

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED DECEMBER 31, 2015 AND 2014**

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## INDEPENDENT AUDITORS' REPORT

The Board of Commissioners  
Housing Authority of Kansas City, Missouri  
Kansas City, Missouri

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

We have audited the accompanying financial statements of the Housing Authority of Kansas City, Missouri (the Authority), which comprise the statements of net position as of December 31, 2015 and 2014 and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended and the related notes to the financial statements.

### ***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 an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2015 and 2014, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The financial data schedules, statement and certification of actual modernization costs and schedule of capital fund program costs and advances listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedules, statement and certification of actual modernization costs and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial data schedules, statement and certification of actual modernization costs and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The schedule of capital fund program costs and advances has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Board of Commissioners  
Housing Authority of Kansas City, Missouri

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2016 on our consideration of the Authority'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 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 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 the Authority's internal control over financial reporting and compliance

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
August 9, 2016

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

**INTRODUCTION**

**Purpose**

The Housing Authority of Kansas City, Missouri (the Authority) was established in 1941 for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives. The United States Department of Housing and Urban Development (HUD) has direct responsibility for administering low-income housing programs under the United States Housing Act of 1937, as amended. HUD is authorized to enter into contracts with local housing authorities to make grants to assist the local housing authorities in financing the acquisition, construction and/or leasing of housing units and to make annual contributions (subsidies) to the local housing authorities for the purpose of maintaining the low rent character of the local housing program.

As management of the Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended December 31, 2015. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

It is important to point out that the Authority expended approximately \$65.6 million in direct support of Public Housing and Housing Choice Voucher (Section 8) operations, independent of capital projects, for the benefit of low-income households residing in the City of Kansas City, Missouri. This expenditure amount includes over \$49 million for pass-through Housing Assistance Payments. The Authority, a major provider of much needed housing, housing services and social programs, was placed in receivership by the United States District Court for the Western District of Missouri in July 1993; and in September 1994 TAG Associates of Kansas City, Inc. (TAG) was designated the Receiver. Since that time there has been a complete turnaround in the Authority's operations including stabilization of all operational Departments and the redevelopment and modernization of all Authority public housing units. On May 1, 2013, the Court issued an order vesting all governing authority back to the Board of Commissioners and the Court appointed a Monitor for a period of one year. The Authority also entered into a modified consent decree with the plaintiffs in the receivership action that covered a two year period that began on May 1, 2013 and ended on April 30, 2015. On May 1, 2015, the Court entered its Order closing the case and dismissing it in its entirety.

The seven member Board of Commissioners governs the Authority. The Executive Director manages the day to day operations of the Authority.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Authority's Executive Director

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

**Referenced Financial Statements**

The financial statements referenced in this report are those from the perspective of a special-purpose government engaged in a business-type activity, or Enterprise fund. Enterprise fund financial statements organize financial reporting around related activities in a manner similar to the private sector. The Financial Data Schedule, a required annual HUD report providing standardized definitions and organization of all Authority funds, provides the basic data from which the following statements are derived. These financial statements are the basis for analysis throughout this document, as follows:

- Statements of Net Position - reports the Authority's current financial resources (short term spendable resources), non-current financial resources with capital assets and long-term debt obligations and net assets as of the Authority's fiscal year end.
- Statements of Revenues, Expenses, and Changes in Net Position - reports the Authority's operating and non-operating revenues and expenses for the entire fiscal year. These statements report revenue by major source along with operating and non-operating expenses and capital contributions.
- Statements of Cash Flows - reports the Authority's cash flows from operating, investing, capital and non-capital activities during the Authority's fiscal year.

The accompanying analysis of net position, revenues, and expenses is provided to assist with the assessment of the Authority's fiscal health and stability. This analysis includes all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies; but it is reported in accordance with HUD regulations. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This analysis also reflects the Authority's net position and changes in it. The Authority's net position is the differences between what the Authority owns (assets) and what the Authority owes (liabilities). Net position is an important measure of the Authority's financial position.

Over time, changes in the Authority's net position are an indicator of whether its financial health is improving or deteriorating. Readers also need to consider other non-financial factors such as changes in family composition of the households served by Authority programs, fluctuations in the local economy, HUD mandated program administrative changes, and the physical condition of the Authority's capital assets to assess the overall operational health of the Authority.

**THE AUTHORITY'S CONSOLIDATED FINANCIAL POSITIONS**

**Statement of General Financial Condition**

Presentation and organization of the Authority's audited financial statements represents entity-wide activity. This section addresses the changes in the financial position of the Authority at the entity-wide level from 2014 to 2015. Subsequent sections of this Management Discussion & Analysis examine the change in the Authority's financial position on a program-specific basis across the same period.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

The Authority's unrestricted financial position at the end of FYE 2015 as compared to the end of FYE 2014 has shown an increase as presented in the table below by each major program primarily due to a slightly improved funding in FY 2015 both for the Public Housing and Housing Choice Voucher Programs.

**Changes in Unrestricted Net Position as of December 31, 2015**

	Projects	HCVP	Other Section 8 Programs	Component Units	COCC	Total
Unrestricted Net Position Balance at 12/31/14	\$ 1,536,026	\$ 199,873	\$ 84,799	\$ 3,106,570	\$ 1,270,330	\$ 6,197,598
Unrestricted Net Position Balance at 12/31/15	<u>1,534,274</u>	<u>197,289</u>	<u>89,450</u>	<u>3,297,031</u>	<u>1,183,078</u>	<u>6,301,122</u>
Increase (Decrease)	<u>\$ (1,752)</u>	<u>\$ (2,584)</u>	<u>\$ 4,651</u>	<u>\$ 190,461</u>	<u>\$ (87,252) <b>A</b></u>	<u>\$ 103,524</u>

A - The increase is primarily due to receipt and accrual of developer fees from Rose Hill Townhomes Project.

B - The decrease is primarily due to the decrease in fee revenue (asset management fees were not charged in FY 2015 due to a lack of excess cash) combined with the increase in compensated absences expense.

**FINANCIAL HIGHLIGHTS – 2015**

- As of December 31, 2015, the assets of the Authority exceeded its liabilities by \$116.26 million (total value of net position). Of this amount, \$91.55 million is net investment in Capital Assets; \$18.39 million is for HOPE VI loans; \$0.02 million is restricted HAP reserves and the remaining balance of \$6.30 million is unrestricted net position of which \$3.30 million belongs to the two nonprofit component units, Housing Services of Kansas City and Affordable Housing of Kansas City, Inc.
- Housing Services of Kansas City, Inc., a non-profit 501(c)(3) organization is organized under the laws of the State of Missouri to acquire, to improve the social welfare of moderate, low and very low income families, and to make available affordable housing and related services to low and moderate income families. Affordable Housing of Kansas City, Inc. (the Organization), a non-profit 501(c)(4) organization, is organized under the laws of the State of Missouri to make available affordable housing and related services to low and moderate income families through the creation, rehabilitation and preservation of affordable housing and other means. The \$3.30 million reserves are composed of \$2.35 million in loans; \$0.45 million in Developer fees and other receivables; and the remaining balance in cash and cash equivalents.
- Tenant revenue increased from \$3.29 million in FYE 2014 to \$3.60 million in FYE 2015, an increase of 9.37% primarily due to the decrease in utility allowance payments (affected by tenant's income levels) and also the decrease in FSS escrow credits (affected by lower participation due to graduation). Occupancy, in terms of the unit months leased, averaged 94.56% for FYE 2015 compared to the 96.5% for FYE 2014.



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

- The Authority had operating revenues of \$63.34 million, including \$50.11 million in Housing Choice Voucher revenue (administrative and HAP), and operating expenses (exclusive of depreciation) of \$65.88 million, including HAP expenses (\$49.09 million), for the year ended December 31, 2015. Income from operations for 2015, as defined above, reflected a deficit of revenues below expenses of \$2.54 million, of which \$2.60 million represents the deficit in HAP offsetting accumulated HAP reserves to transfer the balance to HUD held reserves.
- Housing Assistance Payment (HAP) funds received from HUD for FY 2015 decreased by \$3.21 million when compared to the HAP funds received during FY 2014. The corresponding admin fee received during FY 2015 is higher by \$206K when compared to the past year primarily due to the increased proration factor.
- Net Capital Assets had a decrease of \$2.69 million from a FYE 2014 value of \$94.24 million to a FYE 2015 value of \$91.55 million. This decrease is primarily due to the \$4.22 million depreciation expense for FYE 2015, offset by the net capital asset additions of \$1.53 million.
- The Authority received \$6.95 million in Operating subsidy (85% of eligible operating funds) for the Low Income Public Housing Program (LIPH) based on HUD's national proration for the year compared to the \$6.60 million received (88% of eligible operating funds) for FY 2014 resulting in an increase of approximately \$0.30 million.
- HAP administrative funds received in FYE 2015 were \$3.75 million compared to the \$3.54 million received in FYE 2014. The Authority received 81% of eligible administrative fees for the Housing Choice Voucher Program (HCVP) based on HUD's national proration for the year compared to 79% for FY 2014.
- The proration amount is the percentage of funds appropriated by Congress and made available by HUD as compared to the amount of full funding based upon the HUD formula.

**ANALYSIS OF ASSETS, LIABILITIES, AND NET POSITION (EQUITY/RESERVES) - 2015**

Total Net Position for FYE 2015 equaled \$116.26 million, representing a decrease of \$5.37 million from Total Net Position for FYE 2014 of \$121.63 million. The Table on page 8 provides a summary of the changes in the Authority's Net Position from FYE 2014 to FYE 2015, the presentation directly cross walks to the financial statements presented in the Audit Report. The reader should keep in mind that the Statement of Net Position cites the status of the Authority at a specific point in time, and that normal operations will have an impact on balances across time.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

**Working Capital**

- As of FYE 2015 Working Capital, defined as Current Assets less Current Liabilities which represents the amount of current resources available to pay current obligations, totaled \$5.44 million, a decrease of \$2.31 million when compared to FYE 2014 principally due to the transfer of HAP reserves to HUD held reserves.

**Current Assets**

- The increase in current assets (net of restricted cash) is mainly due to the increase in cash and cash equivalents which resulted from the collection of developer fees.
- Total accounts receivables decreased by \$92K from FYE 2014 to a total of \$465K as of FYE 2015 primarily due to the collection of developer fees. Receivables from tenant rents net of allowances is \$25K compared to the \$20K reported as of FYE 2014.

**Restricted Assets**

- Restricted cash decreased by \$2.63 million from a balance in FY 2014 of \$4.15 million to a balance at FYE 2015 of \$1.52 million, primarily due to HAP reserve funds being utilized.

**Capital Assets (Net)**

- Capital Assets, net of depreciation, decreased by \$2.69 million as a result of:
  - Net additions of capital assets of \$1.53 million
  - Depreciation expense of \$4.22 million

The Authority transfers an asset out of Construction in Progress into a "permanent" asset category and begins the depreciation of the asset when the asset is put into useful service. This is in compliance with Generally Accepted Accounting Principles, and presents a more precise representation of asset utilization than the alternative practice of waiting to transfer assets only upon the formal closure of the associated grant.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

**Current and Long Term Liabilities**

- Current liabilities decreased from FYE 2014 by \$90,471. The change was made up primarily of accounts payables to HUD offset by an increase in accrued payroll expenses.
- Long-term liabilities of \$1,431,399 for FYE 2014 increased to a total of \$1,513,524 for FYE 2015, a net increase of \$82,125. The increase was mainly a result of the net effect of an increase in accrued compensated absences and decreases in the Pemberton Park Social Service Coordinator reserves held by the Housing Services of Kansas City due to payment of salary and benefits for the year.

**Summary of Changes in Authority Net Position from FY 2014 to FY 2015**

	2015	2014	\$ Change	% Change
<b>ASSETS</b>				
Current Assets	\$ 5,126,188	\$ 4,952,471	\$ 173,717	3.5%
Capital Assets (Net)	91,548,268	94,244,931	(2,696,663)	(2.9)%
Restricted Assets	1,520,202	4,151,725	(2,631,523)	(63.4)%
Other Assets	20,790,713	21,022,165	(231,452)	(1.1)%
Total Assets	<u>\$ 118,985,371</u>	<u>\$ 124,371,292</u>	<u>\$ (5,385,921)</u>	<u>(4.3)%</u>
<b>LIABILITIES</b>				
Current Liabilities	\$ 1,214,332	\$ 1,304,803	\$ (90,471)	(6.9)%
Noncurrent Liabilities	1,513,524	1,431,399	82,125	5.7%
Total Liabilities	<u>2,727,856</u>	<u>2,736,202</u>	<u>(8,346)</u>	<u>(0.3)%</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	91,548,268	94,244,931	(2,696,663)	(2.9)%
Other Restricted	18,390,521	18,707,441	(316,920)	(1.7)%
Restricted for HAP Equity	17,604	2,485,120	(2,467,516)	(99.3)%
Unrestricted	6,301,122	6,197,598	103,524	1.7%
Total Net Position (Equity)	<u>116,257,515</u>	<u>121,635,090</u>	<u>(5,377,575)</u>	<u>(4.4)%</u>
Total Liabilities and Net Position	<u>\$ 118,985,371</u>	<u>\$ 124,371,292</u>	<u>\$ (5,385,921)</u>	<u>(4.3)%</u>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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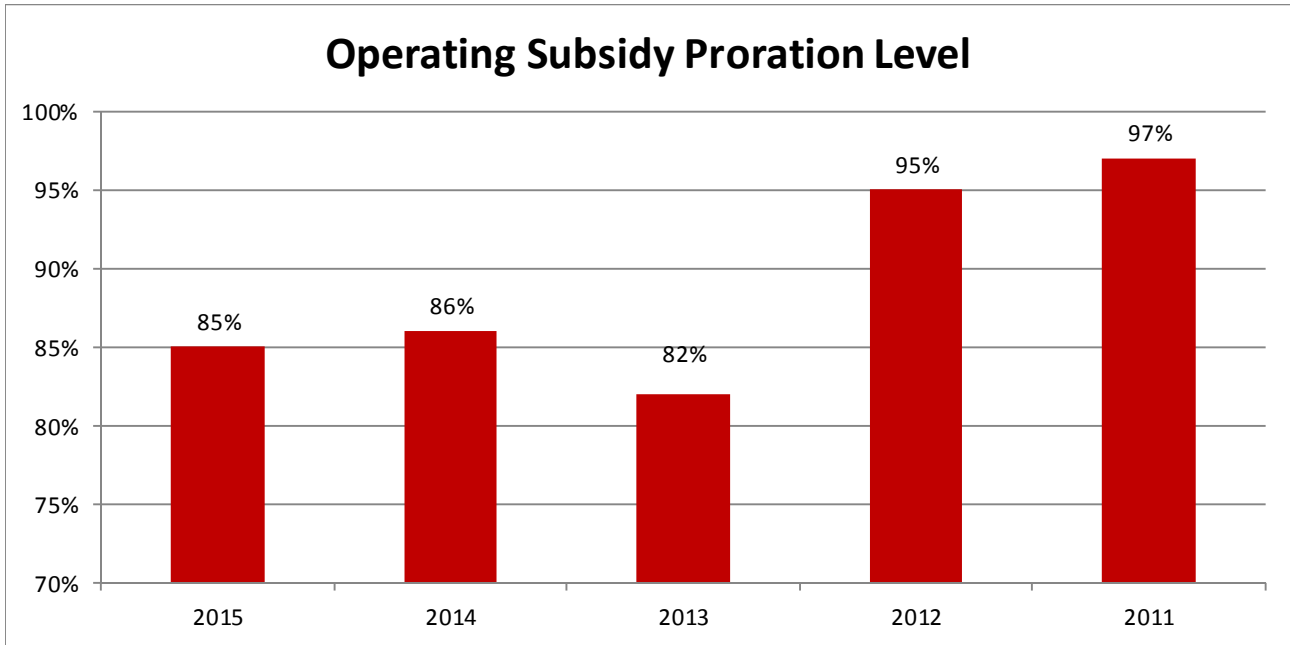
**REVENUE AND EXPENSES – 2015**

**Revenues, By Program Category**

Total agency wide revenue in FYE 2015 was \$64.9 million when compared to \$67.5 million for FYE 2014. The decrease was \$2.6 million or 3.89% as reflected by program detail below:

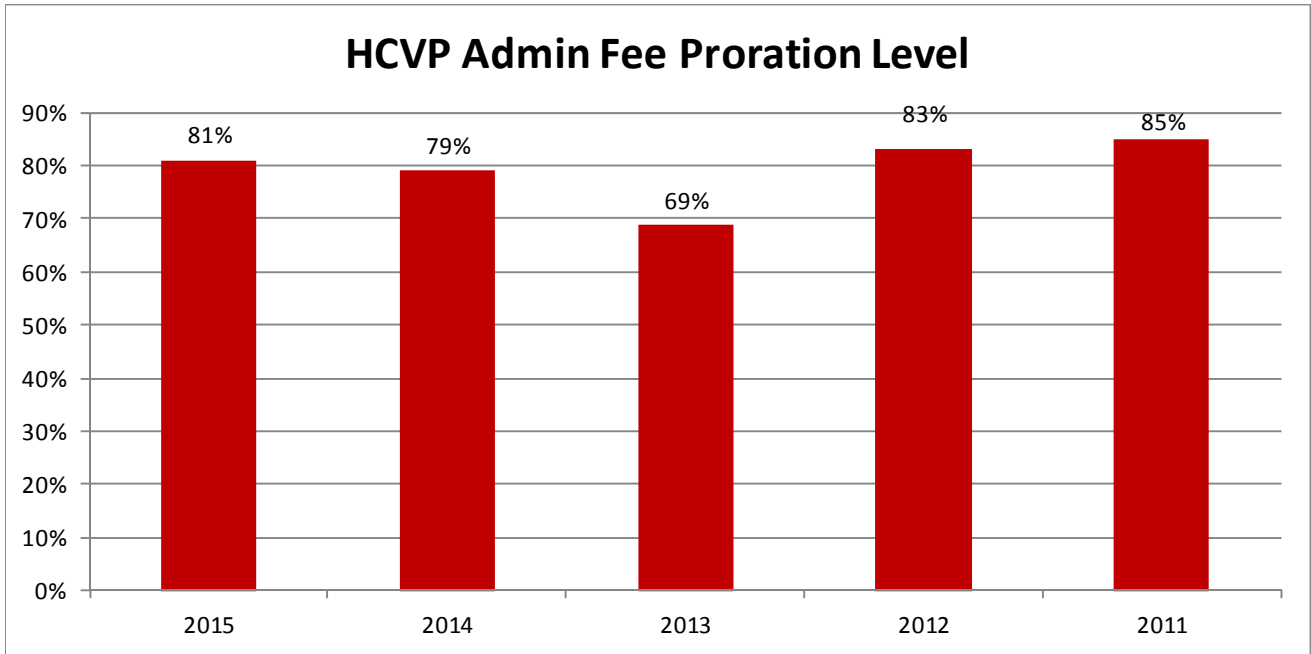
Revenue by Program	2015	2014	\$ Change	% Change
Low Income Public Housing	\$ 10,824,755	\$ 10,508,323	\$ 316,432	3.01%
Housing Choice Voucher	49,728,009	52,942,455	(3,214,446)	(6.07)%
Capital Fund	2,651,516	2,924,092	(272,576)	(9.32)%
Other Grants and Activities	1,682,210	1,195,305	486,905	40.73%
<b>Total Revenue</b>	<b>\$ 64,886,490</b>	<b>\$ 67,570,175</b>	<b>\$ (2,683,685)</b>	<b>(3.97)%</b>

The LIPH revenue went up primarily because of the increase in the operating subsidy funding when compared to a year before which was due to the increase in the total eligible subsidy despite the decrease in the national proration factor. The increase in net rental income also contributed to the revenue increase.

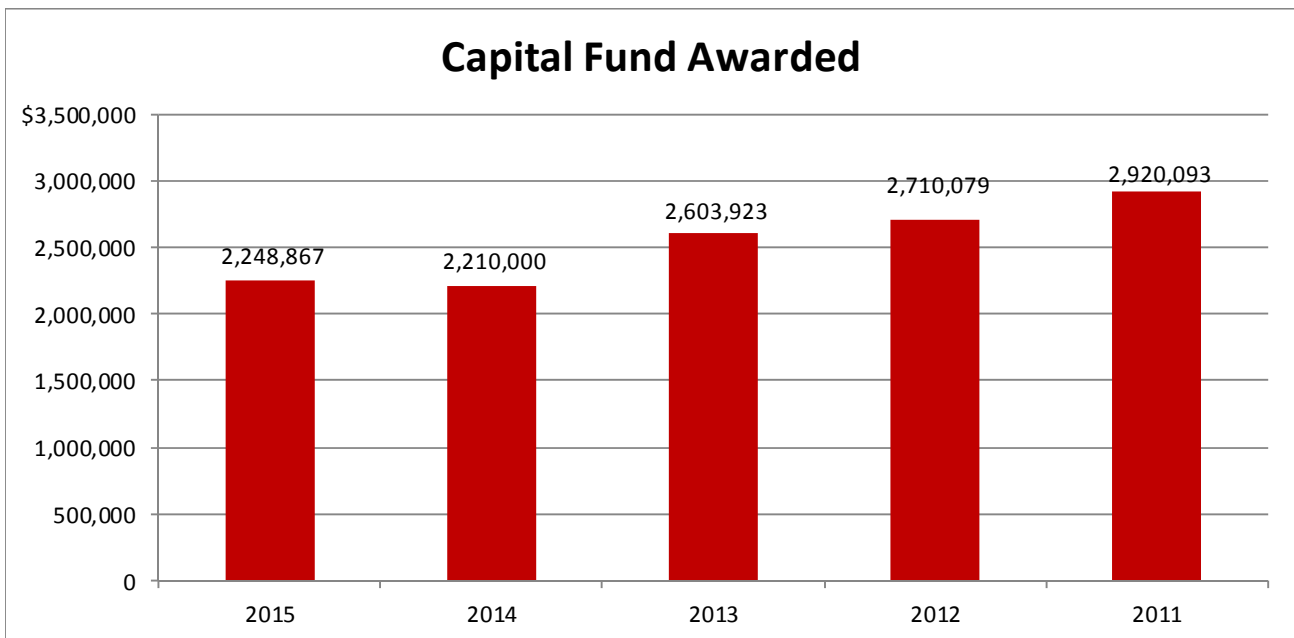


**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

The \$3.20 million decrease in the Housing Choice Voucher Program was mainly due to the decrease in the Housing Assistance Payment funding which was primarily due to the offset of the HAP reserves to transfer to HUD held reserves. In addition, the Section 8 administrative fee increased by \$207,515 from \$3,543,303 in FY 2014 to \$3,750,818 in FY 2015 mainly due to the change in proration fee. The leasing rate increased to 91% in FY 2015 when compared to the 88% in FY 2014.

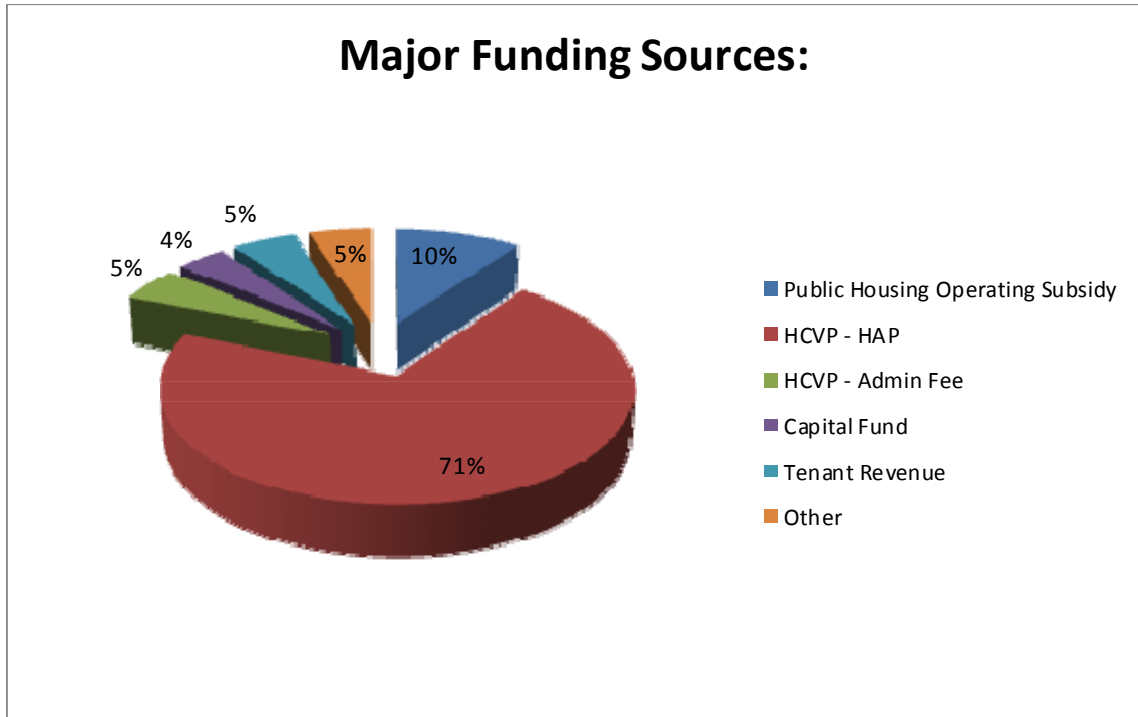


The decrease in the Capital Fund revenue, despite the slight increase in the 2015 grant award, is mainly due to significant project undertakings or improvements in the past year that were eligible for capital funding when compared to the current year.



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The \$486,905 increase in Other Grants and Activities is primarily due to the increase in Youth Build grant activities and also accrual of Rose Hill developer fees.



**Expenses, by HUD Control Category**

HUD requires the standardization of expenses into specific categories to enable the direct comparison of Public Housing Authority (PHA) data across several points of analysis. The table below displays the expenses for the Authority in this standard organization.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

**Total Authority Expenses by HUD Control Category**

In FYE 2015 total expenses were \$70.26 million, a decrease from FYE 2014 by \$10.79 million or approximately 13.3% as reflected in the program detail below.

HUD Control Category	2015	2014	Change	% Change
Administration	\$ 7,643,480	\$ 7,250,831	\$ 392,649	5.4%
Tenant Services	756,165	724,038	32,127	4.4%
Utilities	1,949,737	1,744,455	205,282	11.8%
Ordinary Maintenance	4,207,958	3,886,250	321,708	8.3%
Protective Services	425,066	375,358	49,708	13.2%
General Expenses	1,428,623	1,388,745	39,878	2.9%
Provision for Bad Debt	372,706	14,152,834	(13,780,128)	(97.4)%
HAP Payments	49,093,495	47,198,608	1,894,887	4.0%
Depreciation Expense	4,225,528	4,121,932	103,596	2.5%
Total Operating Expenses	<u>70,102,758</u>	<u>80,843,051</u>	<u>(10,740,293)</u>	<u>(13.3)%</u>
Non-Operating Expenses	<u>161,307</u>	<u>211,755</u>	<u>(50,448)</u>	<u>(23.8)%</u>
Total Expenses	<u>\$ 70,264,065</u>	<u>\$ 81,054,806</u>	<u>\$ (10,790,741)</u>	<u>(13.3)%</u>

The 5.4% increase in Administration expenses is primarily due to the increase in salary and benefits paid in FYE 2015 because of increased payments reported under Youth Build grant as this grant did not start until late September 2014, only four months in FY 2014. In addition, there was an increase in office expenses because of the contract costs associated with improving the Authority's IT function.

Utility expenses increased by \$205,282 or 11.8% primarily due to water and sewer rate increases by the City in FYE 2015. Rates for electricity also went up during the year.

Ordinary Maintenance expenditures increased by 8.3% or by a total of \$321,708 primarily due to the significant increase in pest and bed bug control services. In addition, unit preparation and trash service costs were also higher due to higher turnover rates for the year.

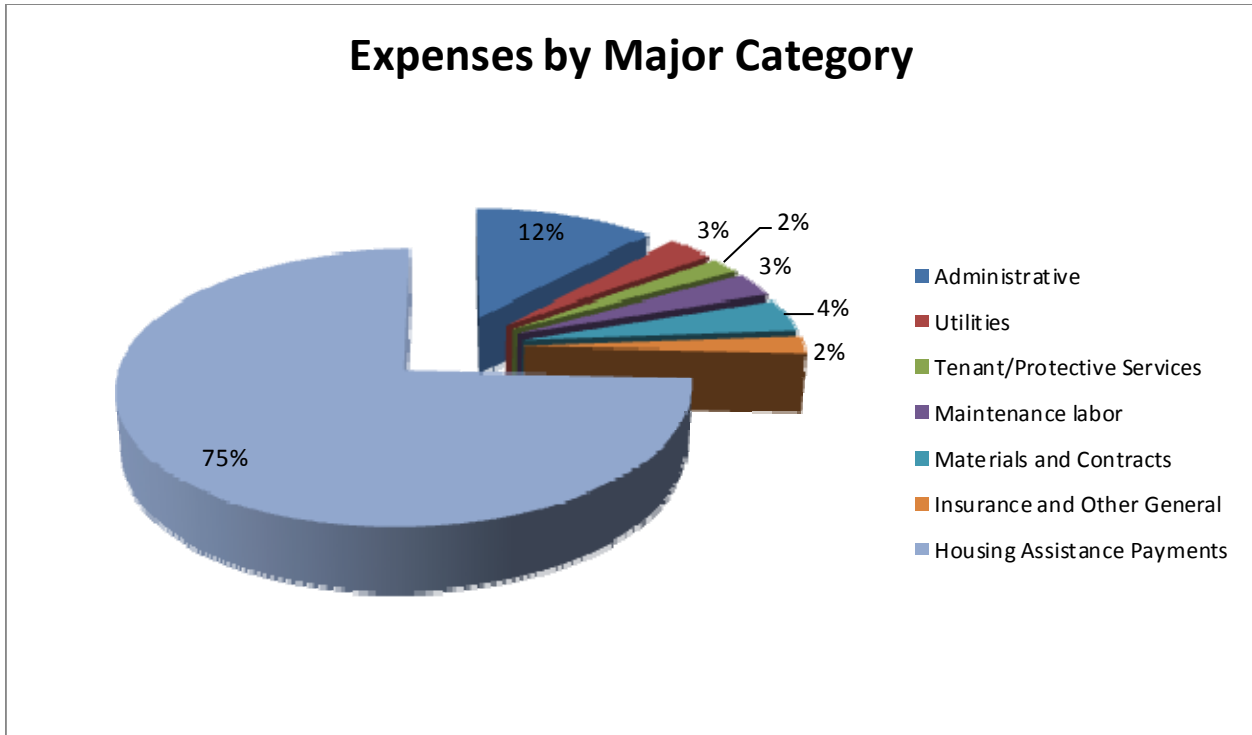
The 13.2% increase in Protective Services cost is primarily due to a new contract procured during the year which called for a higher price.

The extraordinary decrease in the Provision for Bad Debt is explained by the allowance established on the Hope VI loans disbursed for the development of the Mixed Finance Properties in the prior year. In FY 2015 this allowance was only adjusted rather than established.

HAP Payments during FY 2015 increased by \$1.89 million or 4% due to the increased leasing.

The change in the non-operating expenses is mainly due to the extraordinary maintenance expenses reported for the fire and water damage at Brush Creek and Scattered Sites Central which was covered and reimbursed by insurance in the prior year.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**



**Operating Loss**

The \$6.76 million Operating Loss reported is mainly attributable to the \$2.60 million deficit from HAP funding and \$4.23 million depreciation expense recorded for the year.

**FINANCIAL HIGHLIGHTS – 2014**

- As of December 31, 2014, the assets of the Authority exceeded its liabilities by \$121.63 million (total value of net position). Of this amount, \$94.24 million is net investment in Capital Assets; \$18.7 million is for HOPE VI loans; \$2.49 million is restricted HAP reserves and the remaining balance of \$6.20 million is unrestricted net position of which \$3.1 million belongs to the two nonprofit component units, Housing Services of Kansas City and Affordable Housing of Kansas City, Inc.
- Housing Services of Kansas City, Inc., a non-profit 501(c)(3) organization is organized under the laws of the State of Missouri to acquire, to improve the social welfare of moderate, low and very low income families, and to make available affordable housing and related services to low and moderate income families. Affordable Housing of Kansas City, Inc. (the Organization), a non-profit 501(c)(4) organization, is organized under the laws of the State of Missouri to make available affordable housing and related services to low and moderate income families through the creation, rehabilitation and preservation of affordable housing and other means. The \$3.1 million reserves are composed of \$2.3 million in loans; \$0.6 million in Developer fees and other receivables; and the remaining balance in cash and cash equivalents.



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

- Tenant revenue decreased from \$3.33 million in FYE 2013 to \$3.29 million in FYE 2014, a decrease of 1.20% primarily due to the increase in the utility allowances to tenants during the year. Occupancy, in terms of the unit months leased, averaged 96.5% for FYE 2014 compared to the 97% for FYE 2013.
- The Authority had operating revenues of \$65.69 million, including \$52.57 million in Housing Choice Voucher revenue (administrative and HAP), and operating expenses (exclusive of depreciation) of \$76.72 million, including HAP expenses (\$47.20 million), for the year ended December 31, 2014. Income from operations for 2014, as defined above, reflected a deficit of revenues below expenses of \$11.03 million, of which \$14.15 million represents an allowance for loan loss and \$2.49 million represents the surplus in Housing Choice Voucher HAP revenue which is restricted for HAP payments only (HAP reserves).
- Housing Assistance Payment (HAP) funds received from HUD for FY 2014 increased by \$1.66 million when compared to the HAP funds received during FY 2013. The corresponding admin fee received during FY 2014 is higher by \$241K when compared to the past year primarily due to the increased proration factor.
- Net Capital Assets had a decrease of \$2.26 million from a FYE 2013 value of \$96.50 million to a FYE 2014 value of \$94.24 million. This decrease is primarily due to the \$4.12 million depreciation expense for FYE 2014, offset by the net fixed asset additions of \$1.86 million.
- The Authority received \$6.60 million in Operating subsidy (88% of eligible operating funds) for the Low Income Public Housing Program (LIPH) based on HUD's national proration for the year compared to the \$5.80 million received (82% of eligible operating funds) for FY 2013 resulting in an increase of approximately \$800K.
- HAP administrative funds received in FYE 2014 were \$3.54 million compared to the \$3.35 million received in FYE 2013. The Authority received 79% of eligible administrative fees for the Housing Choice Voucher Program (HCVP) based on HUD's national proration for the year compared to 69% for FY 2013.
- The proration amount is the percentage of funds appropriated by Congress and made available by HUD as compared to the amount of full funding based upon the HUD formula.

**ANALYSIS OF ASSETS, LIABILITIES, AND NET POSITION (EQUITY/RESERVES) - 2014**

Total Net Position for FYE 2014 equaled \$121.63 million, representing a decrease of \$13.49 million under Total Net Position for FYE 2013, which was \$135.12 million. The Table on page 17 provides a summary of the changes in the Authority's Net Position from FYE 2013 to FYE 2014, the presentation directly cross walks to the financial statements presented in the Audit Report. The reader should keep in mind that the Statement of Net Position cites the status of the Authority at a specific point in time, and that normal operations will have an impact on balances across time. It should also be noted, however, that this net decrease in the total net position is primarily due to the adjustment to establish an allowance on the HOPE VI loans disbursed for the development of the mixed finance properties.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
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**Working Capital**

- As of FYE 2014 Working Capital, defined as Current Assets less Current Liabilities which represents the amount of current resources available to pay current obligations, totaled \$3.97 million (excluding the \$318K HUD payable from the shortfall funding), an increase of \$0.05 million when compared to FYE 2013 principally due to the surplus reported in the COCC and HCV programs. This is offset by a portion of the developer fee receivable that was reclassified to noncurrent assets.

**Current Assets**

- The decrease in current assets (net of restricted cash) is mainly due to the decrease in current receivables and prepaid expenses offset by the increase in cash and cash equivalents which resulted from the surplus and collection of receivables.
- Total receivables decreased by \$501K from FYE 2013 to a total of \$556K as of FYE 2014 primarily due to the reclassification of some developer fees to long-term and also due to the decrease in receivables from HUD and other government entities as the Housing Authority made a conscious effort to receive bills on time for services received close to year end and draw the funds in the same year. Approximately 68% of the receivables are developer fees and other reimbursable expenses from the Mixed Finance Projects and the remaining balance represents receivables from HUD and other government entities. Receivables from tenant rents net of allowances is \$20K compared to the \$21K reported as of FYE 2013.

**Restricted Assets**

- Restricted cash increased by \$2.44 million from a balance in FY 2013 of \$1.71 million to a balance at FYE 2014 of \$4.15, primarily due to HAP funds received in excess of the HAP payments during the current year. The excess receipts increased the HAP reserves (or Net Restricted Position) which will be used in the coming year to fund any HAP payments over the funding provided by HUD for the year.

**Capital Assets (Net)**

- Capital Assets, net of depreciation, decreased by \$2.26 million as a result of:
  - Net additions of capital assets of \$1.86 million
  - Depreciation expense of \$4.12 million

The Authority transfers an asset out of Construction in Progress into a “permanent” asset category and begins the depreciation of the asset when the asset is put into useful service. This is in compliance with Generally Accepted Accounting Principles, and presents a more precise representation of asset utilization than the alternative practice of waiting to transfer assets only upon the formal closure of the associated grant.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
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Also relevant is the decrease in notes receivable by \$13.96 million from \$34.54 million in FYE 2013 to \$20.49 million in FYE 2014. The primary reason for this change was the decision to establish an allowance on the HOPE VI mortgage loans provided by the Authority to the alternative owners of the mixed finance properties. The Authority has established an allowance to account for the probability of uncollectability not to exceed the amount of interest accrued. *Please refer to Note 6.*

**Current and Long Term Liabilities**

- Current liabilities decreased from FYE 2013 by \$158,652. The change was made up primarily of accounts payables to vendors, and accrued wages and payroll taxes. The Authority made a conscious effort to obtain current year invoices on time and process payments in the same year. In addition, accrued wages for the current year are lower as the last pay date of the fiscal year fell on the last day of the fiscal year.
- Long-term liabilities of \$1,461,173 for FYE 2013 decreased to a total of \$1,431,399 for FYE 2014, a net decrease of \$29,774. The decrease was mainly a result of the decreases in the Pemberton Park Social Service Coordinator reserves held by the Housing Services of Kansas City due to payment of salary and benefits for the year.

**Summary of Changes in Authority Net Position from FY 2013 to FY 2014**

	2014	2013	\$ Change	% Change
<b>Assets</b>				
Current Assets	\$ 4,952,471	\$ 5,071,792	\$ (119,321)	(2.4)%
Capital Assets (Net)	94,244,931	96,504,049	(2,259,118)	(2.3)%
Restricted Assets	4,151,725	1,713,115	2,438,610	142.3%
Other Assets	21,022,165	34,755,393	(13,733,228)	(39.5)%
Total Assets	<u>\$ 124,371,292</u>	<u>\$ 138,044,349</u>	<u>\$ (13,673,057)</u>	(9.9)%
<b>Liabilities</b>				
Current Liabilities	\$ 1,304,803	\$ 1,463,455	\$ (158,652)	(10.8)%
Noncurrent Liabilities	1,431,399	1,461,173	(29,774)	(2.0)%
Total Liabilities	<u>2,736,202</u>	<u>2,924,628</u>	<u>(188,426)</u>	(6.4)%
<b>Net Position</b>				
Net Investment in Capital Assets	94,244,931	96,504,049	(2,259,118)	(2.3)%
Other Restricted	18,707,441	32,948,507	(14,241,066)	(43.2)%
Restricted for HAP Equity	2,485,120	-	2,485,120	100.0%
Unrestricted	6,197,598	5,667,165	530,433	9.4%
Total Net Position (Equity)	<u>121,635,090</u>	<u>135,119,721</u>	<u>(13,484,631)</u>	(10.0)%
Total Liabilities and Net Position	<u>\$ 124,371,292</u>	<u>\$ 138,044,349</u>	<u>\$ (13,673,057)</u>	(9.9)%

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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**REVENUE AND EXPENSES – 2014**

**Revenues, By Program Category**

Total agency wide revenue in FYE 2014 was \$67.57 million when compared to \$66.20 million for FYE 2013. The increase was \$1.3 million or 2.07% as reflected by program detail below:

	2014	2013	\$ Change	% Change
Revenue by Program:				
Low Income Public Housing	\$ 10,508,323	\$ 10,878,293	\$ (369,970)	(3.40)%
Housing Choice Voucher	52,942,455	50,994,771	1,947,684	3.82%
Capital Fund	2,924,092	2,759,770	164,322	5.95%
Other Grants and Activities	1,195,305	1,564,014	(368,709)	(23.57)%
Total Revenue	<u>\$ 67,570,175</u>	<u>\$ 66,196,848</u>	<u>\$ 1,373,327</u>	

The LIPH revenue went up primarily because of the increase in the operating subsidy funding when compared to a year before which was significantly lower due to the sequestration enacted by Congress. The increase in mortgage interest and insurance proceeds received also contributed to the increase. In addition, the Authority received \$200,000 from a legal claim that was settled due to a faulty design for the construction of the HVAC system at Pemberton Heights.

The \$1.95 million increase in the Housing Choice Voucher Program was mainly due to the increase in the Housing Assistance Payment funding. 2013 funding was significantly lower due to the sequestration. In addition, the Section 8 administrative fee increased by \$257,924 from \$3,285,379 in FY 2013 to \$3,543,303 in FY 2014 mainly due to the change in proration fee. The leasing rate dropped to 87.5% in FY 2014 when compared to the 94.4% in FY 2013.

The increase in the Capital Fund revenue, despite the decrease in the 2014 grant award, is mainly due to significant project undertakings or improvements in the current year that were eligible for capital funding.

The \$368,709 decrease in Other Grants and Activities is primarily due to grants that were closed or not available during the year including Youth Build, ROSS and the Choice Neighborhood Planning grant.

**Expenses, by HUD Control Category**

HUD requires the standardization of expenses into specific categories to enable the direct comparison of Public Housing Authority (PHA) data across several points of analysis. The table below displays the expenses for the Authority in this standard organization.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

**Total Authority Expenses by HUD Control Category**

In FYE 2014 total expenses were \$81.1 million, an increase from FYE 2013 by \$10.6 million or approximately 15.0% as reflected in the program detail below.

HUD Control Category	2014	2013	\$ Change	% Change
Administration	\$ 7,250,831	\$ 7,655,438	\$ (404,607)	(5.3)%
Tenant Services	724,038	733,454	(9,416)	(1.3)%
Utilities	1,744,455	1,657,540	86,915	5.2%
Ordinary Maintenance	3,886,250	3,659,292	226,958	6.2%
Protective Services	375,358	427,813	(52,455)	(12.3)%
General Expenses	1,388,745	1,491,536	(102,791)	(6.9)%
Provision for Bad Debt	14,152,834	95,250	14,057,584	14758.6%
HAP Payments	47,198,608	50,535,503	(3,336,895)	(6.6)%
Depreciation Expense	4,121,932	4,053,113	68,819	1.7%
Total Operating Expenses	<u>80,843,051</u>	<u>70,308,939</u>	<u>10,534,112</u>	<u>15.0%</u>
Non-Operating Expenses	211,755	154,781	56,974	36.8%
Total Expenses	<u>\$ 81,054,806</u>	<u>\$ 70,463,720</u>	<u>\$ 10,591,086</u>	<u>15.0%</u>

The 5.3% decrease in Administration expenses is primarily due to the decrease in Salary and Benefits paid in FYE 2014 because of lower payments reported under Youth Build grant due to closure of the grant in early 2014 and the new grant did not start until late September. Also savings from turnover in the Housing Choice Voucher Program and COCC contributes to the variance. In addition, in FY 2013, administration fees in the amount of \$250,000 were recovered from the Mixed Finance Properties that was not charged over the previous years as per the Operating agreements.

Utility expenses increased by \$86,915 or 5.2% primarily due to water and sewer rate increases by the City in FYE 2014.

Ordinary Maintenance expenditures increased by 6.2% or by a total of \$226,958 primarily due to the significant increase in pest control services. In addition, unit preparation costs were also higher due to higher turnover rates.

The 12.3% decrease in Protective Services cost is from salary and benefits savings due to vacant positions during the year. Besides elimination of the police, security services at the end of FY 2013 contributed to the decrease.

The extraordinary increase in the Provision for Bad Debt is explained by the allowance established on the Hope VI loans disbursed for the development of the Mixed Finance Properties.

HAP Payments during FY 2014 decreased by \$3.34 million or 6.6% due to under leasing caused by the funding cut in FY 2013 which forced the Authority to stop leasing as required by HUD until the beginning of FY 2014 despite the continuous attrition during the time.

The change in the non-operating expenses is mainly due to the extraordinary maintenance expenses reported for the fire and water damage at Brush Creek and Scattered Sites Central which was covered and reimbursed by insurance.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2015 AND 2014**

**Operating Loss**

The \$15.15 million Operating Loss reported is mainly attributable to the \$14.2 million allowance booked on the Hope VI loans and \$4.12 million depreciation expense recorded for the year. Also included in the total operating loss is the \$2.5 million surplus from HAP funding which is restricted for section 8 Housing Assistance Payments.

**CONTACTS**

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**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 4,315,477	\$ 4,075,464
Restricted Cash and Cash Equivalents	1,520,202	4,151,725
Accounts Receivable, Net	464,910	556,433
Inventories, Net	211,147	193,609
Prepaid Expenses	134,654	126,965
Total Current Assets	6,646,390	9,104,196
<b>NONCURRENT ASSETS</b>		
Restricted Notes Receivable, Net	20,231,427	20,489,505
Other Assets	559,286	532,660
Capital Assets, Net	91,548,268	94,244,931
Total Noncurrent Assets	112,338,981	115,267,096
Total Assets	\$ 118,985,371	\$ 124,371,292
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 335,989	593,537.00
Accrued Expenses	167,175	68,339
Accrued Compensated Absences, Current	83,019	86,334
Tenant Security Deposits	229,055	223,713
Unearned Revenue	41,472	24,196
Other Current Liabilities	357,622	308,684
Total Current Liabilities	1,214,332	1,304,803
<b>NONCURRENT LIABILITIES</b>		
Accrued Compensated Absences, Noncurrent	893,683	777,023
Noncurrent Liabilities, Other	619,841	654,376
Total Noncurrent Liabilities	1,513,524	1,431,399
Total Liabilities	2,727,856	2,736,202
<b>NET POSITION</b>		
<b>NET POSITION</b>		
Net Investment in Capital Assets	91,548,268	94,244,931
Restricted	18,408,125	21,192,561
Unrestricted	6,301,122	6,197,598
Total Net Position	116,257,515	121,635,090
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 118,985,371</b>	<b>\$ 124,371,292</b>

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>OPERATING REVENUES</b>		
Tenant Revenue	\$ 3,602,866	\$ 3,294,334
HUD Grants	58,576,723	61,018,033
Other Government Grants	415,685	237,148
Mortgage Interest Income	96,899	93,700
Other Revenues	648,586	1,045,391
Total Operating Revenues	63,340,759	65,688,606
<b>OPERATING EXPENSES</b>		
Administrative	7,643,480	7,250,831
Tenant Services	756,165	724,038
Utilities	1,949,737	1,744,455
Ordinary Maintenance and Operations	4,207,958	3,886,250
Protective Services	425,066	375,358
General Expenses	1,428,623	1,388,745
Provision for Bad Debt	372,706	14,152,834
Housing Assistance Payments	49,093,495	47,198,608
Depreciation	4,225,528	4,121,932
Total Operating Expenses	70,102,758	80,843,051
Operating Loss	(6,761,999)	(15,154,445)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Casualty Losses Non-Capitalized	(161,307)	(211,755)
Investment Income	32,656	18,756
Total Non-Operating Revenues (Expenses)	(128,651)	(192,999)
Loss Before Capital Grants	(6,890,650)	(15,347,444)
<b>CAPITAL GRANTS</b>	1,513,075	1,862,813
<b>CHANGE IN NET POSITION</b>	(5,377,575)	(13,484,631)
Total Net Position - Beginning of Year	121,635,090	135,119,721
<b>TOTAL NET POSITION - END OF YEAR</b>	\$ 116,257,515	\$ 121,635,090

See accompanying Notes to Financial Statements.



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Tenants	\$ 3,533,532	\$ 3,295,192
Cash Received from Grantors	58,617,157	61,483,843
Cash Received from Others	921,553	1,358,576
Cash Paid to Employees	(8,665,301)	(8,537,538)
Cash Paid to Suppliers and Vendors	(7,565,857)	(7,255,806)
Receipt (Return) of Tenant Deposits	5,342	(9,410)
Payments to Landlords for Housing Assistance Payments	(49,093,495)	(47,198,608)
Net Cash Flows Provided (Used) by Operating Activities	(2,247,069)	3,136,249
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of Capital Assets	(1,690,172)	(2,074,569)
Capital Grants	1,513,075	1,862,813
Net Cash Flows Used by Capital and Related Financing Activities	(177,097)	(211,756)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Income	32,656	18,756
<b>INCREASE (DECREASE) IN CASH</b>	(2,391,510)	2,943,249
Cash and Cash Equivalents - Beginning of Year	8,227,189	5,283,940
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 5,835,679	\$ 8,227,189
<b>CLASSIFIED AS</b>		
Cash and Cash Equivalents	\$ 4,315,477	\$ 4,075,464
Restricted Cash	1,520,202	4,151,725
Total	\$ 5,835,679	\$ 8,227,189
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (6,761,999)	\$ (15,154,445)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:		
Depreciation	4,225,528	4,121,932
Bad Debts	2,142,820	15,877,295
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable	27,062	461,640
Inventories	(17,538)	279
Prepaid Expenses	(7,689)	122,108
Notes Receivable	(1,820,281)	(1,777,176)
Other Assets	(26,626)	(326,958)
Accounts Payable	(257,548)	(128,681)
Accrued Expenses	98,836	(151,234)
Accrued Compensated Absences	113,345	19,735
Tenant Security Deposits	5,342	(9,410)
Unearned Revenue	17,276	147
Other Liabilities	14,403	81,017
Net Cash Provided (Used) by Operating Activities	\$ (2,247,069)	\$ 3,136,249

See accompanying Notes to Financial Statements.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Housing Authority of Kansas City, MO (the Authority) is a governmental, public corporation created under Federal and State housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in Kansas City, Missouri (the City). The Authority is responsible for operating certain low-rent housing programs in the City under programs administered by the U.S. Department of Housing and Urban Development (HUD). These programs provide housing for eligible families under the United States Housing Act of 1937, as amended. An executive director is appointed by the Authority's Board to manage the day-to-day operations of the Authority.

**Description of Programs**

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

**Low Income Public Housing Program**

The public housing program is designed to provide low-cost housing. Under this program, HUD provides funding via an annual contributions contract. These funds, combined with the rental income received from tenants, are available solely to meet the operating expenses of the program.

**Housing Choice Voucher Program - Section 8**

The Authority administers a program of rental assistance payments to private owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

**Public Housing Capital Fund Program**

The purpose of the Capital Fund Program is to provide another source of funding to cover the cost of physical and management improvements and rehabilitation on existing low-income housing. Funding for this program is provided by grants from HUD.

**Mainstream Vouchers**

The purpose of the Mainstream Vouchers Program is to expand the supply of supportive housing for very low-income persons with disabilities.

**Continuum of Care**

Continuum of Care is a program designed to provide housing and supportive services on a long-term basis for homeless persons with disabilities, (primarily those with serious mental illness, chronic problems with alcohol and/or drugs, and acquired immunodeficiency syndrome (AIDS) or related diseases) and their families who are living in places not intended for human habitation (e.g., streets) or in emergency shelters.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Description of Programs (continued)**

**Family Self-Sufficiency Program**

The purpose of the Family Self-Sufficiency (FSS) program is to promote the development of local strategies to coordinate the use of assistance under the Housing Choice Voucher and Public Housing programs with public and private resources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

**Youthbuild Program**

The purpose of the Youthbuild grant program is to provide disadvantaged youth with the education and employment skills necessary to achieve economic self-sufficiency. The program also increases the supply of permanent affordable housing for homeless individuals and low-income families and to assist youth develop the leadership, learning, and high-demand occupational skills needed to succeed.

**Reporting Entity**

The Authority's financial statements include those of the Authority and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

1. The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
2. The Authority has the ability to access a majority of the economic resources held by the separate organization.
3. The economic resources referred to in No. 2 are significant to the Authority.

Based upon the application of these criteria, this report includes the following blended component units:

**Affordable Housing of Kansas City, Inc. (AHKC)**

AHKC is a wholly owned non-profit corporation of the Authority created to make available affordable housing and related services to persons and families with very low, low, and moderate incomes.

**Housing Services of Kansas City, Inc. (HSKC)**

HSKC is a wholly owned non-profit corporation of the Authority created to improve the social welfare of moderate, low and very low income families through the creation, rehabilitation and preservation of affordable housing.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (continued)**

The Authority is not included in any other reporting entity on the basis of such criteria.

Blended Presentation - The Authority's financial statements are presented utilizing the blended method because the Authority's governing body and the component unit's governing body are substantively the same; and as such, a blended presentation of their financial statements is warranted. Management of the Authority is responsible for the operations of the blended component units.

**Basis of Accounting**

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interrelations).

The programs of the Authority are organized as separate accounting entities. Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying on specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered one enterprise fund that is used to account for activities that are operated in a manner similar to those found in the private sector.

The Authority is required to follow all statements of GASB. GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued to incorporate FASB and AICPA guidance into GASB authoritative literature.

The enterprise fund is accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, reimbursable grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (continued)**

On January 30, 2008, HUD issued PIH Notice 2008-9 which among other things clarifies HUD's reporting position that unused housing assistance payments (HAP) under proprietary fund reporting should be reported as restricted net position, with the associated cash and investments also being reported on the Statement of Net Position and HUD's Financial Data Schedule (FDS) as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the FDS as unrestricted.

Both administrative fee and HAP revenue continue to be recognized under the guidelines set forth in GASB Statement No. 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended. The Housing Choice Voucher program is no longer a cost reimbursement grant, therefore the Authority recognizes unspent administrative fees and HAP revenue in the reporting period as revenue for financial statement reporting.

Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. Investment income earned on HAP cash balances is credited to the HAP restricted net position account and investment income earned on administrative fee cash balances is credited to the unrestricted net position.

**Cash, Cash Equivalents and Investments**

For the statement of cash flows, cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less at the time of purchase.

**Accounts Receivable**

Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants. The Authority recognizes a receivable from HUD and other governmental agencies for amounts billed but not received and for amounts unbilled, but earned as of year-end.

**Allowance for Doubtful Accounts**

Receivables from tenants and others are reported net of an allowance for doubtful accounts. Management estimates this allowance based on historical collection experience. Management believes amounts due from federal, state and local governments are fully collectable.

**Prepaid Expenses**

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventory**

The Authority's inventory is comprised of maintenance materials and supplies. Inventory is valued at cost and the Authority uses the first-in, first-out (FIFO) flow assumption in determining cost. If inventory falls below cost due to damage, deterioration or obsolescence, the Authority establishes an allowance for obsolete inventory. At December 31, 2015 and 2014, inventory is shown net of an allowance for obsolescence of \$23,460 and \$21,513, respectively.

**Capital Assets**

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Expenditures determined to represent additions or betterments are capitalized. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

Furniture and equipment	3 – 5 years
Leasehold improvement	15 years
Infrastructure	15 years
Buildings	40 years

The Authority has established a capitalization threshold of \$5,000.

**Notes Receivable**

The Authority advances money to affordable housing projects to help fund the development of public housing units and other affordable units. Such notes are payable out of the properties' cash flows, residual values and possible mortgage proceeds. A provision for possible losses of the notes receivable is made, when in the opinion of management, the note balance exceeds the net realizable value of the underlying collateral. As a result, the Authority has established an allowance for losses on notes receivable and related interest receivable.

**Compensated Absences**

Compensated absences represent amounts to which employees are entitled based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated vacation and sick leave in the event of retirement or termination from service at the current salary. Annual vacation increases based on tenure, starting at thirteen days for the first five years of service and increasing up to twenty days after that.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inter-program Receivables and Payables**

Inter-program receivables/payables are current, and are the result of the use of the COCC as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net to zero. In accordance with GASB Statement No. 34, interprogram receivables and payables are eliminated for financial statement purposes.

**Operating and Non-Operating Revenues and Expenses**

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. The Authority classifies all other revenues as non-operating.

**Taxes**

The Authority is a unit of local government under Missouri law and is exempt from real estate, sales and income taxes.

**Use of Management 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 certain 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.

Significant estimates include the allowance for doubtful accounts, accrued expenses and other liabilities, depreciable lives of properties and equipment, and amortization of leasehold improvements and contingencies. Actual results could differ significantly from these estimates.

**Net Position Classifications**

Net Position is classified as net assets and displayed in three components:

Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, constriction or improvement of those assets.

Restricted net position - Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net position - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Net Position Classifications (continued)**

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and unrestricted resources as needed.

**Budgets and Budgetary Accounting**

The Authority is required by contractual agreements to adopt annual, appropriated operating budgets for all its programs receiving federal expenditure awards. All budgets are prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year end or at the end of grant periods.

**NOTE 2 CASH AND CASH EQUIVALENTS**

**Deposits**

At December 31, 2015 and 2014, the Authority had funds on deposit in checking accounts.

For the fiscal years ended December 31, 2015 and 2014, the carrying amount of the Authority's cash (including restricted cash) was \$5,835,679 and \$8,227,189 and the bank balances were \$6,014,113 and \$8,263,663, respectively.

**Custodial Credit Risk**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of December 31, 2015 and 2014, the Authority's bank balances were not exposed to custodial credit risk.

HUD requires that deposits of public funds be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority. HUD also requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment. It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
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DECEMBER 31, 2015 AND 2014**

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

At December 31, 2015 and 2014, bank balances of \$5,239,406 and \$7,708,747, respectively, were collateralized with an unaffiliated financial institution, and \$176,661 and \$49,177, respectively, were uncollateralized. The uncollateralized balances represent an account of a blended component unit, Housing Services of Kansas City, and does not contain public funds.

	2015	2014
FDIC Insured:	\$ 598,046	\$ 505,739
Collateralized:		
Collateralized by Securities Held by Pledging Financial Institution	5,239,406	7,708,747
Uncollateralized:	176,661	49,177
Total	<u>\$ 6,014,113</u>	<u>\$ 8,263,663</u>

**NOTE 3 RESTRICTED CASH**

As of December 31, restricted cash consisted of the following:

	2015	2014
Housing Choice Voucher NRA	\$ 154,674	\$ 2,803,218
LRPH Family Self Sufficiency Program Escrows	53,884	78,276
HCVP Family Self Sufficiency Program Escrows	562,629	540,621
Tenant Security Deposits	229,055	223,713
Missouri Housing Development Corp. Escrows	508,475	470,418
Pemberton Park Social Service Reserve	3,860	27,854
Scholarship Fund	7,625	7,625
Total	<u>\$ 1,520,202</u>	<u>\$ 4,151,725</u>

The Housing Choice Voucher NRA is excess funding which is restricted for HAP disbursement.

Family Self Sufficiency (FSS) program escrows are restricted for use in the Housing Choice Voucher Program by FSS program participants and Low Rent Public Housing Program.

The tenant security deposit cash is restricted to repay tenants when they move out of a unit.

Missouri Housing Development Corp. escrows are reserved for replacement of property for the Villa Del Sol Property.

The Pemberton Park Reserve is restricted for use on behalf of the residents of the Pemberton Park housing development.

The Scholarship Fund consists of non-federal funds restricted for scholarships to students within PHA's.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 4 ACCOUNTS RECEIVABLE**

**Accounts Receivable – HUD Other Projects**

HUD other project receivables represent amounts earned but not received by the Authority from HUD. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts. As of December 31, HUD project accounts receivable consisted of the following:

	2015	2014
Family Self-Sufficiency Program	\$ 17,787	\$ -
Continuum of Care	18,795	-
Resident Opportunity and Supportive Services	-	6,070
Public Housing Capital Fund	131,114	99,230
Total	<u>\$ 167,696</u>	<u>\$ 105,300</u>

**Accounts Receivable – PHA Projects**

PHA project receivables represent amounts earned but not received by the Authority from other PHA's under the portability provisions of the HCV program. The Authority considers these amounts fully collectible and accordingly, have made no allowance for doubtful accounts. As of December 31, 2015 and 2014, PHA project accounts receivable amounted to \$787 and \$0, respectively.

**Accounts Receivable – Tenants**

Accounts receivable - tenants consist of rental money due to the Authority for providing housing, and are shown net of an allowance established by the Authority. As of December 31, accounts receivable - tenants consisted of the following:

	2015	2014
Tenant Receivables	\$ 40,948	\$ 30,569
Allowance for Doubtful Accounts	(15,863)	(10,357)
Total	<u>\$ 25,085</u>	<u>\$ 20,212</u>

**Accounts Receivable – Miscellaneous**

Miscellaneous receivables consist primarily of amounts due from property management companies, development fees, other governments, and portable administrative fees. As of December 31, 2015 and 2014, these amounts totaled \$271,342 and \$430,921, respectively. The Authority considers these amounts fully collectible and accordingly, has made no allowance for doubtful accounts.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 ACCOUNTS RECEIVABLE (CONTINUED)**

**Accounts Receivable – Miscellaneous (Continued)**

As of December 31, accounts receivable – miscellaneous consisted of the following:

	2015	2014
Short Term Developer Fee Receivables	\$ 103,852	\$ 79,252
Reimbursable Expenses	15,769	199,516
Fraud Recovery	-	493
Due from the City of Kansas City	-	75,000
Other Governments	20,941	21,464
Other Miscellaneous	130,780	55,196
Total	<u>\$ 271,342</u>	<u>\$ 430,921</u>

**NOTE 5 OTHER ASSETS**

Other assets consisted of surplus deposits made to the Housing Authority Risk Retention Group, Inc. (HARRG). The initial deposits made to the HAARG earn dividends and can be withdrawn in the event of an insurable loss to the Authority or if the policy is terminated. At December 31, 2015 and 2014, total surplus deposits and dividends in the HAARG amounted to \$221,049 and \$205,700, respectively. The remaining \$338,237 and \$326,960 of other assets for FY2015 and FY2014, respectively, represents long-term developer fees receivable by HSKC.

**NOTE 6 NOTES RECEIVABLE**

The Authority and its component units have utilized funds in accordance with HUD guidelines, and additional funds to assist the construction of numerous public housing developments through the issuance of mortgage loans.

	2015	2014
<u>Villa Del Sol Project</u>		
Loan agreement to a joint venture borrower up to a principal amount of \$3,722,270. The loan is evidenced by a promissory note and secured by a second priority leasehold deed of trust, assignment of rents and security agreement. The loan is interest free with principal payable from net available cash flow from the project. The loan matures on December 14, 2054.	\$ 3,478,347	\$ 3,513,604

Cardinal Ridge Project

The Authority issued a mortgage loan with the apartments pledged as collateral. The loan bears interest compounded annually at a rate of 6.63%, and matures on December 20, 2039, with an option to extend the maturity date until December 20, 2039. Annual installments on the loan are equal to the greater of 50% of the annual net available cash flow of the project, as defined in the note, or 100% of the annual net available cash flow of the Project up to \$12,000. The original loan of \$8,569,202 is shown inclusive of accrued interest of \$14,773,860 and \$13,333,206 at December 31, 2015 and 2014, respectively.

23,343,062	21,902,408
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**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 6 NOTES RECEIVABLE (CONTINUED)**

	2015	2014
<u>Crooked Creek</u>		
The Authority issued a mortgage loan in the amount of \$1,120,000 with the apartments pledged as collateral. The loan bears interest compounded annually at a rate of 5.62%, and matures on April 30, 2041. Annual installments on the loan are equal to 5% of the annual net available cash flow of the project, as defined in the note. The loan is evidenced by a promissory note, and secured by a first priority deed of trust, assignment of rents and security agreement. The amount is shown inclusive of accrued interest of \$764,835 and \$701,891 at December 31, 2015 and 2014, respectively.	\$ 1,884,835	\$ 1,821,891
<u>Willow Glen Townhouses</u>		
The Authority issued a 2nd mortgage loan up to an amount of \$1,569,406 with the apartments pledged as collateral. The loan bears interest compounded annually at a rate of 5.05%, and matures on August 1, 2043. Annual installments on the loan are equal to 50% of the annual net available cash flow of the project as defined in the note. The loan balance is shown inclusive of accrued interest of \$1,288,691 and \$1,151,296 at December 31, 2015 and 2014, respectively.	2,858,097	2,720,702
<u>North Park Place (Willow Glen Apartments)</u>		
The Authority issued a 2nd mortgage loan up to an amount of \$1,885,091 with the apartments pledged as collateral. The loan bears interest compounded annually at a rate of 4.25%, and matures on March 31, 2046. Annual installments on the loan are payable based on net available cash flow of the project as defined in the note. The loan balance is shown inclusive of accrued interest of \$83,152 and \$77,475 at December 31, 2015 and 2014, respectively.	1,968,243	1,962,566
<u>Mt. Cleveland</u>		
The Authority issued a 2nd mortgage loan in the amount of \$1,260,000. The loan bears interest compounded annually at a rate of 5.20%, and matures on June 10, 2044. Annual installments on the loan are equal to 50% of the annual net available cash of the project, as defined in the note. The loan balance is shown inclusive of accrued interest of \$1,005,182 and \$893,214 at December 31, 2015 and 2014, respectively.	2,265,182	2,153,214
<u>Beacon Park Town Homes</u>		
Housing Services of Kansas City issued a second mortgage loan in the amount of \$1,437,000, funded by \$940,000 of HAKC capital funds made available through an ARRA grant and \$497,000 of PIAC funds for the construction of 45 multifamily rental units known as Beacon Park Townhomes. The loan accrues interest at 4.40% per annum, matures March 31, 2042 and is secured by the underlying property. The loan balance is shown inclusive of accrued interest of \$363,885 and \$287,986 at December 31, 2015 and 2014, respectively.	1,800,885	1,724,986

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 6 NOTES RECEIVABLE (CONTINUED)**

	2015	2014
<u>Pemberton Park</u>		
Housing Services of Kansas City issued a loan in the amount of \$100,000 to Pemberton Park, L.P. on August 24, 2011 to facilitate the construction of a 36 unit multi-family housing development project. The principal balance on the loan is \$100,000 and interest accrues at the rate of 0% per annum. The funds are used to satisfy the various reserve requirements and the loan has no specific maturity date.	\$ 100,000	\$ 100,000
 <u>Martin Luther King Village</u>		
Housing Services of Kansas City issued a mortgage loan to Martin Luther King Village, L.P. on December 5, 2008 to facilitate the construction of a 108 unit multi-family housing development project. The principal balance on the loan was \$300,000 and interest accrues at a rate of 7% per annum. Repayments of the loan are to be made only out of available cash flow as defined in the partnership agreement. The loan matures on February 1, 2040 at which time the entire unpaid balance of principal, all interest accrued on it, and all other sums payable under the note shall be due and payable in full. The loan is secured by real property and any ensuing structure. The loan balance is shown inclusive of accrued interest of \$148,496 and \$127,496 at December 31, 2015 and 2014, respectively.	448,496	427,496
Total	38,147,147	36,326,867
Less: Allowance for doubtful accounts	(17,915,720)	(15,837,362)
Net notes receivable	\$ 20,231,427	\$ 20,489,505

Repayments of notes receivable are based on the projects generating operating cash flow, however management estimates repayments to be zero for the next year.

A provision for possible losses of the notes receivable is made, when in the opinion of management, the note balance exceeds the net realizable value of the underlying collateral. As a result, the Authority has established an allowance for losses on notes receivable and related interest receivable as of December 31, 2015 and 2014 amounting to \$17,915,720 and \$15,837,362, respectively.

In accordance with Hope VI regulatory agreement, the aforementioned loans are listed as restricted in the Authority's net position section of the Statement of Net Position until such loans are repaid or all project regulatory requirements are satisfied.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 7 CAPITAL ASSETS, NET**

A summary of the changes in capital assets during 2015 and 2014 were as follows:

	December 31, 2014	Additions	Disposals	Transfers	December 31, 2015
Non-Depreciable Capital Assets:					
Land	\$ 27,175,771	\$ -	\$ -	\$ -	\$ 27,175,771
Total	<u>27,175,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,175,771</u>
Depreciable Capital Assets:					
Buildings	151,776,458	1,474,699	-	-	153,251,157
Furniture and Equipment	3,235,806	54,166	(128,932)	-	3,161,040
Total	<u>155,012,264</u>	<u>1,528,865</u>	<u>(128,932)</u>	<u>-</u>	<u>156,412,197</u>
Less: Accumulated Depreciation Bldgs/Impr	85,751,340	4,134,744	-	-	89,886,084
Less: Accumulated Depreciation-Equipment	2,191,764	90,784	(128,932)	-	2,153,616
Net Capital Assets	<u>\$ 94,244,931</u>	<u>\$ (2,696,663)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,548,268</u>

	December 31, 2013	Additions	Disposals	Transfers	December 31, 2014
Non-depreciable capital assets:					
Land	\$ 27,175,771	\$ -	\$ -	\$ -	\$ 27,175,771
Total	<u>27,175,771</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,175,771</u>
Depreciable Capital Assets:					
Buildings	149,991,211	1,787,544	(2,297)	-	151,776,458
Leasehold Improvements	72,236	-	-	(72,236)	-
Furniture and Equipment	3,219,116	75,270	(130,816)	72,236	3,235,806
Total	<u>153,282,563</u>	<u>1,862,814</u>	<u>(133,113)</u>	<u>-</u>	<u>155,012,264</u>
Less: Accumulated Depreciation-Bldgs/Impr	81,852,664	4,031,789	(133,113)	-	85,751,340
Less: Accumulated Depreciation-Equipment	2,101,621	90,143	-	-	2,191,764
Net Capital Assets	<u>\$ 96,504,049</u>	<u>\$ (2,259,118)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 94,244,931</u>

Depreciation expense for the years ended December 31, 2015 and 2014 amounted to \$4,225,528 and \$4,121,932, respectively.

**NOTE 8 LEASING ACTIVITIES**

The Authority is the lessor of dwelling units mainly to low-income residents. The rents under the leases are generally determined by the resident's income as adjusted for eligible deductions regulated by HUD, although the resident may opt for a flat rent.

Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause. Revenues associated with these leases are recorded in the financial statements and schedules as "Rental Revenue." Rental Revenue per dwelling unit generally remains consistent from year to year, but is affected by general economic conditions which impact personal income and local job availability.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
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**NOTE 9 OPERATING LEASES**

The Authority is committed under various non-cancelable leases for office space and equipment. These leases have been accounted for as operating leases in the accompanying financial statements.

The office lease is subject to an annual escalation clause in an amount equal to the percentage change in the consumer price index. Actual lease expense for the fiscal years ended December 31, 2015 and 2014 was \$387,685 and \$367,422, respectively.

Future minimum lease payments required under these leases is as follows:

December 31,	
2016	\$ 377,091
2017	380,314
2018	383,537
2019	386,760
2020	386,760
2021	193,380
Total	<u>\$ 2,107,842</u>

**NOTE 10 NONCURRENT LIABILITIES**

For the years ended December 31, 2015 and 2014, the following changes occurred in the Authority's long-term obligations:

	December 31,			December 31,	Due in
	2014	Additions	Retirements	2015	One Year
Accrued Compensated Absences	\$ 863,357	\$ 644,418	\$ 531,073	\$ 976,702	\$ 83,019
FSS Escrows	618,897	424,798	427,182	616,513	-
Pemberton Park Reserve	27,854	-	24,526	3,328	-
Scholarship Fund	7,625	-	7,625	-	-
Total Noncurrent Liabilities	<u>\$ 1,517,733</u>	<u>\$ 1,069,216</u>	<u>\$ 990,406</u>	<u>\$ 1,596,543</u>	<u>\$ 83,019</u>

	December 31,			December 31,	Due in
	2013	Additions	Retirements	2014	One Year
Accrued Compensated Absences	\$ 843,622	\$ 581,337	\$ 561,602	\$ 863,357	\$ 86,334
FSS Escrows	635,668	368,967	385,738	618,897	-
Pemberton Park Reserve	66,246	-	38,392	27,854	-
Scholarship Fund	-	7,625	-	7,625	-
Total Noncurrent Liabilities	<u>\$ 1,545,536</u>	<u>\$ 957,929</u>	<u>\$ 985,732</u>	<u>\$ 1,517,733</u>	<u>\$ 86,334</u>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 11 PENSION PLAN**

The Authority provides pension benefits for all its full-time employees through a defined contribution plan entitled "Housing Authority of Kansas City, Missouri Money Purchase Pension Plan." The plan is administered by the Principal Financial Group. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Executive Director of the Authority is authorized to establish and amend plan benefits. Employees are eligible to participate from the date of employment. The Authority contributes 8% of the employee's base salary each month while the employee does not contribute.

The Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Authority's current-period contribution requirement.

The Authority's total payroll in fiscal years 2015 and 2014 was approximately \$5,980,000 and \$5,900,000, respectively. The Authority's contributions were calculated using a defined contribution pension plan. For the years ending December 31, 2015 and 2014, the Authority's 8% portion approximated \$478,000 and \$474,000, respectively, which has been charged to the employee fringe benefit account.

**NOTE 12 RESTRICTED NET POSITION**

Restricted net assets consist of the following at December 31:

	2015	2014
Housing Choice Voucher HAP Equity	\$ 17,604	\$ 2,485,120
Missouri Housing Development Corp. Reserves	508,475	470,418
Hope VI Mortgage Loan Reserves	17,882,046	18,237,023
Total	<u>\$ 18,408,125</u>	<u>\$ 21,192,561</u>

Housing assistance payment reserves are restricted for use only in the Housing Choice Voucher Program for tenant rents. Hope VI mortgage loan reserves are restricted for use in the Hope VI program until loans are repaid or all project regulatory requirements are satisfied.

**NOTE 13 RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance - The Authority maintains commercial insurance coverage for property, liability and surety bonds. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the years ended December 31, 2015 and 2014.



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
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**NOTE 14 ECONOMIC DEPENDENCY**

The Section 8 and the Low Rent Public Housing programs are economically dependent on annual grants from HUD. The programs operate at a loss prior to receiving the grants. HUD grants represented approximately 90% and 93% of the Authority's operating revenues for the years ended December 31, 2015 and 2014, respectively.

**NOTE 15 CONTINGENCIES**

The Authority is subject to examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. Results of these examinations could affect funding levels.

**NOTE 16 PENDING GASB PRONOUNCEMENTS**

The Authority will be required to implement GASB Statement No. 72, *Fair Value Measurement and Application*, for the period ending December 31, 2016. The objective of this Statement is to enhance the comparability of financial statements among governments and related entities by establishing a consistent hierarchy of fair value measurement techniques. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, for the period ending December 31, 2016. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, for the period ending December 31, 2017. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, for the period ending December 31, 2016. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The Authority is currently evaluating the effect of the implementation of this Statement.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 16 PENDING GASB PRONOUNCEMENTS (CONTINUED)**

The Authority will be required to implement GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Pension Plans*, for the period ending December 31, 2016. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, for the period ending December 31, 2016. The objective of this Statement is to enhance comparability of financial statements by providing qualifying external investment pools and participants in those pools with consistent application of an amortized cost-based measurement for financial reporting purposes. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, for the period ending December 31, 2017. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, for the period ending December 31, 2017. The objective of this Statement is to improve accounting and financial reporting by clarifying the recognition and measurement guidance when a government or government entity is the beneficiary of an irrevocable split-interest agreement. The Authority is currently evaluating the effect of the implementation of this Statement.

The Authority will be required to implement GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*, for the period ending December 31, 2017. The objective of this Statement is to address issues related to the presentation of payroll-related measures in required supplementary information, the selection of assumptions for financial reporting purposes and the classification of payments made by employers to satisfy employee contribution requirements. The Authority is currently evaluating the effect of the implementation of this Statement.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 17 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS**

Condensed combining information for the Authority's two blended component units as of and for the year ended December 31, 2015 is provided as follows:

**Condensed Statement of Net Position – December 31, 2015**

	Blended Component Units			Housing Authority of Kansas City	Primary Government
	Affordable Housing of Kansas City	Housing Services of Kansas City	Eliminations		
<b>ASSETS</b>					
Current Assets	\$ 97,904	\$ 555,897	\$ -	\$ 5,992,589	\$ 6,646,390
Noncurrent Assets	55,711	2,603,744	-	18,131,258	20,790,713
Interprogram Assets	76	-	(76)	-	-
Capital Assets	-	-	-	91,548,268	91,548,268
Total Assets	<u>153,691</u>	<u>3,159,641</u>	<u>(76)</u>	<u>115,672,115</u>	<u>118,985,371</u>
<b>LIABILITIES</b>					
Interprogram Liabilities	-	76	(76)	-	-
Other Current Liabilities	2,542	8,763	-	1,203,027	1,214,332
Noncurrent Liabilities	-	4,820	-	1,508,704	1,513,524
Total Liabilities	<u>2,542</u>	<u>13,659</u>	<u>(76)</u>	<u>2,711,731</u>	<u>2,727,856</u>
<b>NET POSITION</b>					
Net Investment in Capital Assets	-	-	-	91,548,268	91,548,268
Restricted	-	-	-	18,408,125	18,408,125
Unrestricted	151,149	3,145,982	-	3,003,991	6,301,122
Total Net Position	<u>151,149</u>	<u>3,145,982</u>	<u>0</u>	<u>112,960,384</u>	<u>116,257,515</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$ 153,691</u>	<u>\$ 3,159,641</u>	<u>\$ (76)</u>	<u>\$ 115,672,115</u>	<u>\$ 118,985,371</u>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 17 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS  
(CONTINUED)**

**Condensed Statement of Revenues, Expenses and Changes in Net Position – Year  
Ended December 31, 2015**

	Blended Component Units			
	Affordable Housing of Kansas City	Housing Services of Kansas City	Housing Authority of Kansas City	Primary Government
<b>OPERATING REVENUES</b>				
Tenant Revenue	\$ -	\$ -	\$ 3,602,866	\$ 3,602,866
HUD Grants	-	-	58,576,723	58,576,723
Other Revenues	161,990	28,800	970,380	1,161,170
Total Operating Revenues	<u>161,990</u>	<u>28,800</u>	<u>63,149,969</u>	<u>63,340,759</u>
<b>OPERATING EXPENSES</b>				
Administrative	2,941	94,699	7,545,840	7,643,480
Tenant Services	-	-	756,165	756,165
Utilities	-	-	1,949,737	1,949,737
Ordinary Maintenance and Operations	-	-	4,207,958	4,207,958
Protective Services	-	-	425,066	425,066
General Expenses	-	-	1,428,623	1,428,623
Provision for Bad Debt	-	-	372,706	372,706
Housing Assistance Payments	-	-	49,093,495	49,093,495
Depreciation	-	-	4,225,528	4,225,528
Total Operating Expenses	<u>2,941</u>	<u>94,699</u>	<u>70,005,118</u>	<u>70,102,758</u>
<b>OPERATING INCOME (LOSS)</b>	159,049	(65,899)	(6,855,149)	(6,761,999)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>97,411</u>	<u>(226,062)</u>	<u>(128,651)</u>
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	159,049	31,512	(7,081,211)	(6,890,650)
<b>CAPITAL GRANTS</b>	<u>-</u>	<u>-</u>	<u>1,513,075</u>	<u>1,513,075</u>
<b>CHANGE IN NET POSITION</b>	159,049	31,512	(5,568,136)	(5,377,575)
Total Net Position - Beginning of Year	<u>(7,900)</u>	<u>3,114,470</u>	<u>118,528,520</u>	<u>121,635,090</u>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 151,149</u>	<u>\$ 3,145,982</u>	<u>\$ 112,960,384</u>	<u>\$ 116,257,515</u>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 17 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS  
(CONTINUED)**

**Condensed Statement of Cash Flows – Year Ended December 31, 2015**

	Blended Component Units			
	Affordable Housing of Kansas City	Housing Services of Kansas City	Housing Authority of Kansas City	Primary Government
<b>Net Cash Provided (Used) by</b>				
Operating Activities	\$ 86,080	\$ 163,054	\$ (2,496,203)	\$ (2,247,069)
Capital and Related Financing Activities	-	-	(177,097)	(177,097)
Investing Activities	(100)	(31,637)	64,393	32,656
<b>Net Increase/(Decrease) in Cash</b>	<b>85,980</b>	<b>131,417</b>	<b>(2,608,907)</b>	<b>(2,391,510)</b>
Cash and Cash Equivalents - Beginning of Year	-	288,520	7,938,669	8,227,189
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ 85,980</b>	<b>\$ 419,937</b>	<b>\$ 5,329,762</b>	<b>\$ 5,835,679</b>

Condensed combining information for the Authority's two blended component units as of and for the year ended December 31, 2014 is provided as follows:

**Condensed Statement of Net Position – December 31, 2014**

	Blended Component Units				
	Affordable Housing of Kansas City	Housing Services of Kansas City	Eliminations	Housing Authority of Kansas City	Primary Government
<b>ASSETS</b>					
Current Assets	\$ 189,181	\$ 378,107	\$ -	\$ 8,536,908	\$ 9,104,196
Noncurrent Assets	-	2,579,442	-	18,442,723	21,022,165
Interprogram Assets	-	193,749	(193,749)	-	-
Capital Assets	-	-	-	94,244,931	94,244,931
Total Assets	<b>189,181</b>	<b>3,151,298</b>	<b>(193,749)</b>	<b>121,224,562</b>	<b>124,371,292</b>
<b>LIABILITIES</b>					
Interprogram Liabilities	193,749	-	(193,749)	-	-
Other Current Liabilities	3,332	1,216	-	1,300,255	1,304,803
Noncurrent Liabilities	-	35,612	-	1,395,787	1,431,399
Total Liabilities	<b>197,081</b>	<b>36,828</b>	<b>(193,749)</b>	<b>2,696,042</b>	<b>2,736,202</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	-	-	-	94,244,931	94,244,931
Restricted	-	-	-	21,192,561	21,192,561
Unrestricted	(7,900)	3,114,470	-	3,091,028	6,197,598
Total Net Position	<b>(7,900)</b>	<b>3,114,470</b>	<b>0</b>	<b>118,528,520</b>	<b>121,635,090</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 189,181</b>	<b>\$ 3,151,298</b>	<b>\$ (193,749)</b>	<b>\$ 121,224,562</b>	<b>\$ 124,371,292</b>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2015 AND 2014**

**NOTE 17 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS  
(CONTINUED)**

**Condensed Statement of Revenues, Expenses and Changes in Net Position – Year  
Ended December 31, 2014**

	Blended Component Units			
	Affordable Housing of Kansas City	Housing Services of Kansas City	Housing Authority of Kansas City	Primary Government
<b>OPERATING REVENUES</b>				
Tenant Revenue	\$ -	\$ -	\$ 3,294,334	\$ 3,294,334
HUD Grants	-	-	61,018,033	61,018,033
Other Revenues	-	162,513	1,213,726	1,376,239
Total Operating Revenues	-	162,513	65,526,093	65,688,606
<b>OPERATING EXPENSES</b>				
Administrative	-	122,280	7,128,551	7,250,831
Tenant Services	-	-	724,038	724,038
Utilities	-	-	1,744,455	1,744,455
Ordinary Maintenance and Operations	-	-	3,886,250	3,886,250
Protective Services	-	-	375,358	375,358
General Expenses	-	-	1,388,745	1,388,745
Provision for Bad Debt	-	-	14,152,834	14,152,834
Housing Assistance Payments	-	-	47,198,608	47,198,608
Depreciation	-	-	4,121,932	4,121,932
Total Operating Expenses	-	122,280	80,720,771	80,843,051
<b>OPERATING LOSS</b>	-	40,233	(15,194,678)	(15,154,445)
Total Non-Operating Revenues (Expenses)	-	650	(193,649)	(192,999)
<b>INCOME (LOSS) BEFORE CAPITAL GRANTS</b>	-	40,883	(15,388,327)	(15,347,444)
<b>CAPITAL GRANTS</b>	-	-	1,862,813	1,862,813
<b>CHANGE IN NET POSITION</b>	-	40,883	(13,525,514)	(13,484,631)
Total Net Position - Beginning of Year	(7,900)	3,073,587	132,054,034	135,119,721
<b>TOTAL NET POSITION - END OF YEAR</b>	<b>\$ (7,900)</b>	<b>\$ 3,114,470</b>	<b>\$ 118,528,520</b>	<b>\$ 121,635,090</b>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014**

**NOTE 17 CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS  
(CONTINUED)**

**Condensed Statement of Cash Flows – Year Ended December 31, 2014**

	Blended Component Units			
	Affordable Housing of Kansas City	Housing Services of Kansas City	Housing Authority of Kansas City	Primary Government
<b>Net Cash Provided (Used) by</b>				
Operating Activities	\$ -	\$ 67,105	\$ 3,069,144	\$ 3,136,249
Capital and Related Financing Activities	-	-	(211,756)	(211,756)
Investing Activities	-	(30,117)	48,873	18,756
<b>Net Increase in Cash</b>	-	36,988	2,906,261	2,943,249
Cash and Cash Equivalents - Beginning of Year	-	251,532	5,032,408	5,283,940
<b>Cash and Cash Equivalents - End of Year</b>	<b>\$ -</b>	<b>\$ 288,520</b>	<b>\$ 7,938,669</b>	<b>\$ 8,227,189</b>

**SUPPLEMENTARY INFORMATION**



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**ENTITY-WIDE BALANCE SHEET SUMMARY**  
**DECEMBER 31, 2015**

Line Item #	Accounts Description	Project Totals	State/Local	Blended Component Unit	14.267 Continuum of Care	14.879 Mainstream Vouchers	17.274 Youthbuild	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	COCC	Elimination	Total
<b>CURRENT ASSETS</b>												
Cash:												
111	Unrestricted	\$ 1,743,215	\$ 14,303	\$ 494,432	\$ -	\$ 95,113	\$ -	\$ 325,085	\$ -	\$ 1,643,329	\$ -	\$ 4,315,477
112	Restricted - modernization and development	-	-	-	-	-	-	-	-	-	-	-
113	Other restricted	562,357	-	11,485	-	-	-	717,305	-	-	-	1,291,147
114	Tenant security deposits	229,055	-	-	-	-	-	-	-	-	-	229,055
115	Cash - restricted for current liabilities	-	-	-	-	-	-	-	-	-	-	-
100	Total cash	<u>2,534,627</u>	<u>14,303</u>	<u>505,917</u>	<u>-</u>	<u>95,113</u>	<u>-</u>	<u>1,042,390</u>	<u>-</u>	<u>1,643,329</u>	<u>-</u>	<u>5,835,679</u>
Accounts and notes receivable:												
121	Accounts receivable - PHA projects	-	-	-	-	-	-	787	-	-	-	787
122	HUD other projects	131,114	-	-	18,795	-	-	-	17,787	-	-	167,696
124	Other government	-	8,967	-	-	-	11,974	-	-	-	-	20,941
125	Miscellaneous	79,721	-	119,621	-	-	-	4,224	-	46,835	-	250,401
126	Tenants	40,948	-	-	-	-	-	-	-	-	-	40,948
126.1	Allowance for doubtful accounts - tenants	(15,863)	-	-	-	-	-	-	-	-	-	(15,863)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-	-	-	-	-
127	Notes, loans, & mortgages receivable - current	-	-	-	-	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-	-	-	-	-
129	Accrued interest receivable	-	-	-	-	-	-	-	-	-	-	-
120	Total receivables, net of allowances	<u>235,920</u>	<u>8,967</u>	<u>119,621</u>	<u>18,795</u>	<u>-</u>	<u>11,974</u>	<u>5,011</u>	<u>17,787</u>	<u>46,835</u>	<u>-</u>	<u>464,910</u>
131	Investments - unrestricted	-	-	-	-	-	-	-	-	-	-	-
132	Investments- restricted	-	-	-	-	-	-	-	-	-	-	-
	Total current investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
142	Prepaid expenses and other assets	66,771	-	-	-	-	-	38,684	-	29,199	-	134,654
143	Inventories	234,607	-	-	-	-	-	-	-	-	-	234,607
143.1	Allowance for obsolete inventories	(23,460)	-	-	-	-	-	-	-	-	-	(23,460)
144	Interprogram - due from	-	-	76	-	-	-	-	-	56,115	(56,191)	-
145	Assets held for sale	-	-	-	-	-	-	-	-	-	-	-
150	Total current assets	<u>3,048,465</u>	<u>23,270</u>	<u>625,614</u>	<u>18,795</u>	<u>95,113</u>	<u>11,974</u>	<u>1,086,085</u>	<u>17,787</u>	<u>1,775,478</u>	<u>(56,191)</u>	<u>6,646,390</u>
<b>NONCURRENT ASSETS</b>												
Fixed assets:												
161	Land	27,175,771	-	-	-	-	-	-	-	-	-	27,175,771
162	Buildings	153,251,157	-	-	-	-	-	-	-	-	-	153,251,157
163	Furniture, equipment & mach - dwellings	1,085,055	-	-	-	-	-	-	-	-	-	1,085,055
164	Furniture, equipment & mach - admin.	853,218	-	-	-	-	-	126,221	-	1,096,546	-	2,075,985
165	Leasehold improvements	-	-	-	-	-	-	-	-	-	-	-
166	Accumulated depreciation	(90,911,047)	-	-	-	-	-	(100,658)	-	(1,027,995)	-	(92,039,700)
167	Construction in progress	-	-	-	-	-	-	-	-	-	-	-
160	Total fixed assets, net of acc. depreciation	<u>91,454,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,563</u>	<u>-</u>	<u>68,551</u>	<u>-</u>	<u>91,548,268</u>
171	Notes, loans and mortgages receivable-noncurrent	17,882,046	-	2,349,381	-	-	-	-	-	-	-	20,231,427
173	Grants receivable - noncurrent	-	-	-	-	-	-	-	-	-	-	-
174	Other assets	154,734	-	338,237	-	-	-	39,789	-	26,526	-	559,286
176	Investments in joint venture	-	-	-	-	-	-	-	-	-	-	-
180	Total noncurrent assets	<u>109,490,934</u>	<u>-</u>	<u>2,687,618</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,352</u>	<u>-</u>	<u>95,077</u>	<u>-</u>	<u>112,338,981</u>
190	<b>TOTAL ASSETS</b>	<u>\$ 112,539,399</u>	<u>\$ 23,270</u>	<u>\$ 3,313,232</u>	<u>\$ 18,795</u>	<u>\$ 95,113</u>	<u>\$ 11,974</u>	<u>\$ 1,151,437</u>	<u>\$ 17,787</u>	<u>\$ 1,870,555</u>	<u>\$ (56,191)</u>	<u>\$ 118,985,371</u>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
ENTITY-WIDE BALANCE SHEET SUMMARY  
DECEMBER 31, 2015**

Line Item #	Accounts Description	Project Totals	State/Local	Blended Component Unit	14.267 Continuum of Care	14.879 Mainstream Vouchers	17.274 Youthbuild	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	COCC	Elimination	Total
<b>CURRENT LIABILITIES</b>												
312	Accounts payable <= 90 days	\$ 298,378	\$ -	\$ 2,542	\$ -	\$ -	\$ -	\$ 18,523	\$ -	\$ 13,750	\$ -	\$ 333,193
313	Accounts payable > 90 days	-	-	-	-	-	-	-	-	-	-	-
321	Accrued wage/payroll taxes payable	65,000	1,408	1,000	-	723	-	37,668	-	61,376	-	167,175
322	Accrued compensated absences current	24,744	-	138	-	400	-	11,696	-	46,041	-	83,019
324	Accrued contingency liability	-	-	-	-	-	-	-	-	-	-	-
325	Accrued interest payable	-	-	-	-	-	-	-	-	-	-	-
331	Accounts payable - HUD	-	-	-	-	-	-	2,796	-	-	-	2,796
332	Accounts payable - PHA projects	-	-	-	-	-	-	-	-	-	-	-
341	Tenant security deposits	229,055	-	-	-	-	-	-	-	-	-	229,055
342	Unearned revenues	27,169	14,303	-	-	-	-	-	-	-	-	41,472
343	Current portion of LT debt - capital	-	-	-	-	-	-	-	-	-	-	-
344	Current portion of LT debt - operating	-	-	-	-	-	-	-	-	-	-	-
345	Other current liabilities	195,854	-	7,625	-	237	-	151,766	-	2,140	-	357,622
346	Other liabilities	-	-	-	-	-	-	-	-	-	-	-
347	Interprogram (due to)	-	7,559	76	18,795	-	11,974	-	17,787	-	(56,191)	-
310	Total current liabilities	840,200	23,270	11,381	18,795	1,360	11,974	222,449	17,787	123,307	(56,191)	1,214,332
<b>NONCURRENT LIABILITIES</b>												
351	Long-term debt, net of current - capital	-	-	-	-	-	-	-	-	-	-	-
352	Long-term debt, net of current - operating borrowings	-	-	-	-	-	-	-	-	-	-	-
353	Noncurrent liabilities - other	53,882	-	3,330	-	-	-	562,629	-	-	-	619,841
354	Accrued compensated absences-noncurrent	266,368	-	1,490	-	4,303	-	125,903	-	495,619	-	893,683
357	Accrued pension and OPEB liability	-	-	-	-	-	-	-	-	-	-	-
350	Total noncurrent liabilities	320,250	-	4,820	-	4,303	-	688,532	-	495,619	-	1,513,524
300	Total liabilities	1,160,450	23,270	16,201	18,795	5,663	11,974	910,981	17,787	618,926	(56,191)	2,727,856
<b>NET POSITION</b>												
508.4	Net investment in capital assets	91,454,154	-	-	-	-	-	25,563	-	68,551	-	91,548,268
511.4	Restricted net position	18,390,521	-	-	-	-	-	17,604	-	-	-	18,408,125
512.4	Unrestricted net position	1,534,274	-	3,297,031	-	89,450	-	197,289	-	1,183,078	-	6,301,122
513	Total net position	111,378,949	-	3,297,031	-	89,450	-	240,456	-	1,251,629	-	116,257,515
600	<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 112,539,399</b>	<b>\$ 23,270</b>	<b>\$ 3,313,232</b>	<b>\$ 18,795</b>	<b>\$ 95,113</b>	<b>\$ 11,974</b>	<b>\$ 1,151,437</b>	<b>\$ 17,787</b>	<b>\$ 1,870,555</b>	<b>\$ (56,191)</b>	<b>\$ 118,985,371</b>

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2015**

Line Item #	Accounts Description	Project Totals	State/Local	Blended Component Unit	14.267 Continuum of Care	14.879 Mainstream Vouchers	17.274 Youthbuild	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	COCC	Elimination	Total
<b>REVENUE</b>												
70300	Net tenant rental revenue	\$ 3,472,549	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,472,549
70400	Tenant revenue - other	130,317	-	-	-	-	-	-	-	-	-	130,317
70500	Total tenant revenue	3,602,866	-	-	-	-	-	-	-	-	-	3,602,866
70600	HUD PHA operating grants	8,102,283	-	-	162,092	593,725	-	49,519,219	199,404	-	-	58,576,723
70610	Capital grants	1,513,075	-	-	-	-	-	-	-	-	-	1,513,075
70710	Management fee	-	-	-	-	-	-	-	-	1,753,632	(1,753,632)	-
70720	Asset management fee	-	-	-	-	-	-	-	-	-	-	-
70730	Bookkeeping fee	-	-	-	-	-	-	-	-	798,693	(798,693)	-
70740	Front line service fee	-	-	-	-	-	-	-	-	488,263	(488,263)	-
70750	Other fees	-	-	-	-	-	-	-	-	-	-	-
70700	Total fee revenue	9,615,358	-	-	162,092	593,725	-	49,519,219	199,404	3,040,588	(3,040,588)	60,089,798
70800	Other governmental grants	-	57,462	-	-	-	358,223	-	-	-	-	415,685
71100	Investment income - unrestricted	22,893	-	512	-	-	-	4,131	-	5,120	-	32,656
71200	Mortgage interest income	-	-	96,899	-	-	-	-	-	-	-	96,899
71400	Fraud recovery	4,452	-	-	-	98	-	69,216	-	-	-	73,766
71500	Other revenue	230,702	-	190,690	-	-	-	135,443	-	183,114	(165,129)	574,820
71600	Gain or loss on sale of capital assets	-	-	-	-	-	-	-	-	-	-	-
72000	Investment income - restricted	-	-	-	-	-	-	-	-	-	-	-
70000	Total revenue	13,476,271	57,462	288,101	162,092	593,823	358,223	49,728,009	199,404	3,228,822	(3,205,717)	64,886,490
<b>EXPENSES</b>												
Administrative:												
91100	Administrative salaries	1,055,993	-	-	-	21,491	159,542	1,212,371	-	1,723,567	-	4,172,964
91200	Auditing fees	56,446	-	-	-	-	-	11,800	-	34,657	-	102,903
91300	Management fee	1,095,079	-	-	-	13,920	-	644,633	-	-	(1,753,632)	-
913.10	Bookkeeping fee	146,035	-	-	-	8,700	-	643,958	-	-	(798,693)	-
91400	Advertising and marketing	26,445	-	-	-	-	-	9,526	-	3,088	-	39,059
91500	Employee benefit contributions - admin	351,468	-	-	-	5,762	54,882	406,121	-	527,482	-	1,345,715
91600	Office expense	550,112	7,360	11,210	-	163	9,249	404,463	-	438,104	-	1,420,661
91700	Legal expense	210,858	-	1,148	-	-	-	6,750	-	6,939	(138,421)	87,274
91800	Travel	128,863	2,538	684	-	167	3,266	73,492	-	39,502	-	248,512
91810	Allocated overhead	-	-	-	-	-	-	-	-	-	-	-
91900	Other	253,536	-	83,117	-	-	17,543	15,281	-	22,044	(165,129)	226,392
	Total administrative	3,874,835	9,898	96,159	-	50,203	244,482	3,428,395	-	2,795,383	(2,855,875)	7,643,480
Tenant services:												
92100	Salaries	231,527	39,667	-	-	-	-	88,721	140,160	-	-	500,075
92200	Relocation costs	-	-	-	-	-	-	-	-	-	-	-
92300	Employee benefit contributions	65,850	4,660	-	-	-	-	27,795	42,000	-	-	140,305
92400	Other	23,526	-	-	-	-	92,259	-	-	-	-	115,785
	Total tenant services	320,903	44,327	-	-	-	92,259	116,516	182,160	-	-	756,165
Utilities:												
93100	Water	1,268,192	-	-	-	-	-	-	-	-	-	1,268,192
93200	Electricity	525,370	-	-	-	-	-	-	-	-	-	525,370
93300	Gas	156,175	-	-	-	-	-	-	-	-	-	156,175
93500	Labor	-	-	-	-	-	-	-	-	-	-	-
93700	Employee benefit contributions - utilities	-	-	-	-	-	-	-	-	-	-	-
93800	Other utilities expense	-	-	-	-	-	-	-	-	-	-	-
	Total utilities	1,949,737	-	-	-	-	-	-	-	-	-	1,949,737
Ordinary maintenance & operations:												
94100	Labor	1,286,429	-	-	-	-	-	-	-	110,273	-	1,396,702
94200	Materials and other	623,584	-	-	-	-	447	120	-	19,066	-	643,217
94300	Contracts	2,082,771	-	-	-	-	2,359	-	-	12,840	(349,842)	1,748,128
94500	Employee benefits contribution	391,301	-	-	-	-	-	-	-	28,610	-	419,911
	Total ordinary maintenance & operations	4,384,085	-	-	-	-	2,806	120	-	170,789	(349,842)	4,207,958

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY  
YEAR ENDED DECEMBER 31, 2015**

Line Item #	Accounts Description	Project Totals	State/Local	Blended Component Unit	14.267 Continuum of Care	14.879 Mainstream Vouchers	17.274 Youthbuild	14.871 Housing Choice Vouchers	14.896 PIH Family Self-Sufficiency Program	COCC	Elimination	Total
Protective services:												
95100	Labor	\$ 205,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 205,311
95200	Other contract costs	165,465	-	-	-	-	-	-	-	-	-	165,465
95300	Other	2,209	-	-	-	-	-	-	-	-	-	2,209
95500	Employee benefit contributions	52,081	-	-	-	-	-	-	-	-	-	52,081
95000	Total protective services	<u>425,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>425,066</u>
96110	Property insurance	157,589	-	-	-	-	-	-	-	-	-	157,589
96120	Liability insurance	185,521	-	-	-	-	-	74,994	-	5,092	-	265,607
96130	Workmen's compensation	53,231	-	-	-	-	3,751	35,866	-	46,901	-	139,749
96140	All other insurance	149,365	-	-	-	-	-	-	-	-	-	149,365
96100	Total insurance premiums	<u>545,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,751</u>	<u>110,860</u>	<u>-</u>	<u>51,993</u>	<u>-</u>	<u>712,310</u>
General expenses:												
96200	Other general expenses	25,761	-	-	-	341	104	39,521	-	6,168	-	71,895
96210	Compensated absences	221,759	3,237	1,481	-	2,370	14,821	107,552	17,244	275,954	-	644,418
96300	Payments in lieu of taxes	-	-	-	-	-	-	-	-	-	-	-
96400	Bad debt - tenant rents	64,461	-	-	-	-	-	-	-	-	-	64,461
96600	Bad debt - other	308,245	-	-	-	-	-	-	-	-	-	308,245
96800	Severance expense	-	-	-	-	-	-	-	-	-	-	-
96000	Total general expenses	<u>620,226</u>	<u>3,237</u>	<u>1,481</u>	<u>-</u>	<u>2,711</u>	<u>14,925</u>	<u>147,073</u>	<u>17,244</u>	<u>282,122</u>	<u>-</u>	<u>1,089,019</u>
96900	Total operating expenses	<u>12,120,558</u>	<u>57,462</u>	<u>97,640</u>	<u>-</u>	<u>52,914</u>	<u>358,223</u>	<u>3,802,964</u>	<u>199,404</u>	<u>3,300,287</u>	<u>(3,205,717)</u>	<u>16,783,735</u>
97000	Excess of operating revenue over operating expenses	<u>1,355,713</u>	<u>-</u>	<u>190,461</u>	<u>162,092</u>	<u>540,909</u>	<u>-</u>	<u>45,925,045</u>	<u>-</u>	<u>(71,465)</u>	<u>-</u>	<u>48,102,755</u>
97100	Extraordinary maintenance	-	-	-	-	-	-	-	-	-	-	-
97200	Casualty losses - non capitalized	161,307	-	-	-	-	-	-	-	-	-	161,307
97300	Housing assistance payments	-	-	-	162,092	536,258	-	48,395,145	-	-	-	49,093,495
97350	HAP portability- IN	-	-	-	-	-	-	-	-	-	-	-
97400	Depreciation expense	4,208,542	-	-	-	-	-	10,515	-	6,471	-	4,225,528
90000	Total expenses	<u>16,490,407</u>	<u>57,462</u>	<u>97,640</u>	<u>162,092</u>	<u>589,172</u>	<u>358,223</u>	<u>52,208,624</u>	<u>199,404</u>	<u>3,306,758</u>	<u>(3,205,717)</u>	<u>70,264,065</u>
Other financing sources (uses):												
10010	Operating transfer in	520,295	-	-	-	-	-	-	-	-	(520,295)	-
10020	Operating transfer out	(520,295)	-	-	-	-	-	-	-	-	520,295	-
10040	Operating transfer from/to component unit	-	-	-	-	-	-	-	-	-	-	-
10091	Inter project excess cash transfer in	310,000	-	-	-	-	-	-	-	-	(310,000)	-
10092	Inter project excess cash transfer out	(310,000)	-	-	-	-	-	-	-	-	310,000	-
10100	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	<b>EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES</b>	<u>\$ (3,014,136)</u>	<u>\$ -</u>	<u>\$ 190,461</u>	<u>\$ -</u>	<u>\$ 4,651</u>	<u>\$ -</u>	<u>\$ (2,480,615)</u>	<u>\$ -</u>	<u>\$ (77,936)</u>	<u>\$ -</u>	<u>\$ (5,377,575)</u>
<b>Memo Account Information</b>												
11020	Required annual debt principal payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning equity	114,393,085	-	3,106,570	-	84,799	-	2,721,071	-	1,329,565	-	121,635,090
11040	Prior period adjustments, equity transfers & correction	-	-	-	-	-	-	-	-	-	-	-
11170	Administrative fee equity	-	-	-	-	-	-	222,852	-	-	-	222,852
11180	Housing assistance payments equity	-	-	-	-	-	-	17,604	-	-	-	17,604
11190	Unit months available	22,992	-	-	348	1,200	-	94,847	-	-	-	119,387
11210	Number of unit months leased	21,742	-	-	320	1,164	-	86,145	-	-	-	109,371
11270	Excess cash	523,861	-	-	-	-	-	-	-	-	-	523,861
11620	Building purchases	1,513,075	-	-	-	-	-	-	-	-	-	1,513,075
11630	Furniture and equipment, dwelling purchases	-	-	-	-	-	-	-	-	-	-	-
11640	Furniture and equipment, admin purchases	-	-	-	-	-	-	-	-	-	-	-
11650	Leasehold improvements purchases	-	-	-	-	-	-	-	-	-	-	-

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS  
DECEMBER 31, 2015**

**2008 Capital Fund Program Grant**

	<b>MO16P002501-08</b>
Funds approved	\$ 3,569,210
Funds expended	3,569,210
Excess of funds approved	\$ -
Funds advanced	\$ 3,569,210
Funds expended	3,569,210
Excess of funds advanced	\$ -

**2009 Capital Fund Program Grant**

	<b>MO16P002501-09</b>
Funds approved	\$ 3,548,724
Funds expended	3,548,724
Excess of funds approved	\$ -
Funds advanced	\$ 3,548,724
Funds expended	3,548,724
Excess of funds advanced	\$ -

**2011 Capital Fund Program Grant**

	<b>MO16P002501-11</b>
Funds approved	\$ 2,920,093
Funds expended	2,920,093
Excess of funds approved	\$ -
Funds advanced	\$ 2,920,093
Funds expended	2,920,093
Excess of funds advanced	\$ -

**2012 Capital Fund Program Grant**

	<b>MO16P002501-12</b>
Funds approved	\$ 2,710,079
Funds expended	2,710,079
Excess of funds approved	\$ -
Funds advanced	\$ 2,710,079
Funds expended	2,710,079
Excess of funds advanced	\$ -

## **OTHER INFORMATION**

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
SCHEDULE OF CAPITAL FUND PROGRAM COSTS AND ADVANCES  
DECEMBER 31, 2015**

	501-11	501-12	501-13	501-14	501-15	Totals
<b>Budget</b>	<u>\$ 2,920,093</u>	<u>\$ 2,710,079</u>	<u>\$ 2,603,923</u>	<u>\$ 2,210,814</u>	<u>\$ 2,248,867</u>	<u>\$ 12,693,776</u>
Advances:						
Cumulative Through 12/31/14	\$ 2,619,169	\$ 2,464,440	\$ 771,470	\$ 663,243	\$ -	\$ 6,518,322
Current Year	300,924	245,640	1,024,989	313,923	745,180	2,630,656
Cumulative Through 12/31/15	<u>2,920,093</u>	<u>2,710,080</u>	<u>1,796,459</u>	<u>977,166</u>	<u>745,180</u>	<u>9,148,978</u>
Costs:						
Cumulative Through 12/31/14	2,644,601	2,484,896	824,765	663,243	-	6,617,505
Current Year	275,492	225,184	986,868	429,863	745,180	2,662,587
Cumulative Through 12/31/15	<u>2,920,093</u>	<u>2,710,080</u>	<u>1,811,633</u>	<u>1,093,106</u>	<u>745,180</u>	<u>9,280,092</u>
Excess / (Deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (15,174)</u>	<u>\$ (115,940)</u>	<u>\$ -</u>	<u>\$ (131,114)</u>
<b>Summary</b>						
Soft Costs:						
Cumulative Through 12/31/14	\$ 1,252,595	\$ 1,243,432	\$ 487,783	\$ 663,243	\$ -	\$ 3,647,053
Current Year	66,474	55,725	136,360	122,550	745,180	1,126,289
Cumulative Through 12/31/15	<u>1,319,069</u>	<u>1,299,157</u>	<u>624,143</u>	<u>785,793</u>	<u>745,180</u>	<u>4,773,342</u>
Hard Costs:						
Cumulative Through 12/31/14	1,392,006	1,241,464	336,982	-	-	2,970,452
Current Year	209,018	169,459	850,508	307,313	-	1,536,298
Cumulative Through 12/31/15	<u>1,601,024</u>	<u>1,410,923</u>	<u>1,187,490</u>	<u>307,313</u>	<u>-</u>	<u>4,506,750</u>
Total Cumulative	<u>\$ 2,920,093</u>	<u>\$ 2,710,080</u>	<u>\$ 1,811,633</u>	<u>\$ 1,093,106</u>	<u>\$ 745,180</u>	<u>\$ 9,280,092</u>

**SINGLE AUDIT REPORT**





**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 Commissioners  
Housing Authority of Kansas City, Missouri  
Kansas City, Missouri

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 Housing Authority of Kansas City, Missouri (the Authority), which comprise the statement of net position as of December 31, 2015, and the related statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated August 9, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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 the Authority'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 the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**CliftonLarsonAllen LLP**

Baltimore, Maryland  
August 9, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY THE UNIFORM GUIDANCE**

Board of Commissioners  
Housing Authority of Kansas City, Missouri  
Kansas City, Missouri

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

We have audited the Housing Authority of Kansas City, Missouri's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2015. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2015-001. Our opinion on each major federal program is not modified with respect to this matter.

The Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-001, that we consider to be a significant deficiency.

The Authority's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Commissioners  
Housing Authority of Kansas City, Missouri

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*CliftonLarsonAllen LLP*

**CliftonLarsonAllen LLP**

Baltimore, Maryland  
August 9, 2016

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
<b>Department of Housing and Urban Development Direct Programs</b>				
Continuum of Care	14.267	-	\$ -	\$ 162,092
PIH Family Self-Sufficiency Program	14.896	-	-	199,404
Public and Indian Housing	14.850	-	-	6,952,773
Public Housing Capital Fund Program	14.872	-	-	2,651,560
Housing Choice Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	-	-	52,210,199
Mainstream Vouchers (MS5)	14.879	-	-	589,172
Total Housing Choice Voucher Cluster			<u>-</u>	<u>52,799,371</u>
Total Department of Housing and Urban Development Direct Programs			-	62,765,200
<b>Department of Labor Direct Programs</b>				
Youthbuild	17.274	-	-	358,223
Total Department of Labor Direct Programs			<u>-</u>	<u>358,223</u>
Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 63,123,423</u>

See accompanying notes to this Schedule.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**DECEMBER 31, 2015**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Housing Authority of Kansas City, MO (the Authority) under programs of the federal government for the year ended December 31, 2015. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through, entity identifying numbers are presented where available. The Authority has elected to not use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 SUBRECIPIENTS**

The Authority was not a subrecipient of any federal awards and did not pass-through any federal awards to subrecipients.

**NOTE 4 NON-CASH FEDERAL ASSISTANCE**

The Authority did not receive any non-cash Federal assistance for the year ended December 31, 2015.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

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***Section I – Summary of Auditors’ Results***

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***Financial Statements***

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified? \_\_\_\_\_ yes        x   none reported
3. Noncompliance material to financial statements noted? \_\_\_\_\_ yes        x   no

***Federal Awards***

1. Internal control over major federal programs:
- Material weakness(es) identified? \_\_\_\_\_ yes        x   no
  - Significant deficiency(ies) identified?   x   yes      \_\_\_\_\_ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?   x   yes      \_\_\_\_\_ no

***Identification of Major Federal Programs***

<b>CFDA Number(s)</b>	<b>Name of Federal Program or Cluster</b>
14.850	Public and Indian Housing
14.872	Public Housing Capital Fund Program
14.871/14.879	Housing Choice Voucher Cluster

- Dollar threshold used to distinguish between Type A and Type B programs: \$   1,893,702
- Auditee qualified as low-risk auditee? \_\_\_\_\_ yes        x   no



**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

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***Section II – Financial Statement Findings***

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Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

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***Section III – Findings and Questioned Costs – Major Federal Programs***

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**2015-001**

**Federal Agency:** U.S. Department of Housing and Urban Development

**Federal Program:** Housing Choice Voucher Cluster

**CFDA Number:** 14.871/14.879

**Award Period:** January 1, 2015 through December 31, 2015

**Type of Finding:**

- Significant Deficiency in Internal Control over Compliance
- Compliance

**Condition:** During our testing, we noted that the Authority's internal controls did not always ensure that inspections were performed annually or a determination of reasonable rent was performed prior to the effective date of a rent change.

**Criteria or specific requirement:** The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control re-inspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d), 982.404 and 982.405(b)). 24 CFR 982.507 requires a PHA to determine the reasonable rent before any increase in rent to the owner and determine whether the rent to the owner is reasonable in comparison to rent for other comparable unassisted units.

**Questioned costs:** None

**Context:** Testing of 61 tenant files for annual HQS inspection purposes found 1 file that did not contain documentation of HQS inspections performed on an annual basis.

Testing of 61 tenant files for contract rent purposes found 1 file that did not comply with requirements. The file contained a reasonable rent determination form but it was prepared after the effective date of the rent change.

**Cause:** The Authority did not follow established procedures as documented in its Administrative Plan to ensure that annual inspections were performed annually or a determination of reasonable rent was performed prior to the effective date of a rent change.

**Effect:** The Authority did not perform certain inspections in the time frame required by their Administrative Plan and HUD regulations. The Authority may have disbursed HAP to landlords for

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

ineligible units. The Authority may have made incorrect payments to landlords or payments in excess of allowable rent standards.

**Repeat Finding:** Yes, prior year finding 2014-001

**Recommendation:** We recommend that management review the Authority's policy on annual inspections to determine whether any changes are necessary to ensure compliance.

We recommend the Authority review the checklists used by housing specialists when they complete a rent change to ensure the checklist adequately identifies all information required. In addition, we recommend the Authority provide additional training to the housing specialists with the files containing missing information.

**Views of responsible officials and planned corrective actions:** The Housing Authority generally concurs with the auditor's findings and recommendations. We are intensely working towards excellence in our HCV program and we will continue to perform quality control reviews to ensure that the files in our program exceeds expectations and resemble a high performing department.

**Explanation of disagreement with audit finding:** There is no disagreement with the audit finding.

**Actions planned in response to finding:** A reconciliation of the Authority's software system and PIC will be performed before the end of the fiscal year to ensure all inspections are up-to-date and properly recorded in both systems. Once the analysis is complete, this will be the standard operating procedure (SOP) and the inspections manager will perform this function on a monthly basis. The inspections manager will also run the past due inspections report monthly, which will provide any inspections that were not scheduled and performed in advance to ensure that we meet the requirements of annual inspections. Both the inspection manager and supervisor will be provided a follow-up training on the inspections system module in our current software system and in PIC so they are able to understand the system flow, including how to interpret the reports to help them better monitor the requirements of the program. During the last quarter of FY2016, a SOP will be created that will mandate that a rent reasonableness analysis is conducted before entering into a HAP contract and before any increase in the rent to owner. The SOP will require that the rent reasonableness documentation is printed and maintained in the HCV participant file. A mandatory training of the rent reasonableness SOP will be conducted for all HCV program specialists to ensure an understanding of the procedure for implementation. We will utilize resources such as the HAKC HCV Administrative Plan, Housing Choice Voucher Guidebook, and 24 CFR 982 Subpart I and 24 CFR 982.507 for this training.

**Responsible party:** HCVP Director

**Planned completion date for corrective action plan:** 12/31/2016

**Plan to monitor completion of corrective action plan:** The HCV Director and HCV program manager will monitor the HQS PIC report and software system monthly to ensure all annual inspections have been performed and recorded as required. We will continue to evaluate our existing controls to ensure that all required documentation is obtained and included in the HCV participant files.

**HOUSING AUTHORITY OF KANSAS CITY, MISSOURI  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2015**

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***Section IV – Prior Year Findings***

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**2014-001**

See current year finding 2015-001.

**Reason for finding's recurrence:** During this year's testing of tenant files for annual HQS inspections and reasonable rent requirements, we noted instances of noncompliance which are described in finding 2015-001.

**2014-002**

During this year's testing of contract files for Wage Rate (Davis Bacon) requirements, no instances of noncompliance were noted.

**2014-003**

During this year's testing of tenant files for eligibility requirements, no instances of noncompliance were noted.