

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

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2019**

**KANSAS HOUSING RESOURCES CORPORATION  
(A COMPONENT UNIT OF THE STATE OF KANSAS)  
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## 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, 2019, and the related notes to the financial statements, which collectively comprise KHRC'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, 2019, 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***

*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 (2019 and 2018), and the State Housing Trust Fund Statement of Revenues and Expenses by Program, and Changes in Net Position (2019 and 2018) (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.

***Report on Summarized Comparative Information***

We have previously audited KHRC's 2018 basic financial statements, and we expressed unmodified audit opinions on those audited financial statements in our report dated September 25, 2018. In our opinion, the summarized comparative information represented herein as of and for the year ended June 30, 2018 is consistent in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, 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.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 20, 2019

**KANSAS HOUSING RESOURCES CORPORATION  
(A COMPONENT UNIT OF THE STATE OF KANSAS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

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, 2019.

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.

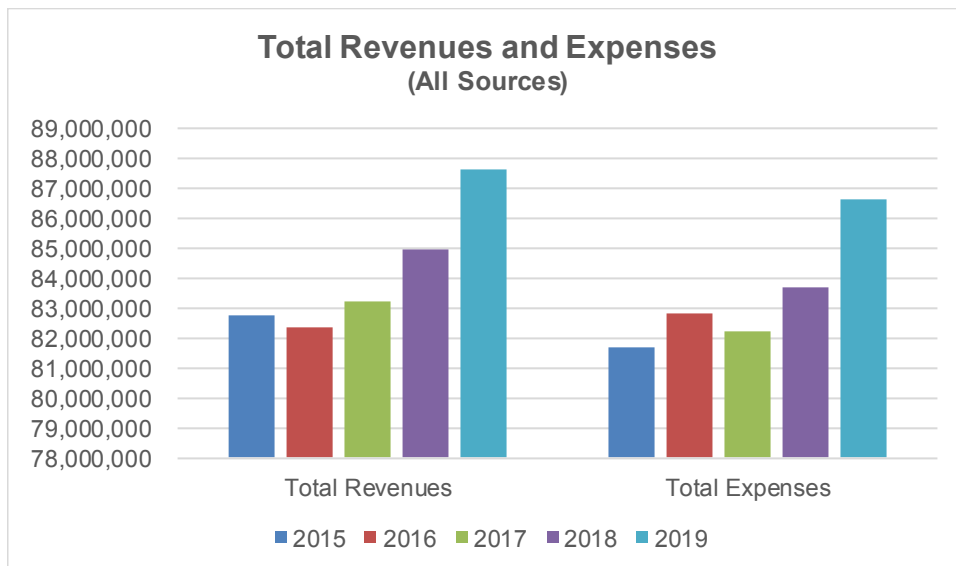
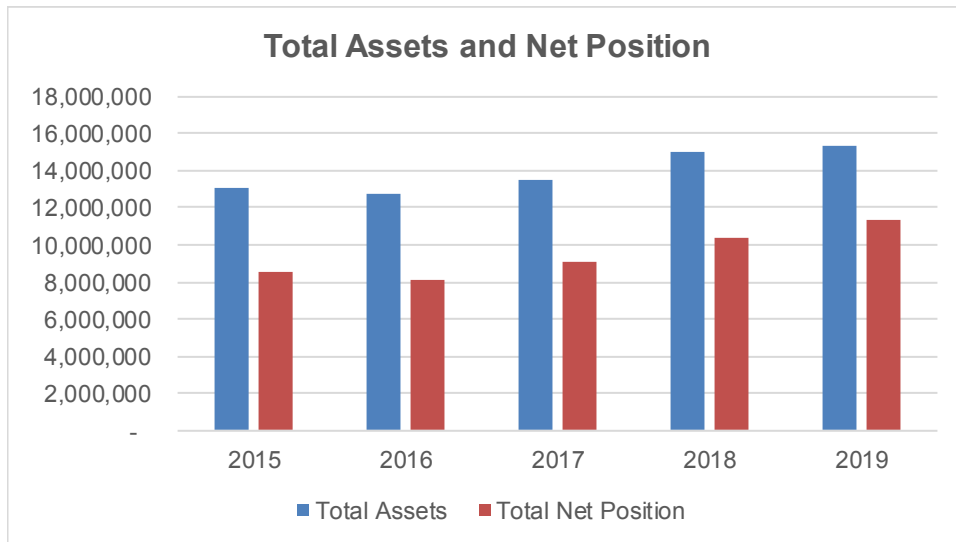
KHRC continues to utilize Federal and State government programs that serve its mission and provide resources leveraging its net position with other resources to finance affordable rental and owner-occupied housing for Kansans. Despite an era of dwindling revenues from Federal sources and continued challenges 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**

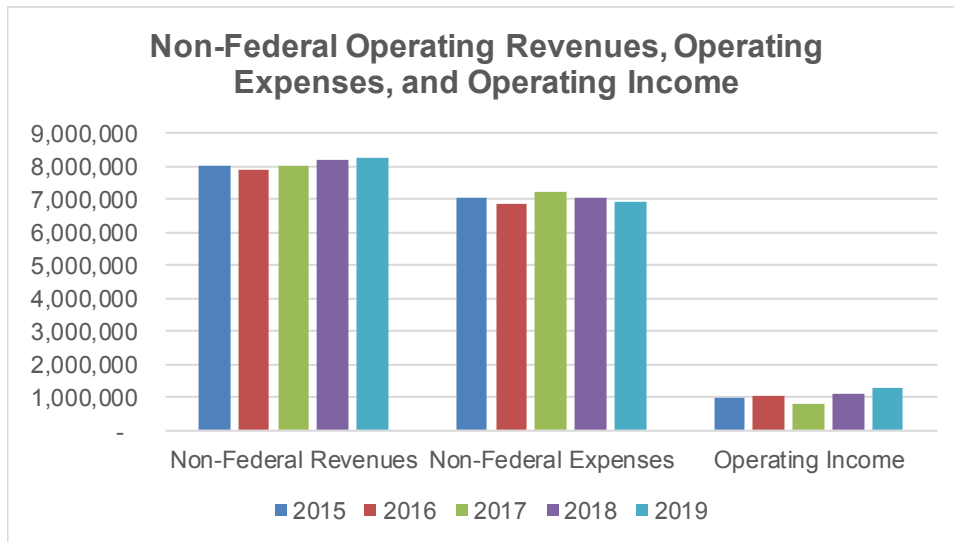
- Total assets were \$15.3 million at June 30, 2019, an increase of \$318,457 or 2.13 percent from fiscal year 2018 due primarily to a net increase in cash and investments of \$590,175 offset by a decrease in accounts receivable.
- Total liabilities were \$4.2 million at June 30, 2019, a decrease of \$964,149 or 18.50 percent from fiscal year 2018 due primarily to a decrease in compensated absences, grants payable, and the 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 \$11.3 million at June 30, 2019, a net increase of \$976,202 or 9.43 percent from fiscal year 2018. The change in net position is discussed below.
- Total revenues were \$87.6 million in fiscal year 2019, an increase of 3.12 percent from fiscal year 2018. Excluding Federal program revenues ("pass-throughs"), total revenues were \$8.6 million in fiscal year 2019, an increase of \$341,842 or 4.12 percent from fiscal year 2018. This was primarily due to an increase in recognized match and investment income of \$120,963 and \$262,330, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

- Total expenses (including transfers) were \$86.7 million in fiscal year 2019, an increase of 3.48 percent from fiscal year 2018. Excluding Federal program expenses (“pass-throughs”), total expenses were \$7.7 million in fiscal year 2019, an increase of \$603,726 or 8.54 percent from fiscal year 2018 primarily due to a decrease in salaries and benefits of \$362,420 offset by an increase in transfers to the SHTF of \$724,380.
- Operating income was \$1.3 million in fiscal year 2019, an increase of \$189,586 or 17.16 percent from fiscal year 2018.



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

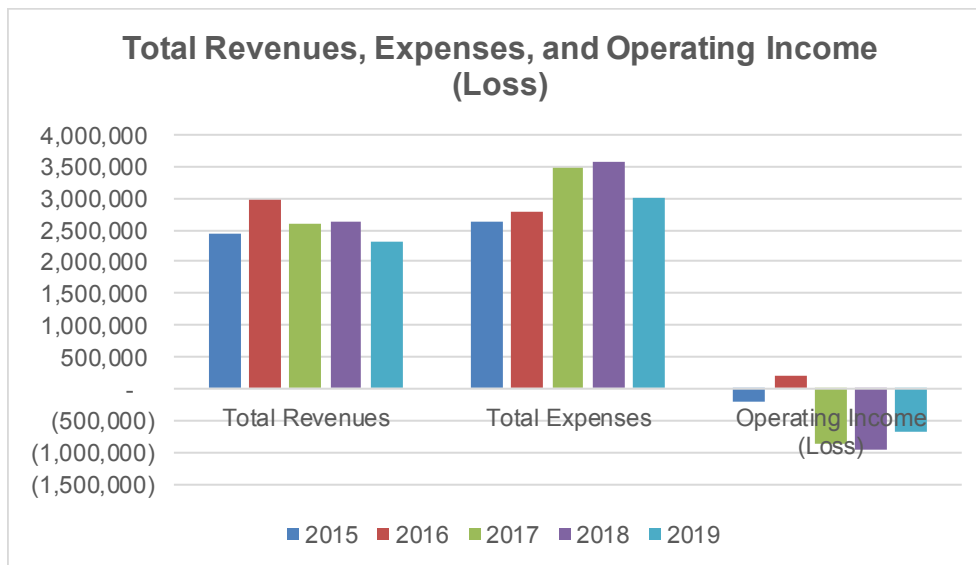
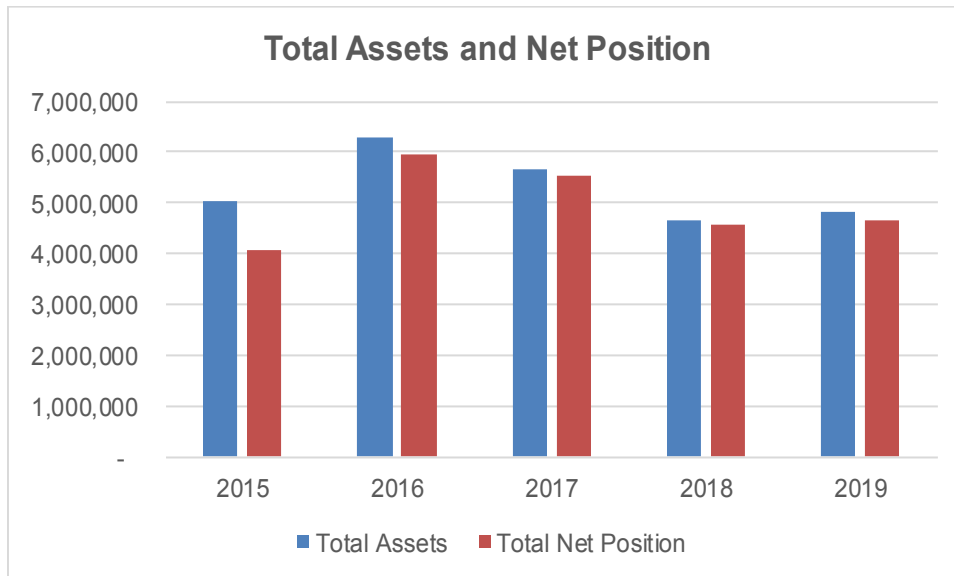


**STATE HOUSING TRUST FUND**

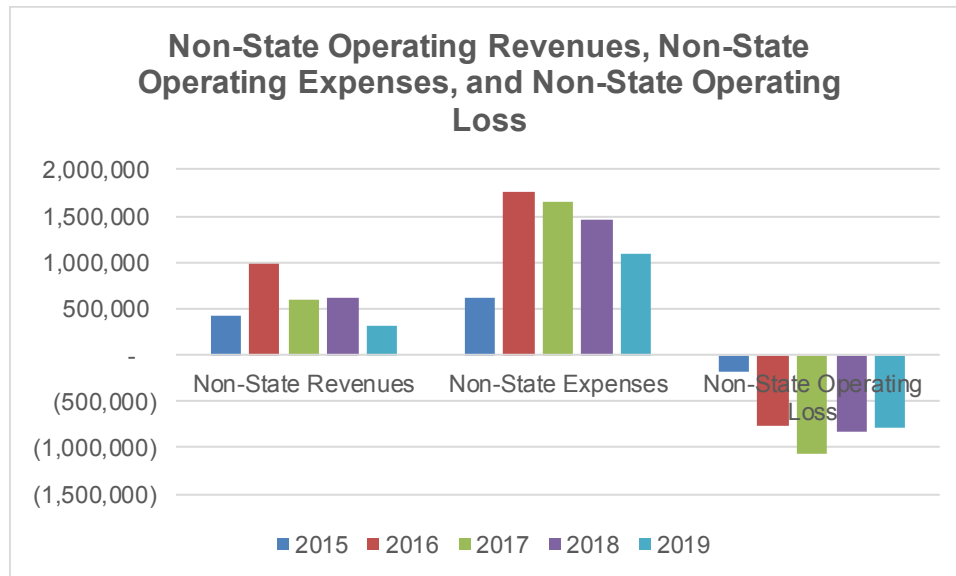
- Total assets were \$4.8 million at June 30, 2019, an increase of \$143,233 or 3.07 percent from fiscal year 2018, due primarily to an increase in cash and investments of \$133,229.
- Total liabilities were \$152,014 at June 30, 2019, an increase of \$56,334 or 58.88 percent from fiscal year 2018, due primarily to an increase in accounts payable and compensated absences of \$36,205 and \$13,282, respectively.
- Net position was \$4.7 million at June 30, 2019, an increase of \$86,899 or 1.90 percent, from fiscal year 2018. The change in net position is discussed below.
- Total revenues were \$3.1 million in fiscal year 2019, an increase of \$458,074 or 17.13 percent from fiscal year 2018. The increase was primarily attributed to an increase in transfers from KHRC Operations of \$724,380, net a \$270,336 decrease in other income. Excluding state program revenues and transfers, total revenues were approximately \$396,910 in fiscal year 2019, a decrease of \$266,306 or 40.15 percent, primarily due to the previously mentioned decrease in other income.
- Total expenses were \$3.0 million in fiscal year 2019, a decrease of \$574,743 or 15.88 percent from fiscal year 2018. Excluding state program expenses and transfers, total expenses were \$1.1 million in fiscal year 2019, a decrease of \$362,236 or 24.85 percent from fiscal year 2018. This was primarily due to a decrease in program expenses of \$383,699.
- The SHTF had an operating loss of \$684,991 in fiscal year 2019, compared to an operating loss of \$958,353 in fiscal year 2018, a 28.52 percent decrease.



**KANSAS HOUSING RESOURCES CORPORATION  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**



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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**



**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, noncapital 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**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2019**

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, 2019 and 2018:

	2019	2018	Increase (Decrease) 2019 vs. 2018
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Restricted	\$ 3,460,614	\$ 3,502,794	\$ (42,180)
Unrestricted	14,732,088	14,035,264	696,824
Total Current Assets	18,192,702	17,538,058	654,644
<b>NONCURRENT ASSETS</b>			
Net Capital Assets	316,830	422,536	(105,706)
Restricted	693,423	720,388	(26,965)
Unrestricted	891,564	951,847	(60,283)
Total Noncurrent Assets	1,901,817	2,094,771	(192,954)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Assets and Deferred Outflows of Resources	\$ 20,788,900	\$ 20,419,446	\$ 369,454
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>CURRENT LIABILITIES</b>			
Restricted	\$ 110,425	\$ 470,811	\$ (360,386)
Unrestricted	772,211	783,117	(10,906)
Total Current Liabilities	882,636	1,253,928	(371,292)
<b>NONCURRENT LIABILITIES</b>			
Unrestricted	3,516,065	4,052,588	(536,523)
Total Liabilities	4,398,701	5,306,516	(907,815)
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	404,728	190,560	214,168
<b>NET POSITION</b>			
Invested in Capital Assets	316,830	422,536	(105,706)
Restricted	4,043,612	3,752,371	291,241
Unrestricted	11,625,029	10,747,463	877,566
Total Net Position	15,985,471	14,922,370	1,063,101
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 20,788,900	\$ 20,419,446	\$ 369,454

**KANSAS HOUSING RESOURCES CORPORATION  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**Analysis of Assets, Liabilities, and Net Position**

Restricted current assets decreased \$42,180 due primarily to a decrease in restricted cash of \$38,527.

Unrestricted current assets increased \$696,824 primarily due to a \$761,931 net increase in unrestricted cash and investments.

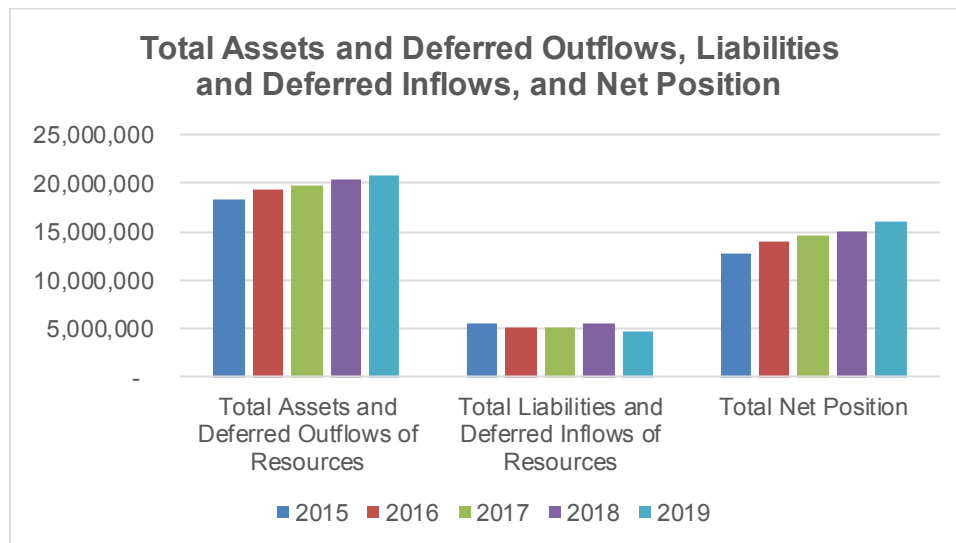
Restricted current liabilities decreased \$360,386 due to a decrease in grants/refunds payable.

Unrestricted noncurrent liabilities decreased \$536,523 primarily due to a decrease in compensated absences and net pension liability.

Net capital assets decreased \$105,706. This was the net effect of \$45,490 in additions, less \$143,696 in current fiscal year depreciation expense and a disposal of \$7,500 of non-depreciable assets in progress.

Total net position increased by \$1,063,101 or 7.12 percent from fiscal year 2018 to 2019 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, 2019**

**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, 2019 and 2018:

	<u>2019</u>	<u>2018</u>	Increase (Decrease) <u>2019 vs. 2018</u>
<b>Revenues</b>			
Operating Revenues:			
Fees for Services	\$ 4,363,099	\$ 4,449,549	\$ (86,450)
Grant Administration/Grant Income	1,613,407	1,622,925	(9,518)
Recognized Match Income	2,234,823	2,113,860	120,963
Contributions and Donations	64,272	64,543	(271)
Other Income	251,117	534,267	(283,150)
Federal Program Revenues	78,983,818	76,674,100	2,309,718
Federal Loan Proceeds	15,397	-	15,397
State Program Revenues	2,000,000	2,000,000	-
Total Operating Revenues	<u>89,525,933</u>	<u>87,459,244</u>	<u>2,066,689</u>
Nonoperating Revenues	<u>453,453</u>	<u>145,468</u>	<u>307,985</u>
Total Revenues	<u>89,979,386</u>	<u>87,604,712</u>	<u>2,374,674</u>
<b>Expenses</b>			
Operating Expenses:			
Salaries, General and Administrative	5,061,288	5,242,076	(180,788)
Provision for Loan Losses, Net of Recoveries	150,165	155,679	(5,514)
Program Expenses	583,105	966,804	(383,699)
Recognized Match Expense	2,234,823	2,113,860	120,963
Federal Program Expenses	78,983,818	76,674,100	2,309,718
Federal Refunds	-	33,852	(33,852)
State Program Expenses	1,903,086	2,126,173	(223,087)
Total Expenses	<u>88,916,285</u>	<u>87,312,544</u>	<u>1,603,741</u>
Transfers In	782,580	47,620	734,960
Transfers Out	<u>(782,580)</u>	<u>(47,620)</u>	<u>(734,960)</u>
<b>Excess of Revenues Over Expenses</b>	1,063,101	292,168	770,933
Total Net Position - Beginning of Year	<u>14,922,370</u>	<u>14,630,202</u>	<u>292,168</u>
<b>Total Net Position - End of Year</b>	<u>\$ 15,985,471</u>	<u>\$ 14,922,370</u>	<u>\$ 1,063,101</u>

**KANSAS HOUSING RESOURCES CORPORATION  
(A COMPONENT UNIT OF THE STATE OF KANSAS)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

**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 99.13 percent of KHRC's revenues.

Recognized match income and recognized match expense increased \$120,963 due to an increase in HOME Investment Partnership Program draws subject to match.

Other income decreased \$283,150, primarily due to loan recoveries in the prior year that did not occur in fiscal year 2019.

Federal program revenues and expenses increased by \$2,309,718 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.

Salaries, general and administrative expenses decreased \$180,788. The decrease was due to several factors, including a decrease in full time employees, travel and legal expenses, and office supplies offset against an increase in program income grant expenses and expensed furniture and equipment.

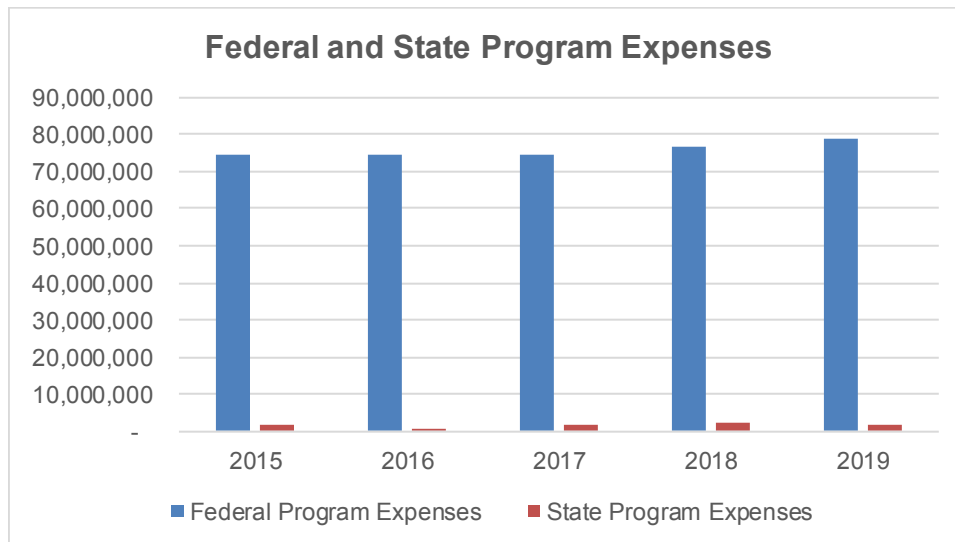
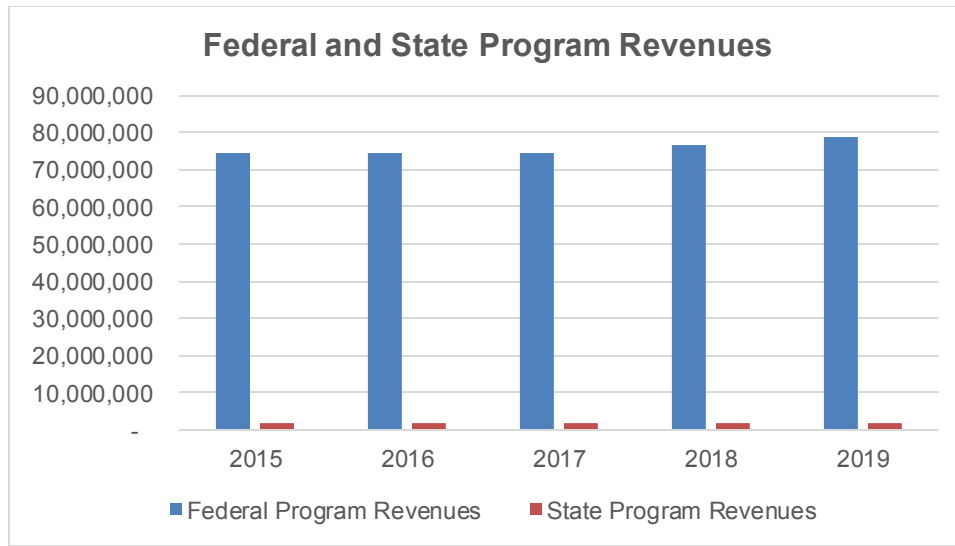
Program expenses decreased \$383,699. The Kansas Individual Development Account Program ended in fiscal year 2018, a \$196,238 decrease. The remaining decrease was due primarily to a \$120,000 and \$132,691 decrease in the Moderate Income Housing Program and Kansas Accessibility Modification and Emergency Repair Program expenses, respectively.

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, since 2013, \$2.0 million has been received on an annual basis; however \$380,524, \$1.3 million, \$2.0 million, \$1.0 million, \$1.8 million, and \$2.1 million was spent in fiscal years 2014, 2015, 2016, 2017 and 2018, respectively. In fiscal year 2019, state program expenses were \$1.9 million. The balance of the MIH funds will be spent in subsequent periods.

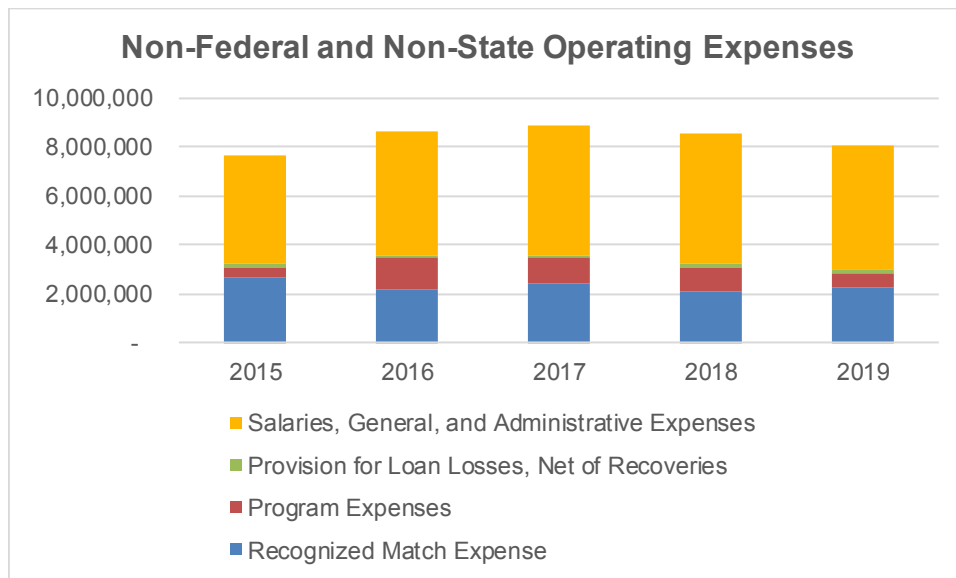
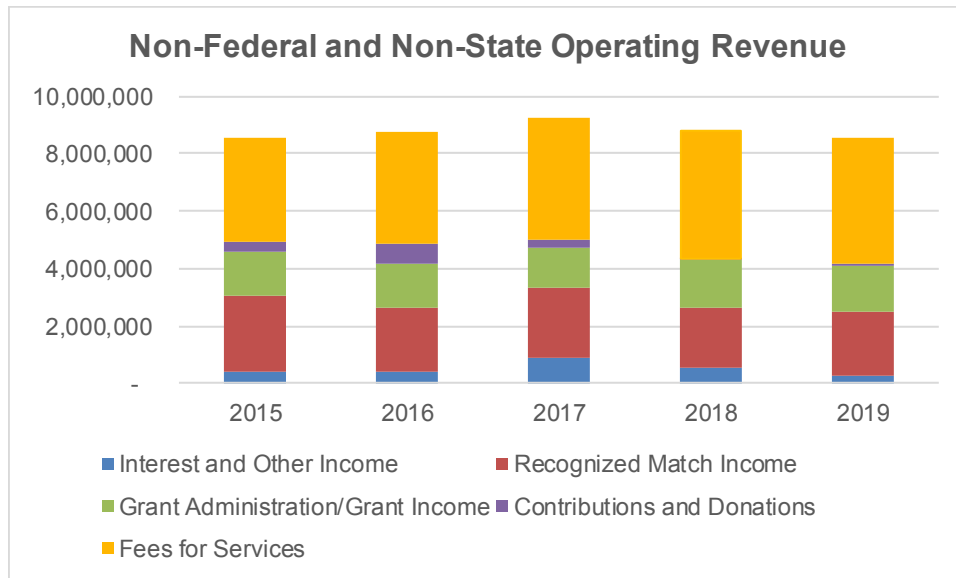
**KANSAS HOUSING RESOURCES CORPORATION  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**

Transfers in and Transfers out increased \$734,960. In fiscal year 2019, KHRC Operations transferred \$165,000 and \$400,000 to the SHTF for the Habitat grant and the KAMP program, respectively. The remaining transfer to the SHTF was primarily for the annual state-wide Kansas Housing Conference.

**KHRC OPERATIONS AND STATE HOUSING TRUST FUND (Combined)**



**KANSAS HOUSING RESOURCES CORPORATION  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2019**



**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 Lesli Grimm, 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](http://www.kshousingcorp.org).



**KANSAS HOUSING RESOURCES CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF KANSAS)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2019**  
**(with Summarized Comparative Information as of June 30, 2018)**

	2019			2018
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents:				
Restricted	\$ 43,441	\$ 3,395,789	\$ 3,439,230	\$ 3,477,757
Unrestricted	986,145	5,385	991,530	2,802,111
Total Cash and Cash Equivalents	<u>1,029,586</u>	<u>3,401,174</u>	<u>4,430,760</u>	<u>6,279,868</u>
Investments:				
Unrestricted	11,729,175	500,952	12,230,127	9,657,615
Total Investments	<u>11,729,175</u>	<u>500,952</u>	<u>12,230,127</u>	<u>9,657,615</u>
Accounts Receivable:				
Unrestricted	1,241,220	17,199	1,258,419	1,376,611
Total Accounts Receivable	<u>1,241,220</u>	<u>17,199</u>	<u>1,258,419</u>	<u>1,376,611</u>
Prepays	134,000	48,365	182,365	126,969
Program Loans Accrued Interest Receivable:				
Restricted	3,908	-	3,908	2,413
Unrestricted	2,036	5,861	7,897	7,873
Program Loans Receivable:				
Restricted	17,476	-	17,476	22,624
Unrestricted	17,093	44,657	61,750	64,085
Total Current Assets	<u>14,174,494</u>	<u>4,018,208</u>	<u>18,192,702</u>	<u>17,538,058</u>
<b>NONCURRENT ASSETS</b>				
Security Deposit	12,635	-	12,635	12,635
Program Loans Accrued Interest Receivable:				
Restricted	-	16,639	16,639	10,444
Unrestricted	-	15,097	15,097	13,297
Program Loans Receivable:				
Restricted	429,152	247,632	676,784	709,944
Unrestricted	347,557	516,275	863,832	925,915
Capital Assets:				
Furniture and Equipment	1,255,804	-	1,255,804	1,255,804
Asset in Progress	25,500	-	25,500	7,500
Vehicles	60,338	-	60,338	40,348
Leasehold Improvements	244,146	-	244,146	244,146
Less Accumulated Depreciation	(1,268,958)	-	(1,268,958)	(1,125,262)
Net Capital Assets	<u>316,830</u>	<u>-</u>	<u>316,830</u>	<u>422,536</u>
Total Noncurrent Assets	<u>1,106,174</u>	<u>795,643</u>	<u>1,901,817</u>	<u>2,094,771</u>
Total Assets	<u>15,280,668</u>	<u>4,813,851</u>	<u>20,094,519</u>	<u>19,632,829</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Outflows - Pension	694,381	-	694,381	786,617
Total Assets and Deferred Outflows of Resources	<u>\$ 15,975,049</u>	<u>\$ 4,813,851</u>	<u>\$ 20,788,900</u>	<u>\$ 20,419,446</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, 2019**

**(with Summarized Comparative Information for the year ended June 30, 2018)**

	2019			2018
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>				
<b>CURRENT LIABILITIES</b>				
Accounts Payable	\$ 85,820	\$ 43,432	\$ 129,252	\$ 48,994
Accrued Salaries and Wages	113,878	3,419	117,297	117,122
Compensated Absences	172,350	11,001	183,351	374,507
PTO Exchange	131,038	6,897	137,935	-
Unearned Revenue	175,881	28,495	204,376	242,494
Current Liabilities Payable from Restricted Assets:				
Grants/Refunds Payable	57,035	53,390	110,425	470,811
Total Current Liabilities	<u>736,002</u>	<u>146,634</u>	<u>882,636</u>	<u>1,253,928</u>
<b>NONCURRENT LIABILITIES</b>				
Compensated Absences	45,318	2,893	48,211	220,895
PTO Exchanges	47,256	2,487	49,743	-
Net Pension Liability	3,418,111	-	3,418,111	3,831,693
Total Noncurrent Liabilities	<u>3,510,685</u>	<u>5,380</u>	<u>3,516,065</u>	<u>4,052,588</u>
 Total Liabilities	 <u>4,246,687</u>	 <u>152,014</u>	 <u>4,398,701</u>	 <u>5,306,516</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Inflows - Pension	404,728	-	404,728	190,560
<b>NET POSITION</b>				
Invested in Capital Assets	316,830	-	316,830	422,536
Restricted	436,942	3,606,670	4,043,612	3,752,371
Unrestricted	10,569,862	1,055,167	11,625,029	10,747,463
Total Net Position	<u>11,323,634</u>	<u>4,661,837</u>	<u>15,985,471</u>	<u>14,922,370</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u>\$ 15,975,049</u>	 <u>\$ 4,813,851</u>	 <u>\$ 20,788,900</u>	 <u>\$ 20,419,446</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, 2019**  
**(with Summarized Comparative Information for the year ended June 30, 2018)**

	2019			2018
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
<b>OPERATING REVENUES</b>				
Fees for Services	\$ 4,215,059	\$ 148,040	\$ 4,363,099	\$ 4,449,549
Grant Administration/Grant Income	1,608,748	4,659	1,613,407	1,622,925
Recognized Match Income	2,234,823	-	2,234,823	2,113,860
PAB Multi-family Allocation Fees	-	15,600	15,600	28,200
Contributions and Donations	-	64,272	64,272	64,543
Program Loan and Other Interest	107,531	80,614	188,145	195,723
Other Income	46,961	411	47,372	310,344
Federal Program Revenues	78,983,818	-	78,983,818	76,674,100
Federal Refunds	15,397	-	15,397	-
State Program Revenues	-	2,000,000	2,000,000	2,000,000
Total Operating Revenues	<u>87,212,337</u>	<u>2,313,596</u>	<u>89,525,933</u>	<u>87,459,244</u>
<b>OPERATING EXPENSES</b>				
Salaries and Wages	2,273,750	159,596	2,433,346	2,564,699
Employee Benefits	770,056	52,739	822,795	1,037,859
Communication	42,961	2,677	45,638	46,531
Printing and Advertising	6,224	3,214	9,438	12,420
Rents and Parking Fees	270,317	30,255	300,572	289,246
Repairs and Maintenance	10,045	359	10,404	9,660
Travel	155,253	17,975	173,228	179,968
Legal Fees	8,588	30	8,618	22,164
Audit Fees	25,644	3,827	29,471	28,972
Inspections	10,485	-	10,485	15,008
Dues and Subscriptions	46,594	246	46,840	32,748
Insurance	32,510	1,755	34,265	33,863
Data Processing and Data Services	407,025	12,521	419,546	415,531
Other Fees/Services	131,387	64,319	195,706	199,601
Office and Data Processing Supplies	34,829	4,517	39,346	50,996
Meeting and Venue Expenses	7,480	95,052	102,532	66,620
Expensed Furniture and Equipment	94,380	4,399	98,779	55,766
Provision for Loan Losses, Net of Recoveries	91,250	58,915	150,165	155,679
Depreciation	143,696	-	143,696	152,095
Program Expenses	-	583,105	583,105	966,804
Recognized Match Expense	2,234,823	-	2,234,823	2,113,860
Federal Program Expenses	78,983,818	-	78,983,818	76,674,100
Program Income Grant Expenses	136,583	-	136,583	28,329
Federal Refunds	-	-	-	33,852
State Program Expenses	-	1,903,086	1,903,086	2,126,173
Total Operating Expenses	<u>85,917,698</u>	<u>2,998,587</u>	<u>88,916,285</u>	<u>87,312,544</u>
Operating Income (Loss)	<u>1,294,639</u>	<u>(684,991)</u>	<u>609,648</u>	<u>146,700</u>
<b>NONOPERATING REVENUES AND EXPENSES</b>				
Investment Income	370,139	83,314	453,453	145,468
Total Nonoperating Revenues	<u>370,139</u>	<u>83,314</u>	<u>453,453</u>	<u>145,468</u>
Transfers In	47,002	735,578	782,580	47,620
Transfers Out	<u>(735,578)</u>	<u>(47,002)</u>	<u>(782,580)</u>	<u>(47,620)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	976,202	86,899	1,063,101	292,168
Net Position - Beginning of Year	<u>10,347,432</u>	<u>4,574,938</u>	<u>14,922,370</u>	<u>14,630,202</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 11,323,634</u>	<u>\$ 4,661,837</u>	<u>\$ 15,985,471</u>	<u>\$ 14,922,370</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, 2019**  
**(with Summarized Comparative Information for the year ended June 30, 2018)**

	2019			2018
	KHRC Operations	State Housing Trust Fund	Total Business-Type Activities	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Others	\$ 87,378,349	\$ 2,303,592	\$ 89,681,941	\$ 87,395,508
Cash Paid to Others	(86,431,747)	(2,942,253)	(89,374,000)	(86,945,965)
Net Cash Provided (Used) by Operating Activities	<u>946,602</u>	<u>(638,661)</u>	<u>307,941</u>	<u>449,543</u>
<b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Transfers in From Other funds	47,002	735,578	782,580	47,620
Transfers Out to Other Funds	(735,578)	(47,002)	(782,580)	(47,620)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(688,576)</u>	<u>688,576</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchase of Property and Equipment	(37,990)	-	(37,990)	(43,469)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from Sales and Maturities of Investments	1,073,905	75,893	1,149,798	8,763,937
Purchase of Investments	(3,570,637)	(151,673)	(3,722,310)	(7,392,219)
Investment Income	370,139	83,314	453,453	145,468
Net Cash Provided (Used) by Investing Activities	<u>(2,126,593)</u>	<u>7,534</u>	<u>(2,119,059)</u>	<u>1,517,186</u>
<b>NET CHANGE IN CASH</b>	(1,906,557)	57,449	(1,849,108)	1,923,260
Cash and Cash Equivalents - Beginning of Year	2,936,143	3,343,725	6,279,868	4,356,608
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,029,586</u>	<u>\$ 3,401,174</u>	<u>\$ 4,430,760</u>	<u>\$ 6,279,868</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 1,294,639	\$ (684,991)	\$ 609,648	\$ 146,700
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	143,696	-	143,696	152,095
Gain on Sale of Capital Assets	-	-	-	10,326
Provision for Loan Losses, Net of Recoveries	91,250	58,915	150,165	155,679
Effects of Changes in Assets, Deferred Outflows, Liabilities and Deferred Inflows:				
Accounts Receivable	135,391	(17,199)	118,192	(156,124)
Interest Receivable	(1,415)	(104)	(1,519)	12,344
Prepays	(12,156)	(43,240)	(55,396)	(47,591)
Program Loans Receivable	(47,058)	(8,376)	(55,434)	(38,370)
Deferred Outflows - Pension	92,236	-	92,236	(185,185)
Accounts Payable	44,053	36,205	80,258	(65,080)
Employee Payroll Liabilities	(673)	-	(673)	(673)
Accrued Salaries and Wages	2,671	(1,823)	848	2,406
Grants Payable	(331,492)	(28,894)	(360,386)	245,186
Unearned Revenue	(66,298)	28,180	(38,118)	(29,380)
Compensated Absences	(198,828)	22,666	(176,162)	(57,554)
Net Pension Liability	(413,582)	-	(413,582)	303,003
Deferred Inflows - Pension	214,168	-	214,168	1,761
Net Cash Provided (Used) by Operating Activities	<u>\$ 946,602</u>	<u>\$ (638,661)</u>	<u>\$ 307,941</u>	<u>\$ 449,543</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, 2019**

**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, 2019**

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

**Reporting Entity (Continued)**

KHRC does not have any component units as defined by the 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, 2018, 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, 2019**

**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 a 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, 2019**

**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 10-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% 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, 2019**

**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 14 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 nonprofit 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% 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 receives 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, 2019**

**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 an affordable housing production program that complements existing Federal, state and local efforts to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low and very low-income households, including homeless families. NHTF funds will be awarded with the HOME and LIHTC awards. KHRC receives reimbursements of eligible costs associated with administration of the program.

**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](http://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, 2019**

**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 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 is provided by transfers from KHRC Operations or available SHTF funds.
- 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.
- Tenant Landlord Counseling (TLC) - The TLC program began in 2018 and aims to assist tenants and landlords in developing an effective relationship.

**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.

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

**Fair Value of Financial Instruments**

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, Tax Credit Assistance Program (TCAP) loans, and Moderate Income Housing (MIH) 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. MIH loan proceeds are subject to MIH rules and restrictions.

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**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 29 months to 8 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 up to a maximum of 240 hours.

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

**PTO Exchange Liability**

During fiscal year 2019, KHRC updated their compensated absences policy to reflect a 240 maximum hour accrual. At that time, management evaluated for accrued hours in excess of the policy and determined amounts to be paid out through to fiscal year 2021. That balance is reflected as a PTO exchange liability in the Statement of Net Position.

**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.

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**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.

**Revenues and Expenses**

Revenues are classified as operating or nonoperating 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.

*Nonoperating revenues* - include activities that have the characteristics of nonexchange transactions such as investment income which is defined as nonoperating 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 nonoperating 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.

*Nonoperating expenses* - include activities that have the characteristics of nonexchange 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 (IRC), no provision for income taxes has been included in the accompanying financial statements.

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

**New Accounting Pronouncement**

During the fiscal year, KHRC implemented GASB Statement No. 85, *Omnibus 2018*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. The implementation of this Statement had no impact on the Authority.

**NOTE 2 CASH AND INVESTMENTS**

A summary of cash and investments as of June 30, 2019 consisted of the following:

	<u>Cost</u>	<u>Fair Value</u>
Cash:		
Financial Institution	\$ 1,029,586	\$ 1,029,586
Kansas State Treasurer	3,401,174	3,401,174
Certificates of Deposit	7,008,530	7,008,530
U.S. Agency Securities	5,182,711	5,221,597
Total	<u>\$ 16,622,001</u>	<u>\$ 16,660,887</u>

A summary of investments and maturities as of June 30, 2019 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	\$ 5,221,597	\$ 1,621,130	\$ 3,600,467
Certificates of Deposit	7,008,530	497,435	6,511,095
Total	<u>\$ 12,230,127</u>	<u>\$ 2,118,565</u>	<u>\$ 10,111,562</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.

*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.



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**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

*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, 2019, 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, 2019 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, 2019.

*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 (57.31%), are in U.S. Government Instrumentality Obligations, which include U.S. Treasury Securities (1.65%) and investments in the Federal National Mortgage Association (15.74%), Federal Home Loan Bank (7.38%), and the Federal Home Loan Mortgage Corporation (17.92%) as of June 30, 2019.

*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.

**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;

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**NOTE 3 FAIR VALUE MEASUREMENTS (CONTINUED)**

*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:

<u>Investments by Fair Value Level</u>		<u>Investment at Fair Value</u>	
		<u>Level 1</u>	<u>Level 2</u>
U.S. Agency Securities	\$ 5,221,597	\$ -	\$ 5,221,597

**NOTE 4 ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2019 consisted of the following:

Rental Compliance Monitoring Fees Receivable, Net (Various Property Owners)	\$ 488,865
HUD Section 8 Fees Receivable	531,950
Federal Grant Administration/Grant Receivable	195,702
Other Receivables, Net	<u>41,902</u>
Total Accounts Receivable	<u>\$ 1,258,419</u>

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 15<sup>th</sup> 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, 2019.

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**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

Since compliance monitoring reports and related fees are reported on a calendar year basis, the Rental Compliance monitoring fees receivable represents an estimate of compliance monitoring fees due for the period January 2019 through June 2019 for calendar year 2019.

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.

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**NOTE 5 PROGRAM LOANS RECEIVABLE**

Program loans receivable as of June 30, 2019 consisted of the following:

	<u>Program Loans Receivable</u>	<u>Allowance For Program Loans Receivables Losses</u>	<u>Net Programs Loans Receivable</u>
HOME Loans, Bearing Interest at 1.0%-5.02%, Collateralized by Mortgages (KHRC Operations)	\$ 3,021,628	\$ 2,575,000	\$ 446,628
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)	1,167,564	746,928	420,636
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)	221,235	221,235	-
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)	140,300	-	140,300
Moderate Income Housing Loans, Bearing Interest at 0%-3%, Collateralized by Mortgages (SHTF)	247,629	-	247,629
Other KHRC Operations Loans, Bearing Interest at 0%-1.5%, Collateralized by Mortgages (KHRC Operations)	364,649	-	364,649
Total Program Loans Receivable	<u>\$ 14,953,141</u>	<u>\$ 13,333,299</u>	<u>\$ 1,619,842</u>

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**NOTE 5 PROGRAM LOANS RECEIVABLE (CONTINUED)**

Program loans accrued interest receivable as of June 30, 2019, 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)	\$ 830,990	\$ 827,082	\$ 3,908
State Housing Trust Fund Loans (SHTF)	336,007	315,049	20,958
HUD Restructured Loans (SHTF)	147,765	147,765	-
Disaster Loans (SHTF)	158,095	158,095	-
Moderate Income Housing Loans (SHTF)	16,639	-	16,639
Other KHRC Operations Loans (KHRC Operations)	2,036	-	2,036
Total Program Loans Accrued Interest Receivable	<u>\$ 1,491,532</u>	<u>\$ 1,447,991</u>	<u>\$ 43,541</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 2019-2049. 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.

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**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% 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% 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% 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 2024 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.

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**NOTE 5 PROGRAM LOANS RECEIVABLE (CONTINUED)**

A summary of the allowance for program loans receivable losses activity for the period ending June 30, 2019 is as follows:

	Program Loans Receivable	Program Loans Accrued Interest Receivable	Total
Ending Balance, June 30, 2018	\$ 13,333,299	\$ 1,328,650	\$ 14,661,949
Provision for Loan Losses Net of Recoveries	-	119,341	119,341
Loans Written Off	-	-	-
Ending Balance June 30, 2019	<u>\$ 13,333,299</u>	<u>\$ 1,447,991</u>	<u>\$ 14,781,290</u>

**NOTE 6 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 is as follows:

Category	Beginning Balance	Increase	Decrease	Ending Balance
Furniture and Equipment	\$ 1,255,804	\$ -	\$ -	\$ 1,255,804
Assets in Progress	7,500	25,500	(7,500)	25,500
Vehicles	40,348	19,990	-	60,338
Leasehold Improvements	244,146	-	-	244,146
Total Capital Assets	<u>1,547,798</u>	<u>45,490</u>	<u>(7,500)</u>	<u>1,585,788</u>
Furniture and Equipment	(997,046)	(120,160)	-	(1,117,206)
Vehicles	(40,348)	(666)	-	(41,014)
Leasehold Improvements	(87,868)	(22,870)	-	(110,738)
Total Accumulated Depreciation	<u>(1,125,262)</u>	<u>(143,696)</u>	<u>-</u>	<u>(1,268,958)</u>
Net Capital Assets	<u>\$ 422,536</u>	<u>\$ (98,206)</u>	<u>\$ (7,500)</u>	<u>\$ 316,830</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% 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, 2019, KHRC had received excess match contributions of \$13,754,357, which may be carried forward and applied to next year's obligation.

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**NOTE 8 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](http://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.

*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.



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**NOTE 8 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

**General Information about the Pension Plan (Continued)**

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 14.09% for fiscal year ended June 30, 2019. The statutory contribution rate for fiscal year 2019 was 14.09%. Contributions to the pension plan from KHRC were \$323,110 for the year ended June 30, 2019.

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

At June 30, 2019, KHRC reported a liability of \$3,418,111 for its proportionate share of KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2018 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. 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, 2018. The contributions used exclude contributions made for prior service, excess benefits, and irregular payments. At June 30, 2018, KHRC's proportion was 0.05240%, which decreased by 0.00463% from its proportion measured as of June 30, 2017 of 0.05703%.

For the year ended June 30, 2019, KHRC recognized pension expense of \$107,178, which is recorded with salaries and related payroll expenses. At June 30, 2019, KHRC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Difference Between Expected and Actual Experience	\$ -	\$ 148,381
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	58,633	-
Changes in Assumptions	128,620	2,953
Changes in Proportionate Share	184,018	253,394
KHRC Contributions Subsequent to Measurement Date	323,110	-
Total	<u>\$ 694,381</u>	<u>\$ 404,728</u>

**KANSAS HOUSING RESOURCES CORPORATION  
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**NOTE 8 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

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

The \$323,110 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, 2020. 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):

<u>Year Ended June 30.</u>	<u>Amount</u>
2019	\$ 61,161
2020	26,624
2021	(47,786)
2022	(2,454)
2023	(71,002)
Total	<u>\$ (33,457)</u>

*Actuarial Assumptions.* The total pension liability in the December 31, 2017 actuarial valuation, which was rolled forward to June 30, 2018, was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price Inflation	2.75%
Wage Inflation	3.50%
Salary Increases, Including Wage Increases	3.50 to 12.00%, including inflation
Long-Term Rate of Return Net of Investment Expense and Including Price Inflation	7.75%

Mortality rates were based on the RP-2014 Combined Mortality Table for Males or Females, as appropriate, with adjustments for age setback or set forward and actual experience. Rates are projected into the future using Scale MP-2016.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted for the period January 1, 2013 through December 31, 2015.

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.

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**NOTE 8 EMPLOYEES RETIREMENT SYSTEM (CONTINUED)**

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

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, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	47%	6.85%
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	<u>100%</u>	

*Discount Rate.* The discount rate used to measure the total pension liability was 7.75%. 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.

*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 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
KHRC's Proportionate Share of the Collective Net Pension Liability	\$ 4,603,281	\$ 3,418,111	\$ 2,415,638

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

**KANSAS HOUSING RESOURCES CORPORATION  
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**NOTE 9 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 2019 fiscal year, 24 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.

**NOTE 10 LEASES**

KHRC has an operating lease in two commercial buildings for office and parking garage space from May 1, 2014 through April 30, 2024.

Rent expense for office space for the year ended June 30, 2019 was \$245,645, and rent expense for parking space was \$22,500. 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, 2019 was \$26,264.

Future minimum lease payments due under the office space operating lease as of June 30, 2019 are as follows:

<u>Fiscal Year End</u>	<u>Amount</u>
2020	\$ 249,942
2021	254,239
2022	259,252
2023	267,846
2024	229,173
Total Future Minimum Lease Payments	<u>\$ 1,260,452</u>

**KANSAS HOUSING RESOURCES CORPORATION**  
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**NOTE 11 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 nonKHRC (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 nonKHRC (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.

Match expense for the period ending June 30, 2019 is as follows:

Recognized Match Income - HOME	\$ 847,915
Recognized Match Income - ESG	1,360,531
Recognized Match Income - HMIS	26,377
Total Recognized Match Income	<u>2,234,823</u>
Recognized Match Expense - HOME	847,915
Recognized Match Expense - ESG	1,360,531
Recognized Match Expense - HMIS	26,377
Total Recognized Match Expense	<u>2,234,823</u>
Net Recognized Match Expense	<u>\$ -</u>

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.

**KANSAS HOUSING RESOURCES CORPORATION  
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JUNE 30, 2019**

**NOTE 12 INTERFUND TRANSFERS**

A summary of interfund transfers by fund for the year ended June 30, 2019 is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
KHRC Operations	\$ 47,002	\$ (735,578)
State Housing Trust Fund	735,578	(47,002)
Total Transfers	<u>\$ 782,580</u>	<u>\$ (782,580)</u>

The interfund transfers primarily include: a) a \$35,000 transfer from KHRC Operations to the SHTF, b) transfers from KHRC Operations to the SHTF totaling \$135,578 to fund the state-wide annual Kansas Housing Conference, c) a \$165,000 transfer from KHRC Operations to the SHTF for the Habitat Grant, and d) a \$400,000 transfer from KHRC Operations to the SHTF for the KAMP Program.

**NOTE 13 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 nonowned auto liability with a limit of \$1,000,000 combined single limit for Bodily Injury and Property Damage. 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 nonstate employee health benefit plan. Insurance settlements have not exceeded insurance coverage for fiscal years ending June 30, 2019, 2018, or 2017.

**KANSAS HOUSING RESOURCES CORPORATION**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE 14 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.

*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 7, 2013, HUD awarded new ACC contracts in 42 states, which included KHRC being awarded the Kansas contract. 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. During the fiscal year 2019, the contract was extended to January 31, 2021. At the time of this report, status of the procurement contracts had not been determined.

**NOTE 15 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, 2018. The agreement was amended on October 1, 2018 to extend the contract through September 30, 2019 with the option to renew by mutual, written consent. The purpose of the agreements is to transfer 15% 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.

**NOTE 16 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, 2019. Such expenditures are included in the June 30, 2019 OMB 2 CFR, Part 200, Subpart F - Audit Requirements audit for the State of Kansas.

**KANSAS HOUSING RESOURCES CORPORATION  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 17 PENDING GASB PRONOUNCEMENTS**

At June 30, 2019, 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 statement which might impact KHRC is as follows:

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  
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SCHEDULE OF KHRC'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
KANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM  
LAST TEN FISCAL YEARS\***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Measurement date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
KHRC's proportion of the collective net pension liability	0.05240%	0.05703%	0.05250%	0.05256%	0.05264%	0.05288%
KHRC's proportionate share of the collective net pension liability	\$ 3,418,111	\$ 3,831,693	\$ 3,528,690	\$ 3,639,427	\$ 3,363,465	\$ 3,841,452
KHRC's covered payroll	\$ 2,445,945	\$ 2,505,750	\$ 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	72%	65%	74%	63%	67%	60%
Plan fiduciary net position as a percentage of the total pension liability	68.88%	67.12%	65.10%	64.95%	66.60%	59.94%

\*GASB 68 requires presentation of ten years. As of June 30, 2019, only six years of information is available.

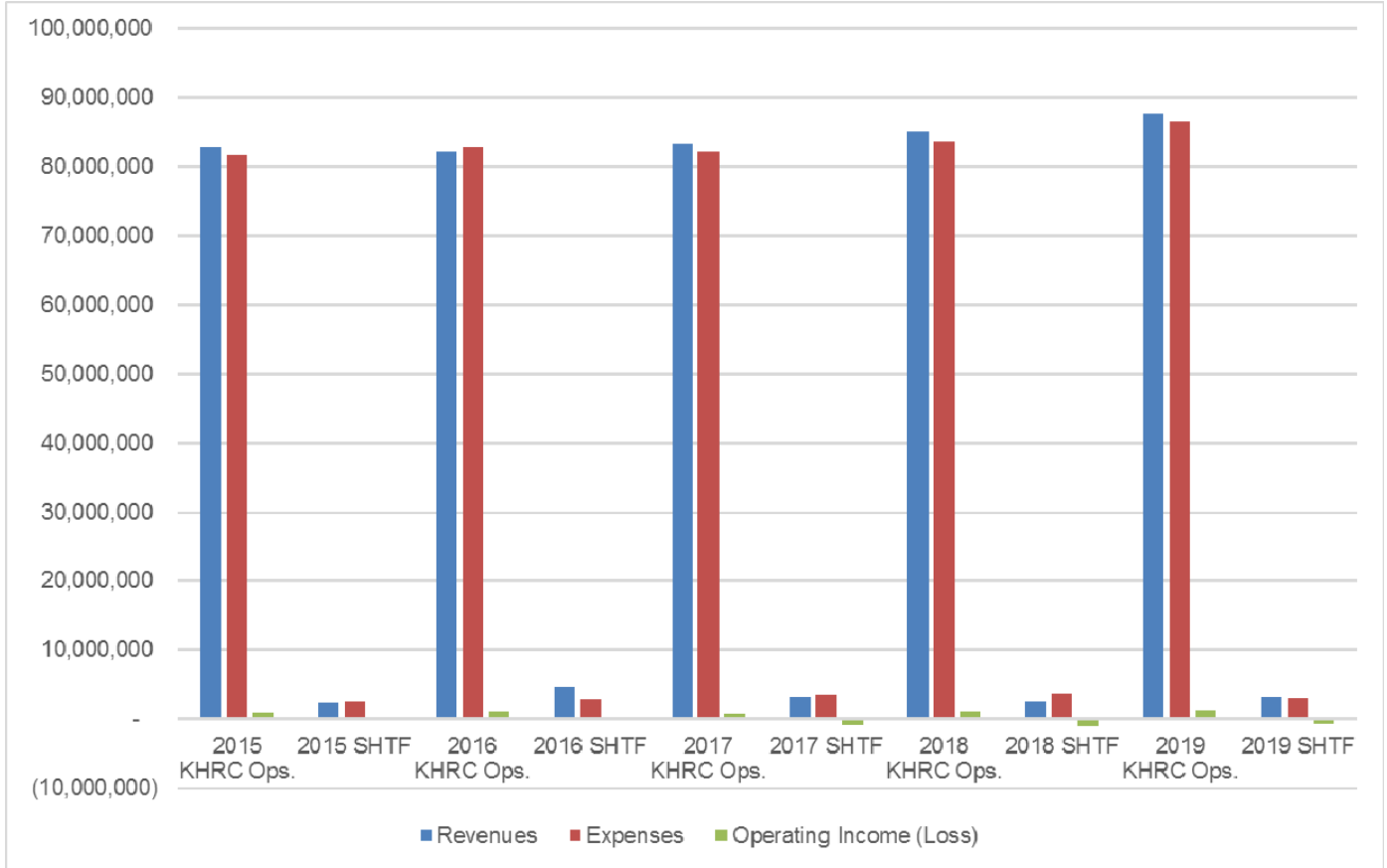
Note: Information in this schedule is measured as of the measurement date.

**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**

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	\$ 323,110	\$ 301,762	\$ 282,718	\$ 248,289	\$ 229,231	\$ 237,343	\$ 214,590	\$ 228,134	\$ 225,106	\$ 182,572
Contributions in Relation to the Contractually Required Contribution	<u>(323,110)</u>	<u>(301,762)</u>	<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>
Contribution Efficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
KHRC's Covered Payroll	\$ 2,445,945	\$ 2,505,750	\$ 2,615,373	\$ 2,275,432	\$ 2,245,616	\$ 2,311,032	\$ 2,286,270	\$ 2,601,300	\$ 2,755,272	\$ 2,411,782
Contributions as a Percentage of Covered Payroll	13.21%	12.04%	10.81%	10.91%	10.21%	10.27%	9.39%	8.77%	8.17%	7.57%

## **SUPPLEMENTARY INFORMATION**

**KANSAS HOUSING RESOURCES CORPORATION  
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 REVENUES, EXPENSES, AND OPERATING INCOME (LOSS) BY FUND  
 YEAR ENDED JUNE 30, 2019**



**KANSAS HOUSING RESOURCES CORPORATION**  
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**KHRC OPERATIONS STATEMENT OF REVENUES AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2019**

	Rental Development	Rental Compliance	Section 8 HAP	NHTF	HOME	DOE WAP	LIEAP WAP	CSBG	ESG	HMIS	KHRC Corporate	Eliminate Intrafund Transfers	Total
<b>Operating Revenues:</b>													
Fees for Services	\$ 776,579	\$ 950,309	\$ 2,472,171	\$ 160	\$ 5,040	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,800	\$ -	\$ 4,215,059
Grant Administration/Grant Income	-	-	-	104,253	480,872	350,570	238,213	309,033	92,966	32,841	-	-	1,608,748
Recognized Match Income	-	-	-	-	847,915	-	-	-	1,360,531	26,377	-	-	2,234,823
Program Loan and Other Interest	-	-	-	-	103,490	-	-	-	-	-	4,041	-	107,531
Other Income	-	-	-	-	42,838	811	-	-	-	-	3,312	-	46,961
Federal Program Revenues	-	-	59,116,271	955,873	4,395,463	2,453,545	5,013,638	5,607,806	1,367,564	73,658	-	-	78,983,818
Federal Refunds	-	-	-	-	-	-	-	15,397	-	-	-	-	15,397
<b>Total Operating Revenues</b>	<b>776,579</b>	<b>950,309</b>	<b>61,588,442</b>	<b>1,060,286</b>	<b>5,875,618</b>	<b>2,804,926</b>	<b>5,251,851</b>	<b>5,932,236</b>	<b>2,821,061</b>	<b>132,876</b>	<b>18,153</b>	-	<b>87,212,337</b>
<b>Operating Expenses:</b>													
Salaries and Wages	136,825	612,695	589,456	57,337	274,759	192,870	130,628	131,855	89,724	44,498	13,103	-	2,273,750
Employee Benefits	39,622	222,616	205,974	18,460	91,074	59,120	40,206	43,096	26,655	14,018	9,215	-	770,056
Communication	2,210	12,317	9,851	797	7,677	3,705	2,249	2,366	1,100	525	164	-	42,961
Printing and Advertising	136	981	2,073	60	458	1,497	256	572	126	45	20	-	6,224
Rents and Parking Fees	15,493	75,665	71,408	6,732	34,080	20,481	14,850	16,870	8,626	4,511	1,601	-	270,317
Equipment Repairs and Maintenance	265	1,931	1,732	128	616	2,621	236	349	188	77	1,902	-	10,045
Travel	9,665	40,858	28,404	2,656	7,901	21,351	6,358	21,417	5,079	7,706	3,858	-	155,253
Legal Fees	6	13	201	5	4,780	14	5	902	7	8	2,647	-	8,588
Audit Fees	717	1,968	10,803	741	3,218	1,239	1,642	1,491	1,222	1,203	1,400	-	25,644
Inspections	-	-	-	-	10,485	-	-	-	-	-	-	-	10,485
Dues and Subscription	7,297	11,016	9,240	5,620	5,855	1,403	139	1,475	101	74	4,374	-	46,594
Insurance	1,215	9,220	8,471	629	3,314	5,144	1,436	1,620	937	455	69	-	32,510
Data Processing and Data Services	23,354	71,118	245,701	1,460	7,338	29,324	20,547	3,604	2,217	1,186	1,176	-	407,025
Other Fees/Services	1,144	7,123	40,622	1,107	8,629	2,730	1,209	2,054	915	19,183	46,671	-	131,387
Office and Data Processing Supplies	1,071	6,913	9,235	402	2,670	1,532	748	1,247	636	231	10,144	-	34,829
Meeting and Venue Expenses	83	423	231	68	615	995	44	486	31	14	4,490	-	7,480
Expensed Furniture and Equipment	3,735	26,969	24,910	1,954	10,679	10,155	5,085	5,602	3,004	1,731	556	-	94,380
Provision for Loan Losses	-	-	-	-	91,250	-	-	-	-	-	-	-	91,250
Depreciation	12,997	54,160	6,979	596	2,694	2,400	25,724	1,339	911	646	35,250	-	143,696
Recognized Match Expense	-	-	-	-	847,915	-	-	-	1,360,531	26,377	-	-	2,234,823
Federal Program Expense	-	-	59,116,271	955,873	4,395,463	2,453,545	5,013,638	5,607,806	1,367,564	73,658	-	-	78,983,818
Program Income Grant Expenses	-	-	-	-	136,583	-	-	-	-	-	-	-	136,583
<b>Total Operating Expenses</b>	<b>255,835</b>	<b>1,155,986</b>	<b>60,381,562</b>	<b>1,054,625</b>	<b>5,948,053</b>	<b>2,810,126</b>	<b>5,265,000</b>	<b>5,844,151</b>	<b>2,869,574</b>	<b>196,146</b>	<b>136,640</b>	-	<b>85,917,698</b>
<b>Operating Income (Loss)</b>	<b>520,744</b>	<b>(205,677)</b>	<b>1,206,880</b>	<b>5,661</b>	<b>(72,435)</b>	<b>(5,200)</b>	<b>(13,149)</b>	<b>88,085</b>	<b>(48,513)</b>	<b>(63,270)</b>	<b>(118,487)</b>	-	<b>1,294,639</b>
<b>Nonoperating Revenues</b>													
Investment Income	-	-	5,423	-	2,671	-	-	-	-	-	362,045	-	370,139
<b>Total Nonoperating Revenues</b>	-	-	5,423	-	2,671	-	-	-	-	-	362,045	-	370,139
Transfers In	-	-	-	-	-	46,404	-	-	57,688	66,598	15,397	(139,085)	47,002
Transfers Out	-	-	-	-	-	-	-	(73,085)	-	-	(801,577)	139,085	(735,578)
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	<b>\$ 520,744</b>	<b>\$ (205,677)</b>	<b>\$ 1,212,303</b>	<b>\$ 5,661</b>	<b>\$ (69,764)</b>	<b>\$ 41,204</b>	<b>\$ (13,149)</b>	<b>\$ 15,000</b>	<b>\$ 9,175</b>	<b>\$ 3,328</b>	<b>\$ (542,622)</b>	<b>\$ -</b>	<b>976,202</b>

Net Position, Beginning of Year 10,347,432  
Net Position, End of Year \$ 11,323,634







**KANSAS HOUSING RESOURCES CORPORATION**  
**(A COMPONENT UNIT OF THE STATE OF KANSAS)**  
**STATE HOUSING TRUST FUND STATEMENT OF REVENUES AND EXPENSES BY PROGRAM, AND CHANGES IN NET POSITION**  
**YEAR ENDED JUNE 30, 2018**

	General SHTF	KHC	IDA	Tenant Landlord Counseling	KGS-WAP	KCP&L	MIH	KAMP ERP	Eliminate Intrafund Transfers	Total
<b>Operating Revenues:</b>										
Fees for Services	\$ -	\$ 174,011	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 174,011
Grant Administration/Grant Income	-	-	-	-	-	1,429	-	-	-	1,429
PAB Multifamily Allocation Fees	28,200	-	-	-	-	-	-	-	-	28,200
Program Loan and Other Interest	80,432	-	-	-	-	-	6,195	-	-	86,627
Contributions and Donations	5,000	41,250	-	-	-	18,293	-	-	-	64,543
Other Income	259,882	7,500	3,365	-	-	-	-	-	-	270,747
State Program Revenues	-	-	-	-	-	-	2,000,000	-	-	2,000,000
<b>Total Operating Revenues</b>	<b>373,514</b>	<b>222,761</b>	<b>3,365</b>	<b>-</b>	<b>-</b>	<b>19,722</b>	<b>2,006,195</b>	<b>-</b>	<b>-</b>	<b>2,625,557</b>
<b>Operating Expenses:</b>										
Salaries and Wages	7,193	51,070	1,173	33,595	6,779	1,633	34,305	5,331	-	141,079
Employee Benefits	1,382	21,173	239	18,418	2,051	299	10,313	1,378	-	55,253
Communication	20	1,135	1	627	83	33	412	34	-	2,345
Printing and Advertising	18	5,455	1	362	16	-	43	18	-	5,913
Rents and Parking Fees	533	20,717	86	4,263	476	22	3,795	495	-	30,387
Equipment Repairs and Maintenance	6	141	-	106	16	-	53	10	-	332
Travel	180	11,510	14	386	52	-	2,076	58	-	14,276
Legal Fees	-	-	-	-	-	-	1	1	-	2
Audit Fees	649	356	167	-	376	-	732	419	-	2,699
Dues and Subscriptions	68	440	9	26	32	-	84	33	-	692
Insurance	-	512	-	519	46	-	208	20	-	1,305
Data Processing and Data Services	78	9,497	23	1,280	117	-	721	62	-	11,778
Other Fees/Services	42,760	49,533	39	203	102	1	288	122	-	93,048
Office and Data Processing Supplies	43	5,162	4	377	35	-	188	27	-	5,836
Meeting and Venue Expenses	362	58,738	1	29	-	-	18	2	-	59,150
Expensed Furniture and Equipment	-	1,011	-	766	74	49	471	38	-	2,409
Provision for Loan Losses	64,429	-	-	-	-	-	-	-	-	64,429
Program Expenses	155,000	-	196,238	-	-	18,292	120,000	477,274	-	966,804
State Program Expenses	-	-	-	-	-	-	2,126,173	-	-	2,126,173
Harveyville Statutory Appropriation	-	-	-	-	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>272,721</b>	<b>236,450</b>	<b>197,995</b>	<b>60,957</b>	<b>10,255</b>	<b>20,329</b>	<b>2,299,881</b>	<b>485,322</b>	<b>-</b>	<b>3,583,910</b>
<b>Operating Income (Loss)</b>	<b>100,793</b>	<b>(13,689)</b>	<b>(194,630)</b>	<b>(60,957)</b>	<b>(10,255)</b>	<b>(607)</b>	<b>(293,686)</b>	<b>(485,322)</b>	<b>-</b>	<b>(958,353)</b>
<b>Nonoperating Revenues &amp; Expenses:</b>										
Investment Income	8,570	-	-	-	-	-	29,089	-	-	37,659
<b>Total Nonoperating Revenues</b>	<b>8,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>29,089</b>	<b>-</b>	<b>-</b>	<b>37,659</b>
Transfers In	82	11,116	-	-	-	-	-	-	-	11,198
Transfers Out	(36,422)	-	-	-	-	-	-	-	-	(36,422)
<b>Excess (Deficiency) of Revenues Over (Under) Expenses</b>	<b>\$ 73,023</b>	<b>\$ (2,573)</b>	<b>\$ (194,630)</b>	<b>\$ (60,957)</b>	<b>\$ (10,255)</b>	<b>\$ (607)</b>	<b>\$ (264,597)</b>	<b>\$ (485,322)</b>	<b>\$ -</b>	<b>(945,918)</b>
										Net Position, Beginning of Year
										5,520,856
										Net Position, End of Year
										<b>\$ 4,574,938</b>



**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, 2019, and the related notes to the financial statements, which collectively comprise the KHRC's basic financial statements, and have issued our report thereon dated September 20, 2019.

**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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
September 20, 2019