature in 2027. TCAP loans are restricted to TCAP rules and eligible uses.

Other KHRC Operations loans provide loans for housing programs and services, which include programs for the repair, rehabilitation, and improvement of existing residential housing, and new construction loans. Other KHRC Operations loans are funded by KHRC Operations. Loans are secured by a mortgage or other agreement and mature between 2026 and 2030.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 PROGRAM LOANS RECEIVABLE (CONTINUED)

STATE HOUSING TRUST FUND

State Housing Trust Fund loans provide loans for housing programs and services, which include programs for the repair, rehabilitation, and improvement of existing residential housing, accessibility modifications, rental subsidies and the provision of housing services and assistance to disabled persons and persons having low or moderate income. Loan repayment is generally based on a percentage of excess cash flow (e.g., 25%) when the debt coverage ratio reaches or exceeds 1.25 or on an amortized schedule. All loans are secured by mortgages, which are generally subordinated to the first mortgage and due through 2032.

HUD Restructured loans were donated to KHRC through the Office of Affordable Housing Preservation per Section 517 (a)(5) of the Multifamily Assisted Housing Restructuring Act of 1997, which provides debt restructuring, including the subordination of HUD held notes, to qualified FHA insured multifamily Section 8 properties. Loan repayment is based on 75 percent of Surplus Cash per HUD definition. The properties receive project-based Section 8 subsidy and have 30-year first mortgages expiring between 2034 and 2037.

Financing Adjustment Factor (FAF) loans were available per Section 1012(a) of the Stewart B. McKinney Homeless Assistance Act of 1988, as amended, which provided 50 percent of the amounts recaptured from the refinancing of certain bond-financed projects that shall be made available to KHRC for loans and grants. These funds were used in the State of Kansas to provide decent, safe, and sanitary housing affordable to very low-income families or persons. Loan repayment is generally based on 75 percent of surplus cash per HUD definition. Most of the properties that received FAF loans were Section 8 FHA-insured with 40-year first mortgages expiring between 2021 and 2035. Subsequent repayment of FAF loans is unrestricted.

Disaster loans provided loans for new construction or reconstruction of disaster-affected communities. Disaster loans were funded by the State of Kansas State Finance Council. Loan repayment is generally based on a 15 or 20-year balloon payment with maturity dates between 2023 and 2028. Subsequent repayment of Disaster loans is unrestricted.

Kansas Energy Efficiency Program (KEEP) loans provided interest free loans to qualified Kansas homeowners to make improvements to their homes to increase energy efficiency. KEEP loans were funded by the State of Kansas Governor's WARM Initiatives Program in 2007. Loans mature through 2019 and repayment is made on a monthly basis. Subsequent repayment of KEEP loans is unrestricted.

Moderate Income Housing (MIH) loans provided an interest free loan to help a city/county develop housing and infrastructure in a rural area. The MIH loan was funded by discretionary SHTF resources. Loan repayment is based on a 10-year balloon payment with a 2021 maturity date. Subsequent repayment of the SHTF-funded MIH loan is restricted.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 PROGRAM LOANS RECEIVABLE (CONTINUED)

A summary of the allowance for program loans receivable losses activity for the period ending June 30, 2017 is as follows:

	Program Loans Receivable	Program Loans Accrued Interest Receivable	Total
Ending Balance, June 30, 2016	\$ 13,666,823	\$ 1,238,879	\$ 14,905,702
Provision for Loan Losses Net of Recoveries	(12,031)	112,701	100,670
Loans Written Off	(50,500)	-	(50,500)
Ending Balance June 30, 2017	<u>\$ 13,604,292</u>	<u>\$ 1,351,580</u>	<u>\$ 14,955,872</u>

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 is as follows:

Category	Beginning Balance	Increase	Decrease	Transfer	Ending Balance
Furniture and Equipment	\$ 1,226,275	\$ 89,460	\$ (41,874)	\$ 123,100	\$ 1,396,961
Assets in Progress	123,100	-	-	(123,100)	-
Vehicles	52,776	-	-	-	52,776
Leasehold Improvements	244,146	-	-	-	244,146
Total Capital Assets	<u>1,646,297</u>	<u>89,460</u>	<u>(41,874)</u>	<u>-</u>	<u>1,693,883</u>
Furniture and Equipment	(929,889)	(117,494)	35,633	-	(1,011,750)
Vehicles	(52,776)	-	-	-	(52,776)
Leasehold Improvements	(64,999)	(22,870)	-	-	(87,869)
Total Accumulated Depreciation	<u>(1,047,664)</u>	<u>(140,364)</u>	<u>35,633</u>	<u>-</u>	<u>(1,152,395)</u>
Net Capital Assets	<u>\$ 598,633</u>	<u>\$ (50,904)</u>	<u>\$ (6,241)</u>	<u>\$ -</u>	<u>\$ 541,488</u>

NOTE 7 HOME MATCH CARRYFORWARD

By establishing the HOME program, Congress intended to establish a partnership between the Federal government and states, units of local government, and nonprofit organizations to expand the supply of affordable, standard housing for low-income families. In keeping with the concept of partnership, each jurisdiction participating in the HOME program is required to make contributions to qualified housing in an amount equal to 25 percent of appropriated HOME funds drawn for housing projects. These contributions are known as "match." KHRC incurs match obligation each Federal fiscal year based on the amount of HOME funds drawn from its U.S. Treasury account subject to match. Each Federal fiscal year, KHRC must make eligible matching contributions in an amount that equals the match obligation incurred during that fiscal year. Matching contributions made in excess of the match obligation may be carried forward to meet the next year's obligation.

At June 30, 2017, KHRC had received excess match contributions of \$13,375,551, which may be carried forward and applied to next year's obligation.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 8 OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

The State subsidy expired December 31, 2016. There was no subsidy received during fiscal year 2017. The Plan became an employee-pay-all Plan January 1, 2017. The June 30, 2017 OPEB liability was \$0.

NOTE 9 EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan description: KHRC participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et. seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Benefits provided. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the General Assembly. Member employees with ten or more years of credited service, may retire as early as age 55, with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited service, or whenever an employee's combined age and years of credited service equal 85 "points."

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

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement, a member employee may receive a lump-sum payment of up to 50% of the actuarial present value of the member employee'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 retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

General Information about the Pension Plan (Continued)

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contributions rates. Effective January 1, 2015, KPERS has three benefit structures and contribution rates dependent on whether the employee is a Tier 1, Tier 2, or Tier 3 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009 and before January 1, 2015. Tier 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of all Tier members. Member employees' contributions are withheld by their employer and paid to KPERS 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. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate was 10.81% for fiscal year ended June 30, 2017. The statutory contribution rate for fiscal year 2017 was 14.85%. Contributions to the pension plan from KHRC were \$282,718 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, KHRC reported a liability of \$3,528,690 for its proportionate share of KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2016 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. KHRC's proportion of the collective net pension liability was based on the ratio of KHRC's actual contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2016. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. At June 30, 2016, KHRC's proportion was 0.05250%, which decreased by 0.00006% from its proportion measured as of June 30, 2015 of 0.05256%.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended June 30, 2017, KHRC recognized pension expense of \$21,446 which is recorded with salaries and related payroll expenses. At June 30, 2017, KHRC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Flow of Resources
Difference Between Expected and Actual Experience	\$ -	\$ 166,595
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	318,714	-
Changes in Assumptions	-	6,380
Changes in Proportionate Share	-	15,824
KHRC Contributions Subsequent to Measurement Date	282,718	-
Total	\$ 601,432	\$ 188,799

The \$282,718 reported as deferred outflows of resources related to pensions resulting from KHRC contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (deferred inflows):

Year Ended June 30:	
2017	\$ (8,619)
2018	(8,619)
2019	94,755
2020	62,945
2021	(10,547)
Total	\$ 129,915

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	3.00 percent
Wage Inflation	4.00 percent
Salary Increases, Including Wage Increases	4.00 to 16.00 percent, including inflation
Long-Term Rate of Return Net of Investment Expense and Including Price Inflation	8.00 percent

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

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study conducted for the three-year period ending December 31, 2012.

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 included in the pension plan's target asset allocations as of June 30, 2016 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47%	6.80%
Fixed Income	13%	1.25%
Yield Driven	8%	6.55%
Real Return	11%	1.71%
Real Estate	11%	5.05%
Alternatives	8%	9.85%
Short Term Investments	2%	-0.25%
Total	100%	

Discount rate. The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the contractually required rate and that contributions from KHRC will be made at the contractually required rate. State/School employers do not necessarily contribute the full actuarial determined rate. Based on legislation passed in 1993, the employer contribution rates certified by the KPERS' Board of Trustees for this group may not increase by more than the statutory cap. The expected KPERS employer contribution was modeled for future years, assuming all actuarial assumptions are met in the future. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

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

	<u>% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>% Increase (9.00%)</u>
KHRC's Proportionate Share of the Collective Net Pension Liability	4,588,407	3,528,690	2,628,531

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued KPERS' financial report.

NOTE 9 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)

During the 2015 state legislative session, Senate Bill 228 was passed authorizing the issuance of one or more series of revenue bonds to provide deposits to KPERS in a total amount not to exceed \$1 billion. The purpose of the bond issuance was for financing a portion of the unfunded actuarial pension liability of KPERS, which also had an effect on the collective net pension liability. On August 20, 2015, the State issued \$1,005,180,000 of bonds in accordance with this bill. The effect of this bond issuance was a \$525,021 decrease in net pension liability, recorded as non-employer contribution revenue.

NOTE 10 DEFERRED COMPENSATION PLAN

The State offers a Deferred Compensation Plan (Plan), a voluntary defined contribution retirement plan, as authorized by IRS Code Section 457. Salary reduction agreements are made with eligible employees whereby prescribed amounts are withheld from the employees' pay and remitted to the Trustee, Great West Financial, LLC, which invests the withholdings in eligible annuity products in accordance with the investment instructions of the employees. These monies are not available to employees until termination or retirement from employment, death, or unforeseeable emergency. Any employees, except those employed on an emergency, temporary, or intermittent basis, are eligible on their first day of employment to participate in the Plan. During the 2017 fiscal year, 23 KHRC employees participated in the Plan.

All assets under this Plan are held in trust for the exclusive benefit of participants and their beneficiaries. For this purpose, an annuity contract or custodial account described in IRS Code Section 497(g) is treated as a trust.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 11 LEASES

KHRC has an operating lease in two commercial buildings for office and parking garage space from May 1, 2014 through April 30, 2019.

Rent expense for office space for the year ended June 30, 2017 was \$239,335, and rent expense for parking space was \$23,202. The monthly parking fee is based on the number of stalls rented. As KHRC does not have an obligation to rent any stalls, there is not an associated future minimum lease payment.

Rent expense for equipment and other operating leases for the year ended June 30, 2017 was \$20,579.

Future minimum lease payments due under the office space operating lease as of June 30, 2017 are as follows:

Fiscal Year End		
2018	\$	237,767
2019		204,108
Total Future Minimum Lease Payments	\$	441,875

NOTE 12 RECOGNIZED MATCH INCOME AND EXPENSE

HOME Match Income and Expense - The HOME program requires a 25 percent matching obligation when HOME funds subject to matching requirements are drawn from its U.S. Treasury account. The HOME program provides a 100% match reduction (draws are not subject to match) for funds expended in areas with an approved Presidential disaster declaration for up to two Federal fiscal years. HOME match income and expense amounts represent match contributions provided by KHRC and non-KHRC (e.g., subgrantee) resources, which reduce KHRC's HOME match obligation. Excess HOME match may be carried forward to meet the next year's obligation.

ESG Match Income and Expense - The ESG program requires a dollar for dollar matching obligation when ESG funds subject to matching requirements are drawn from its U.S. Treasury account. ESG match income and expense amounts represent match contributions provided by KHRC and non-KHRC (e.g., subgrantee) resources, which reduce KHRC's ESG match obligation. ESG income equals ESG match expense resulting in a net effect of zero on KHRC's financial statements. Unlike HOME match, excess ESG match by grant year may not be carried forward to meet the next year's obligation.

HMIS Match Income and Expense - The HMIS program requires a 25 percent matching obligation when HMIS funds subject to matching requirements are drawn from its U.S. Treasury account. HMIS match income and expense amounts represent match contributions provided by KHRC resources, which reduce KHRC's HMIS match obligation. HMIS match income equals HMIS match expense resulting in a net effect of zero on KHRC's financial statements. Unlike HOME match, excess HMIS match may not be carried forward to meet the next year's obligation.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 12 RECOGNIZED MATCH INCOME AND EXPENSE (CONTINUED)

Match expense for the period ending June 30, 2017 is as follows:

Recognized Match Income - HOME	\$ 848,997
Recognized Match Income - ESG	1,535,496
Recognized Match Income - HMIS	35,929
Total Recognized Match Income	2,420,422
Recognized Match Expense - HOME	848,997
Recognized Match Expense - ESG	1,535,496
Recognized Match Expense - HMIS	35,929
Total Recognized Match Expense	2,420,422
Net Recognized Match Expense	\$ -

Match income and expense reflected on KHRC's financial statements represents HOME match inclusive of non-KHRC match contributions, excluding excess match contributions carried over to future years (see also Note 7), and ESG and HMIS match.

NOTE 13 INTERFUND TRANSFERS

A summary of interfund transfers by fund for the year ended June 30, 2017 is as follows:

	Transfers In	Transfers Out
KHRC Operations	\$ 36,777	\$ (424,567)
State Housing Trust Fund	424,567	(36,777)
Total Transfers	\$ 461,344	\$ (461,344)

The interfund transfers include: a) a \$36,777 transfer from the SHTF to KHRC Operations to fund the Homeless Management Information Systems (HMIS) Program's match requirement of 25 percent of program costs, and b) transfers from KHRC Operations to the SHTF totaling \$424,567 to fund the following: \$260,344 for MIH fees and \$164,223 for the state-wide annual Kansas Housing Conference.

KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 14 RISK MANAGEMENT

KHRC is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims expenses and liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. KHRC has not made a claim against any of the insurance policies. KHRC also has commercial insurance coverage on personal property with a limit of \$998,917 and a \$1,000 deductible, which includes coverage on electronic data processing equipment, media, and data. This policy also provides general liability coverage with a \$1,000,000 per occurrence/\$2,000,000 aggregate limit. In addition, there is a Public Officials and Employees Liability Insurance Policy including Employment Practices Liability with an aggregate limit of \$2,000,000 and a \$1,000 deductible, and Business Auto coverage including hired and non-owned auto liability with a limit of \$1,000,000 combined single limit for Bodily Injury and Property Damage. KHRC also had a pollution liability insurance claims-made policy with a \$1,000,000 limit and a \$100,000 deductible that was effective November 16, 2009 to November 16, 2011 and has an extended reporting period until November 16, 2016. KHRC also has a fidelity bond insurance policy with a \$5,000,000 employee dishonesty/fidelity limit, and a \$1,000,000 limit for forgery or alteration, computer fraud, and other miscellaneous types of coverage, and a \$30,000 deductible. KHRC also participates in the State's non-state employee health benefit plan. Insurance settlements have not exceeded insurance coverage for fiscal years ending June 30, 2017, 2016, or 2015.

NOTE 15 CONTINGENCIES AND COMMITMENTS

Intergovernmental Financial Assistance - KHRC administers various Federal and State programs. These programs are subject to audit and adjustment by the awarding agencies and other organizations. Any disallowed claims, including amounts already collected may constitute a liability of the applicable program. The amount, if any, of expenses disallowed cannot be determined at this time. KHRC expects such amounts, if any, to be immaterial.

Litigation - KHRC, in the normal course of business, is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, KHRC believes the resolution of these matters will not have a material adverse effect on the financial condition of KHRC.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 15 CONTINGENCIES AND COMMITMENTS (CONTINUED)

Annual Contributions Contract - KHRC entered into an amended Annual Contributions Contract (ACC) with HUD for project-based Section 8 contract administration on August 29, 2011. The agreement extended KHRC's contract from its original expiration date of October 1, 2011 to March 31, 2012 and provided HUD the option to extend the ACC for up to three additional and successive renewal terms of three calendar months each for the period April 1, 2012 through December 31, 2012. The amended agreement contained reduced tasks and correspondingly reduced fees for services. On August 15, 2012, the Government Accountability Office (GAO) sustained protests filed against HUD under the PBCA NOFA proposals, which were due in June 2012. On August 23, 2012 HUD provided notice it elected to extend the amended agreement through the third three-month renewal term (December 31, 2012). Although HUD had planned to announce NOFA awards on August 31, 2012, in light of GAO's decision, HUD wasn't prepared to make announcements, and at the time of the 2012 report HUD's next steps towards awarding the Annual Contributions Contract had not been determined. HUD subsequently extended the amended ACC for up to four additional and successive renewal terms of three calendar months each for the period January 1, 2013 through December 31, 2013. On August 7, 2013, HUD awarded new ACC contracts in 42 states, which included KHRC being awarded the Kansas contract. On August 27, 2013, the United States Court of Appeals granted the Plaintiff-Appellants' motion for a stay, pending appeal. On March 25, 2014, the United States Court of Appeals ruled against HUD and determined procurement contracts rather than PBCA NOFA proposals should have been issued. HUD subsequently extended the amended ACC for up to four additional and successive renewal terms of three calendar months each for the period January 1, 2014 through December 31, 2014. On April 20, 2015, the U.S. Supreme Court denied cert to review the Section 8 PBCA litigation, which allows the U.S. Court of Appeals' ruling to stand and there is no further appeal. On May 21, 2015, HUD provided notice it elected to extend the agreement through two renewal terms of six months each for the periods July 1, 2015 through December 31, 2015, and January 1, 2016 through June 30, 2016. On May 21, 2016 HUD provided notice it elected to extend the agreement through the third, fourth, and fifth renewal terms of six months each for the periods July 1, 2016 through December 31, 2016, January 1, 2017 through June 30, 2017, and July 1, 2017 through December 31, 2017. At the time of this report, status of the procurement contracts had not been determined.

NOTE 16 JOINT POWERS AGREEMENTS

KHRC entered into a joint powers agreement with the State of Kansas' Department of Social and Rehabilitation Services (SRS) on January 16, 2008 and an amended agreement with the new Kansas Department for Children and Families (DCF) on October 1, 2016 for the period October 1, 2016 through September 30, 2017 with the option to renew by mutual written consent. The purpose of the agreements is to transfer 15 percent of a portion of SRS'/DCF's Low Income Energy Assistance (LIEAP) regular block grant to supplement KHRC's Department of Energy Weatherization Assistance Program (DOE WAP) funds. The agreements are subject to Federal funding availability.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 17 FEDERAL GRANTS AUDIT UNDER OMB 2 CFR, Part 200. Subpart F - AUDIT REQUIREMENTS

The U.S. Office of Management and Budget (OMB) 2 *CFR, Part 200, Subpart F - Audit Requirements* and *Government Auditing Standards* require audits of KHRC's expenditures of Federal awards since KHRC's expenditures were \$750,000 or more in the fiscal year ended June 30, 2017. Such expenditures are included in the June 30, 2017 *OMB 2 CFR, Part 200, Subpart F - Audit Requirements* audit for the State of Kansas.

NOTE 18 PENDING GASB PRONOUNCEMENTS

At June 30, 2017, GASB had issued statements not yet implemented by KHRC. KHRC's management has not yet determined the effect these statements will have on KHRC's financial statements. However, KHRC plans to implement them by the required dates. The statements which might impact KHRC are as follows:

GASB Statement No. 85, *Omnibus 2017*, is required to be implemented for the fiscal year ended June 30, 2019. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topic including issues relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits. KHRC is currently evaluating the impact of the implementation of this Statement.

GASB Statement No. 87, *Leases*, is required to be implemented for the fiscal year ended June 30, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. KHRC is currently evaluating the impact of the implementation of this Statement.

REQUIRED SUPPLEMENTARY INFORMATION

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
SCHEDULE OF KHRC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Measurement date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
KHRC's proportion of the collective net pension liability	0.05250%	0.05256%	0.05264%	0.05288%
KHRC's proportionate share of the collective net pension liability	\$ 3,528,690	\$ 3,639,427	\$ 3,363,465	\$ 3,841,452
KHRC's covered payroll	\$ 2,615,373	\$ 2,275,432	\$ 2,245,616	\$ 2,311,032
KHRC's proportionate share of the collective net pension liability as a percentage of its covered payroll	74%	63%	67%	60%
Plan fiduciary net position as a percentage of the total pension liability	65.10%	64.95%	66.60%	59.94%

*GASB 68 requires presentation of ten years. As of June 30, 2017, only four years of information is available.

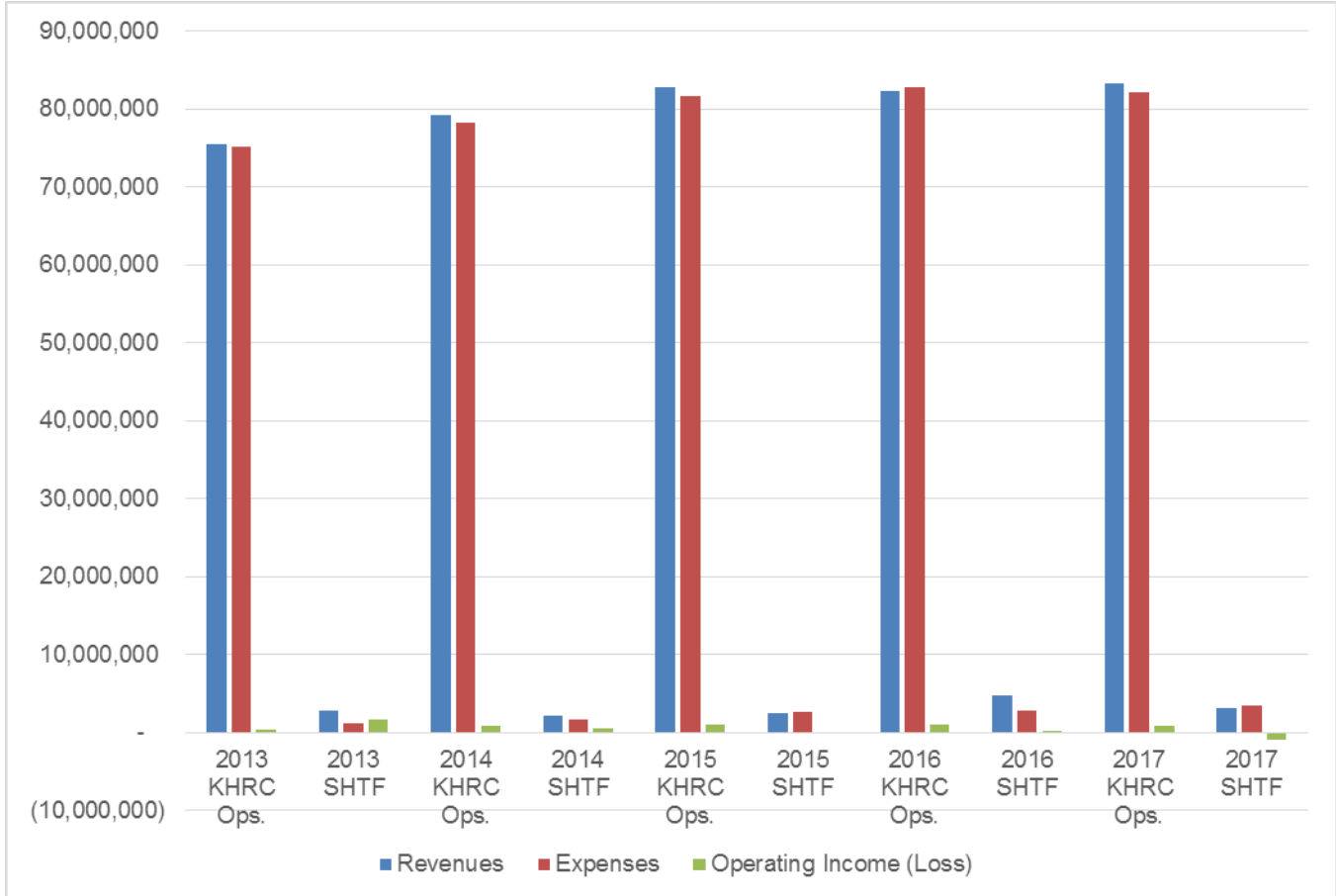
Note: Information in this schedule is measured as of the measurement date.

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
SCHEDULE OF KHRC'S CONTRIBUTIONS
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Contractually Required Contribution	\$ 282,718	\$ 248,289	\$ 229,231	\$ 237,343	\$ 214,590	\$ 228,134	\$ 225,106	\$ 182,572	\$ 137,447	\$ 109,891
Contributions in Relation to the Contractually Required Contribution	<u>(282,718)</u>	<u>(248,289)</u>	<u>(229,231)</u>	<u>(237,343)</u>	<u>(214,590)</u>	<u>(228,134)</u>	<u>(225,106)</u>	<u>(182,572)</u>	<u>(137,447)</u>	<u>(109,891)</u>
Contribution Efficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
KHRC's Covered Payroll	\$ 2,615,373	\$ 2,275,432	\$ 2,245,616	\$ 2,311,032	\$ 2,286,270	\$ 2,601,300	\$ 2,755,272	\$ 2,411,782	\$ 1,971,969	\$ 1,725,130
Contributions as a Percentage of Covered Payroll	10.81%	10.91%	10.21%	10.27%	9.39%	8.77%	8.17%	7.57%	6.97%	6.37%

SUPPLEMENTARY INFORMATION

**KANSAS HOUSING RESOURCES CORPORATION
 (A COMPONENT UNIT OF THE STATE OF KANSAS)
 REVENUES, EXPENSES, AND OPERATING INCOME (LOSS) BY FUND
 YEAR ENDED JUNE 30, 2017**



KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)
KHRC OPERATIONS STATEMENT OF REVENUE AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017

	Rental Development	Rental Compliance	Section 8 HAP	NHTF	HOME	DOE WAP	LIEAP WAP	CSBG	ESG	HMIS	KHRC Corporate	Eliminate Intrafund Transfers	Total
Operating Revenues:													
Fees for Services	\$ 574,999	\$ 933,374	\$ 2,600,894	\$ -	\$ 1,120	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500	\$ -	\$ 4,111,887
Grant Administration/Grant Income	-	-	-	12,961	479,543	318,103	165,672	268,241	93,581	34,309	-	-	1,372,410
Recognized Match Income	-	-	-	-	848,997	-	-	-	1,535,496	35,929	-	-	2,420,422
Program Loan and Other Interest	-	-	-	-	106,747	-	-	-	-	-	4,344	-	111,091
Other Income	-	-	-	-	11,019	-	-	-	-	-	2,118	-	13,137
Federal Program Revenues	-	-	56,509,934	-	4,300,764	2,341,436	4,296,495	5,521,819	1,541,915	96,000	-	-	74,608,363
Total Operating Revenues	574,999	933,374	59,110,828	12,961	5,748,190	2,659,539	4,462,167	5,790,060	3,170,992	166,238	7,962	-	82,637,310
Operating Expenses:													
Salaries and Wages	110,611	631,144	762,322	8,165	284,928	212,512	90,260	177,058	87,737	43,812	11,504	-	2,420,053
Employee Benefits	32,436	220,868	266,751	2,396	95,973	71,328	29,693	61,163	27,782	12,363	7,301	-	828,054
Communication	2,311	11,514	13,832	82	9,611	4,503	2,154	3,250	1,697	688	145	-	49,787
Printing and Advertising	112	1,459	1,539	(11)	428	4,230	160	279	86	29	-	-	8,311
Rents and Parking Fees	11,229	69,811	73,749	220	33,362	18,981	11,607	19,362	7,635	3,623	858	-	250,437
Equipment Repairs and Maintenance	266	2,270	2,908	-	1,012	19,151	411	583	267	98	6,165	-	33,131
Travel	18,692	51,144	52,273	1,205	18,341	27,923	6,370	24,253	9,170	4,230	3,418	-	217,019
Legal Fees	170	948	5,261	-	1,267	7	4	7	4	4	5,745	-	13,417
Audit Fees	1,505	3,656	8,488	-	2,819	1,831	1,565	1,766	1,597	1,363	752	-	25,342
Inspections	-	-	-	-	20,075	-	-	-	-	-	300	-	20,375
Dues and Subscription	4,436	6,091	10,484	1	3,853	3,060	154	5,758	144	128	7,559	-	41,668
Insurance	646	5,725	13,263	41	2,385	5,652	716	1,585	643	238	6	-	30,900
Data Processing and Data Services	21,658	86,321	234,287	79	8,318	11,582	48,944	5,316	2,199	777	14	-	419,495
Other Fees/Services	765	2,136	28,612	959	2,666	1,876	448	1,565	491	24,392	8,485	-	72,395
Office and Data Processing Supplies	822	4,979	8,457	31	3,891	2,591	699	1,511	751	457	8,846	-	33,035
Meeting and Venue Expenses	32	690	962	-	328	536	32	326	32	11	2,105	-	5,054
Expensed Furniture and Equipment	2,008	18,438	22,589	785	6,687	6,045	1,994	4,149	1,904	855	24,185	-	89,639
Provision for Loan Losses	-	-	-	-	66,523	-	-	-	-	-	-	-	66,523
Depreciation	13,205	58,318	15,917	86	4,468	3,113	13,602	2,747	1,194	512	27,202	-	140,364
Program Expenses	-	-	-	-	-	-	-	-	-	-	10,000	-	10,000
Recognized Match Expense	-	-	-	-	848,998	-	-	-	1,535,495	35,929	-	-	2,420,422
Federal Program Expense	-	-	56,509,934	-	4,300,764	2,341,436	4,296,495	5,521,819	1,541,915	96,000	-	-	74,608,363
Program Income Grant Expenses	-	-	-	-	27,967	-	-	-	-	-	-	-	27,967
Total Operating Expenses	220,904	1,175,512	58,031,628	14,039	5,744,664	2,736,357	4,505,308	5,832,497	3,220,743	225,509	124,590	-	81,831,751
Operating Income	354,095	(242,138)	1,079,200	(1,078)	3,526	(76,818)	(43,141)	(42,437)	(49,751)	(59,271)	(116,628)	-	805,559
Non-Operating Revenues													
Investment Income	-	-	898	-	329	-	-	-	-	-	98,819	-	100,046
Non-employer pension contribution	-	-	-	-	-	-	-	-	-	-	497,405	-	497,405
Gain (Loss) on Fixed Assets	-	-	-	-	-	-	-	-	-	-	(6,241)	-	(6,241)
Total Non-Operating Revenues	-	-	898	-	329	-	-	-	-	-	589,983	-	591,210
Transfers In	-	-	-	-	-	74,089	28,155	90,643	51,362	71,501	931	(279,904)	36,777
Transfers Out	-	-	-	-	-	(931)	-	(51,347)	(3,261)	(10,827)	(638,105)	279,904	(424,567)
Excess (Deficiency) of Revenues Over (Under)Expenses	\$ 354,095	\$ (242,138)	\$ 1,080,098	\$ (1,078)	\$ 3,855	\$ (3,660)	\$ (14,986)	\$ (3,141)	\$ (1,650)	\$ 1,403	\$ (163,819)	\$ -	1,008,979

Net Position, Beginning of Year 8,100,367
Net Position, End of Year \$ 9,109,346

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

**STATE HOUSING TRUST FUND STATEMENT OF REVENUE AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2017**

	SHTF General	KHC	IDA	KGS-WAP	KCP&L	MIH	KAMP ERP	Eliminate Intrafund Transfers	Total
Operating Revenues:									
Fees for Services	\$ -	\$ 142,594	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 142,594
Grant Administration/Grant Income	-	-	-	-	2,844	-	-	-	2,844
PAB Multifamily Allocation Fees	7,600	-	-	-	-	-	-	-	7,600
Program Loan and Other Interest	83,343	-	-	-	-	4,249	-	-	87,592
Contributions and Donations	-	25,200	-	220,592	61,178	-	-	-	306,970
Other Income	40,765	-	-	-	-	6,156	-	-	46,921
State Program Revenues	-	-	-	-	-	2,000,000	-	-	2,000,000
Total Operating Revenues	131,708	167,794	-	220,592	64,022	2,010,405	-	-	2,594,521
Operating Expenses:									
Salaries and Wages	6,882	70,948	231	22,376	3,758	58,554	9,524	-	172,273
Employee Benefits	1,240	25,871	44	6,158	727	14,626	3,029	-	51,695
Communication	30	1,535	1	311	20	622	207	-	2,726
Printing and Advertising	1	13,557	-	22	-	20	20	-	13,620
Rents and Parking Fees	489	19,930	13	2,755	-	5,068	1,424	-	29,679
Equipment Repairs and Maintenance	3	208	-	57	-	54	84	-	406
Travel	424	14,641	1	770	-	8,610	310	-	24,756
Legal Fees	1	6	-	3	-	3	-	-	13
Audit Fees	502	1,306	-	1,103	-	1,104	251	-	4,266
Dues and Subscriptions	48	176	1	90	-	97	35	-	447
Insurance	-	679	-	121	-	200	81	-	1,081
Data Processing and Data Services	-	1,751	-	14,315	-	564	614	-	17,244
Other Fees/Services	77,724	40,630	4	228	5	309	131	-	119,031
Office and Data Processing Supplies	29	10,837	1	109	-	146	131	-	11,253
Meeting and Venue Expenses	-	127,838	-	2	-	8	5	-	127,853
Expensed Furniture and Equipment	11	2,440	-	321	-	716	146	-	3,634
Provision for Loan Losses	34,147	-	-	-	-	-	-	-	34,147
Program Expenses	-	-	162,799	220,592	61,178	25,000	575,409	-	1,044,978
State Program Expenses	-	-	-	-	-	1,818,336	-	-	1,818,336
Total Operating Expenses	121,531	332,353	163,095	269,333	65,688	1,934,037	591,401	-	3,477,438
Operating Income	10,177	(164,559)	(163,095)	(48,741)	(1,666)	76,368	(591,401)	-	(882,917)
Non-Operating Revenues & Expenses:									
Investment Income	14,555	-	-	-	-	15,472	-	-	30,027
Non-employer pension contribution	27,616	-	-	-	-	-	-	-	27,616
Total Non-Operating Revenues	42,171	-	-	-	-	15,472	-	-	57,643
Transfers In	-	164,223	-	-	-	260,344	-	-	424,567
Transfers Out	(36,777)	-	-	-	-	-	-	-	(36,777)
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ 15,571	\$ (336)	\$ (163,095)	\$ (48,741)	\$ (1,666)	\$ 352,184	\$ (591,401)	\$ -	(437,484)

Net Position, Beginning of Year 5,958,340
Net Position, End of Year **\$ 5,520,856**

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

**KHRC OPERATIONS STATEMENT OF REVENUE AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	Rental Development	Rental Compliance	Section 8 HAP	HOME	DOE WAP	LIEAP WAP	CSBG	ESG	HMIS	KHRC Corporate	Eliminate Intrafund Transfers	Total
Operating Revenues:												
Fees for Services	\$ 775,264	\$ 934,975	\$ 2,019,318	\$ 360	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,200	\$ -	\$ 3,743,117
Grant Administration/Grant Income	-	-	-	470,950	258,228	234,620	489,780	26,537	49,026	-	-	1,529,141
Recognized Match Income	-	-	-	721,702	-	-	-	1,441,302	32,962	-	-	2,195,966
Program Loan and Other Interest	-	-	-	106,737	-	-	-	-	-	4,512	-	111,249
Other Income	-	-	3,783	10,827	-	-	-	-	-	1,555	-	16,165
Federal Program Revenues	-	-	55,559,678	5,610,714	1,834,390	4,981,477	4,697,027	1,514,638	94,994	-	-	74,292,918
Federal Loan Proceeds	-	-	-	300,000	-	-	-	-	-	-	-	300,000
Total Operating Revenues	775,264	934,975	57,582,779	7,221,290	2,092,618	5,216,097	5,186,807	2,982,477	176,982	19,267	-	82,188,556
Operating Expenses:												
Salaries and Wages	200,977	853,387	767,978	399,301	242,194	181,222	297,448	124,728	54,989	14,778	-	3,137,002
Communication	2,941	11,804	8,961	8,576	4,782	3,245	3,852	2,048	562	112	-	46,883
Printing and Advertising	988	4,311	4,404	1,722	4,279	4,245	1,909	457	137	961	-	23,413
Rents and Parking Fees	14,626	72,824	58,677	33,085	16,862	13,458	21,205	9,714	3,868	827	-	245,146
Equipment Repairs and Maintenance	775	4,121	2,968	1,646	1,070	829	1,374	464	136	285	-	13,668
Travel	22,561	49,364	45,061	13,543	20,415	10,214	17,226	9,187	4,998	7,039	-	199,608
Legal Fees	5	87	72	2,186	5	5	5	5	5	191	-	2,566
Audit Fees	1,478	2,917	9,128	3,018	1,852	1,840	2,011	1,854	1,490	982	-	26,570
Inspections	-	-	-	17,815	-	-	-	-	-	-	-	17,815
Dues and Subscriptions	6,872	758	8,280	5,108	2,924	236	6,197	228	180	3,303	-	34,086
Insurance	1,398	6,955	11,505	2,782	5,347	1,326	2,315	812	233	-	-	32,673
Data Processing and Data Services	23,274	98,264	217,369	9,003	5,091	4,488	7,494	2,519	755	-	-	368,257
Other Fees/Services	1,030	2,882	8,127	1,830	2,188	2,405	1,131	576	24,198	9,267	-	53,634
Office and Data Processing Supplies	1,756	7,160	6,903	3,096	2,998	1,490	2,153	723	239	11,967	-	38,485
Meeting and Venue Expenses	252	588	425	298	1,407	502	389	128	20	4,246	-	8,255
Expensed Furniture and Equipment	4,291	33,626	20,513	8,916	5,339	4,059	7,122	2,876	944	67,445	-	155,131
Provision for Loan Losses	-	-	-	62,905	-	-	-	-	-	-	-	62,905
Depreciation	14,568	61,592	12,532	5,100	3,048	2,425	4,244	1,508	428	3,957	-	109,402
Program Expenses	-	-	-	-	-	-	-	-	-	17,500	-	17,500
Recognized Match Expense	-	-	-	721,702	-	-	-	1,441,302	32,962	-	-	2,195,966
Federal Program Expense	-	-	55,559,678	5,610,714	1,834,390	4,981,477	4,697,027	1,514,638	94,994	-	-	74,292,918
Program Income Grant Expenses	-	-	-	79,397	-	-	-	-	-	-	-	79,397
Total Operating Expenses	297,792	1,210,640	56,742,581	6,991,743	2,154,191	5,213,466	5,073,102	3,113,767	221,138	142,860	-	81,161,280
Operating Income	477,472	(275,665)	840,198	229,547	(61,573)	2,631	113,705	(131,290)	(44,156)	(123,593)	-	1,027,276
Non-Operating Revenues												
Investment Income	-	-	309	31	-	-	-	-	-	117,833	-	118,173
Total Non-Operating Revenues	-	-	309	31	-	-	-	-	-	117,833	-	118,173
Transfers In	-	-	-	-	57,089	-	47	124,357	60,443	-	(215,466)	26,470
Transfers Out	-	-	-	-	-	-	(131,716)	-	(23,899)	(1,714,119)	215,466	(1,654,268)
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ 477,472	\$ (275,665)	\$ 840,507	\$ 229,578	\$ (4,484)	\$ 2,631	\$ (17,964)	\$ (6,933)	\$ (7,612)	\$ (1,719,879)	\$ -	(482,349)
											Net Position, Beginning of Year	8,582,716
											Net Position, End of Year	\$ 8,100,367

**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

**STATE HOUSING TRUST FUND STATEMENT OF REVENUE AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION
YEAR ENDED JUNE 30, 2016**

	SHTF General	KHC	IDA	KGS-WAP	MIH	KAMP ERP	Eliminate Intrafund Transfers	Total	
Operating Revenues:									
Fees for Services	\$ -	\$ 121,078	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 121,078	
Program Loan and Other Interest	83,872	-	-	-	-	-	-	83,872	
Contributions and Donations	-	58,750	-	652,909	-	-	-	711,659	
Other Income	72,123	-	-	-	-	-	-	72,123	
State Program Revenues	-	-	-	-	2,000,000	-	-	2,000,000	
Total Operating Revenues	155,995	179,828	-	652,909	2,000,000	-	-	2,988,732	
Operating Expenses:									
Salaries and Wages	7,041	85,883	-	34,122	60,722	2,079	-	189,847	
Communication	35	578	-	437	615	-	-	1,665	
Printing and Advertising	-	11,647	-	137	137	-	-	11,921	
Rents and Parking Fees	407	13,210	-	2,095	4,918	-	-	20,630	
Equipment Repairs and Maintenance	-	168	-	611	149	-	-	928	
Travel	276	17,262	237	730	4,504	42	-	23,051	
Legal Fees	2	-	-	3	3	-	-	8	
Audit Fees	495	220	-	1,057	1,231	-	-	3,003	
Inspections	-	-	-	-	-	-	-	-	
Dues and Subscription	1,022	2,274	-	115	151	3	-	3,565	
Insurance	-	272	-	233	234	-	-	739	
Data Processing and Data Services	-	931	-	755	861	-	-	2,547	
Other Fees/Services	84,681	56,109	-	347	363	5	-	141,505	
Office and Data Processing Supplies	17	12,869	-	195	197	63	-	13,341	
Meeting and Venue Expenses	-	70,073	-	12	32	-	-	70,117	
Expensed Furniture and Equipment	56	839	-	759	760	-	-	2,414	
Provision for Loan Losses	14,918	-	-	-	-	-	-	14,918	
Depreciation	-	-	-	-	-	-	-	-	
Program Expenses	-	-	35,914	652,909	-	564,591	-	1,253,414	
State Program Expenses	-	-	-	-	1,034,302	-	-	1,034,302	
Total Operating Expenses	108,950	272,335	36,151	694,517	1,109,179	566,783	-	2,787,915	
Operating Income	47,045	(92,507)	(36,151)	(41,608)	890,821	(566,783)	-	200,817	
Non-Operating Revenues & Expenses:									
Investment Income	23,987	-	-	-	12,955	-	-	36,942	
Total Non-Operating Revenues	23,987	-	-	-	12,955	-	-	36,942	
Transfers In	13,125	41,143	450,000	-	-	1,150,000	-	1,654,268	
Transfers Out	(26,470)	-	-	-	-	-	-	(26,470)	
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ 57,687	\$ (51,364)	\$ 413,849	\$ (41,608)	\$ 903,776	\$ 583,217	\$ -	1,865,557	
								Net Position, Beginning of Year	4,092,783
								Net Position, End of Year	\$ 5,958,340

**INDEPENDENT AUDITORS' 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 Directors
Kansas Housing Resources Corporation
Topeka, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of the Kansas Housing Resources Corporation (KHRC), a component unit of the State of Kansas, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Kansas Housing Resources Corporation's basic financial statements, and have issued our report thereon dated September 28, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered KHRC 's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KHRC's internal control. Accordingly, we do not express an opinion on the effectiveness of KHRC's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KHRC 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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 our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of KHRC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KHRC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Baltimore, Maryland
September 28, 2017