

**HOUSING AUTHORITY OF THE CITY OF KYLE  
KYLE, TEXAS**

**BASIC FINANCIAL STATEMENTS  
AND  
INDEPENDENT AUDITOR'S REPORT**

**JUNE 30, 2016**

**BILL C. ROCHA  
CERTIFIED PUBLIC ACCOUNTANT  
SAN ANTONIO, TEXAS**

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**Housing Authority of the City of Kyle  
Kyle, Texas**

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## **FINANCIAL SECTION**

# BILL C. ROCHA

CERTIFIED PUBLIC ACCOUNTANT, PLLC, CGMA

Mail: P.O. Box 160127 78280-2327  
2101 Lockhill-Selma Road, Suite 216  
San Antonio, Texas 78213-1409

Telephone: (210) 499-5832  
Fax: (210) 499-0166  
E-Mail: billrocha@billrochacpa.com

## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners of the  
Housing Authority of the City of Kyle  
Kyle, Texas

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund of the Housing Authority of the City of Kyle as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Kyle's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of the Housing Authority of the City of Kyle, as of June 30, 2016, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.



## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 10 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Housing Authority of the City of Kyle's basic financial statements. The financial data schedule, statement and certification of actual capital fund program costs, and statement of capital fund program costs – incomplete is 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 capital fund program costs, and statement of capital fund program costs – incomplete 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 of capital fund program incomplete, and statement of capital fund complete are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2017 on our consideration of the Housing Authority of the City of Kyle'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 results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Kyle's internal control over financial reporting and compliance.



Bill C. Rocha  
Certified Public Accountant, PLLC, CGMA  
San Antonio, Texas  
March 31, 2017

# ***Kyle Housing Authority Management's Discussion and Analysis For the Year Ended June 30, 2016***

## **Introduction**

This Management's Discussion and Analysis (MD&A) of the Kyle Housing Authority (Authority) provides an introduction and overview to the financial statements of the Kyle Housing Authority for the fiscal year ended June 30, 2016. The Kyle Housing Authority presents this discussion and analysis of its financial performance during the fiscal year ended June 30, 2016, to assist the reader in focusing on significant financial issues.

The primary focus of the Authority's financial statements is on the statements of its single enterprise fund encompassing all programs administered by the Kyle Housing Authority. This information contained herein this MD&A should be considered in conjunction with the Authority's financial statements and related notes to the financial statements.

The Authority has three individual programs. They include the Low Rent Housing Program, the Capital Fund Program, and the Rural Development Housing Program.

The Low Rent Housing Program consists of 21 dwelling units. Funding is provided based on dwelling rents paid by the tenants and operating fund payments received by the Department of Housing & Urban Development (HUD) based on a formula.

The Capital Fund Program is also a formula based program from HUD. The purpose of this program is to provide funding for the modernization and improvement of the Low Rent Public Housing Program. These resources allow the Authority to provide capital improvements for the current dwelling structures and assist in their operations.

The Rural Development Housing Program consists of 30 units constructed from loans provided by the Department of Agriculture benefiting rural residents. The apartment complex is subsidized by the Department of Agriculture through Rural Rental Assistance payments provided. Tenants typically pay rent, which is 30 percent of their adjusted gross income. The remaining portion of rent is provided by Rural Development in the form of rental assistance.

## **Overview of the Financial Statements**

This overview of the financial statement is intended to inform and introduce the reader to the Authority's basic financial statements. The financial statements are comprised of three individual statements. These statements include:

- The Statement of Net Position
- The Statement of Revenues, Expenses, and Changes in Net Position
- The Statement of Cash Flows

## ***Management's Discussion and Analysis-Cont.***

**The Statement of Net Position** presents information on the assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the differences between them being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial situation of the Authority is improving or deteriorating. Net position is comprised of three individual components:

- *Net Investment in Capital Assets* consists of capital asset balances net of accumulated depreciation less any outstanding balances of related debt associated with these assets.
- *Restricted* component of net position consists of resources that are restricted by limitations placed on these resources by an external source or imposed by law through constitutional provisions.
- *Unrestricted* component of net position represents the remaining resources available that do not meet the definition of the above categories. The unrestricted component of net position is basically the amount of resources available for future year appropriations.

**The Statement of Revenues, Expenses, and Changes in Net Position** reports the operating revenues, operating expenses, non-operating revenues, and non-operating expenses of the Authority for the fiscal year ended June 30, 2016 to determine the change in net position for the fiscal year.

**The Statement of Cash Flows** reports cash activities for the fiscal year resulting from operating activities, investing activities, non-capital financing activities, and capital and related financing activities. The net result of these activities represents the increase or decrease of the cash equivalent account balance for the year ended June 30, 2016.

### **Financial Highlights**

- The Kyle Housing Authority's net position decreased from (\$61,924) to (\$67,201), a reduction of \$5,277 or 9%. Current assets increased to \$109,286 representing a 4% improvement, while current liabilities increased by \$4,493 or 10%. The total asset balance decreased by \$23,611 or 7%, while total liabilities were reduced from \$420,852 to \$402,518, a 4% change.
- Total revenues increased from \$269,625 to \$293,500, an increase of \$23,875 or 9%. Revenues are comprised of rental income, operating grants and capital grants, interest income, and other revenue.
- Total expenses increased by \$3,044, from \$295,733 to \$298,777 for the current year. This represents a 1% increase.

## *Management's Discussion and Analysis-Cont.*

### *Housing Authority Activities & Highlights*

The Authority's overall financial position and operations for the past two years are summarized below based on the information in the current and prior financial statements. The following table lists the asset and liability comparisons for the years ended June 30, 2016 and June 30, 2015.

#### **Kyle Housing Authority (Primary Government) Summary Statement of Net Position June 30, 2016 and 2015**

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
Current Assets	\$ 109,286	\$ 104,878	\$ 4,408	4%
Noncurrent Assets	\$ 226,031	\$ 254,050	\$ (28,019)	-11%
Total Assets	\$ 335,317	\$ 358,928	\$ (23,611)	-7%
Current Liabilities	\$ 49,756	\$ 45,263	\$ 4,493	10%
Noncurrent Liabilities	\$ 352,762	\$ 375,589	\$ (22,827)	-6%
Total Liabilities	\$ 402,518	\$ 420,852	\$ (18,334)	-4%
Unrestricted	\$ 42,534	\$ 38,124	\$ 4,410	12%
Restricted	\$ 28,930	\$ 32,496	\$ (3,566)	-11%
Investment in Capital Assets	\$ (138,665)	\$ (132,544)	\$ (6,121)	-5%
Total Net Position	\$ (67,201)	\$ (61,924)	\$ (5,277)	-9%

#### *Current Assets*

Current assets increased by \$4,408, or 4% from the previous year. Total cash increased by \$3,474 primarily due to an excess of operating revenues over operating expenses recorded in the current fiscal year

#### *Noncurrent Assets*

Capital assets decreased by \$28,019 due to the charging of depreciation expense exceeding additions in buildings and equipment during the current fiscal year. For further details, see the following section related to capital assets.

#### *Current Liabilities*

Current liabilities increased by \$4,493, or 10% from the previous year. The increase was primarily due to an increase in accounts payable. Accounts payable increased from \$8,308 to \$9,733 and accounts payable – other government increased by \$1,078.

#### *Noncurrent Liabilities*

Noncurrent liabilities decreased by \$22,827 or 6% due primarily to a reduction in long-term debt which decreased from \$368,532 to \$344,484.

## ***Management's Discussion and Analysis-Cont.***

### **Housing Authority Activities & Highlights (continued)**

#### ***Restricted***

Restricted component of net position decreased from \$32,496 to \$28,930. Restricted component of net position consists of the classification of a maintenance reserve on the Rural Development Housing Program.

#### ***Unrestricted***

The Authority's unrestricted component of net position increased by \$4,410 or 12% from the previous year. The unrestricted component of net position is the amount available for future appropriations. These balances are subject to program specific guidelines. Individual program balances are as follows:

Low Rent Housing Program	\$	65,593
Rural Development Housing Program		<u>(24,059)</u>
Total Unrestricted Net Assets	\$	<u>42,534</u>

## *Management's Discussion and Analysis-Cont.*

### *Housing Authority Activities & Highlights (continued)*

**Kyle Housing Authority (Primary Government)**  
**Summary Statement of Revenues & Expenses and Changes in Net Position**  
**Years Ended June 30, 2016 and 2015**

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
Tenant Revenue	\$ 168,412	\$ 159,115	\$ 9,297	6%
HUD Operating Grants	\$ 117,616	\$ 109,604	\$ 8,012	7%
Capital Grants	\$ 3,000	\$ 862	\$ 2,138	248%
Interest Income	\$ 44	\$ 44	\$ -	0%
Other Revenue	\$ 4,428	\$ -	\$ 4,428	N/A
Total Revenue	\$ 293,500	\$ 269,625	\$ 23,875	9%
Administration	\$ 80,633	\$ 80,807	\$ (174)	0%
Utilities	\$ 35,805	\$ 34,741	\$ 1,064	3%
Ordinary Maintenance	\$ 92,036	\$ 95,278	\$ (3,242)	-3%
General Expense	\$ 21,620	\$ 18,099	\$ 3,521	19%
Interest Expense	\$ 30,326	\$ 31,742	\$ (1,416)	-4%
Casualty Loss - Non-capitalized	\$ 5,400	\$ -	\$ 5,400	N/A
Depreciation	\$ 32,957	\$ 35,066	\$ (2,109)	-6%
Total Expenses	\$ 298,777	\$ 295,733	\$ 3,044	1%
Excess of Revenue over Expenses	\$ (5,277)	\$ (26,108)	\$ 20,831	-80%
Net Position, Beginning of Year	\$ (61,924)	\$ (35,816)	\$ (26,108)	-73%
Net Position, End of Year	\$ (67,201)	\$ (61,924)	\$ (5,277)	-9%

### **Results of Operations**

Total revenues increased by \$23,875 or 9% from the previous year. Notable changes as compared from the previous year include:

- Tenant revenue increased by \$9,297 or 6% from the previous year. This change was due to tenant rental revenues associated with the Low Rent Housing Program which increased from \$67,535 to \$75,508, an increase of \$7,973 or 12%. This increase in rental revenue for the Low Rent Housing Program was due to an increase in unit months leased for the year, from 243 to 251 in the current year and the average monthly rent changing from \$279 to \$317.
- Operating grants increased by \$8,012 or 7% from the previous year. Low Rent Program operating subsidy decreased by \$163, CFP operating subsidy decreased by \$450, and Section 8 funding increased by \$8,625.

## *Management's Discussion and Analysis-Cont.*

### *Housing Authority Activities & Highlights (continued)*

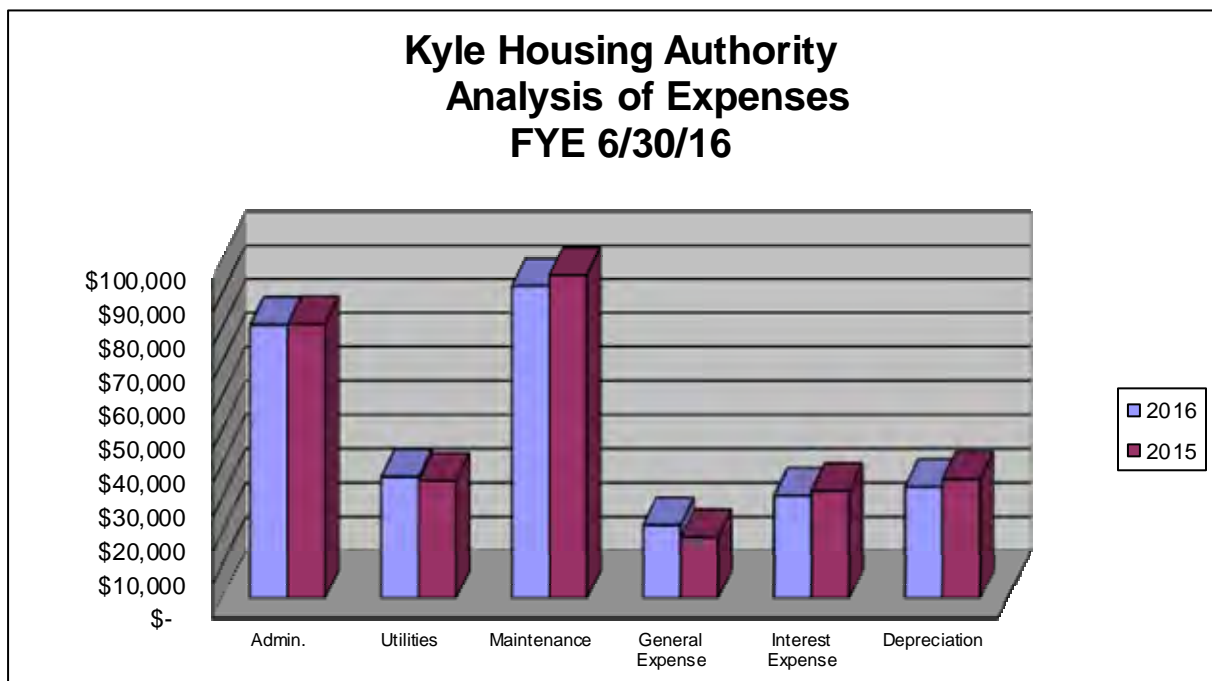
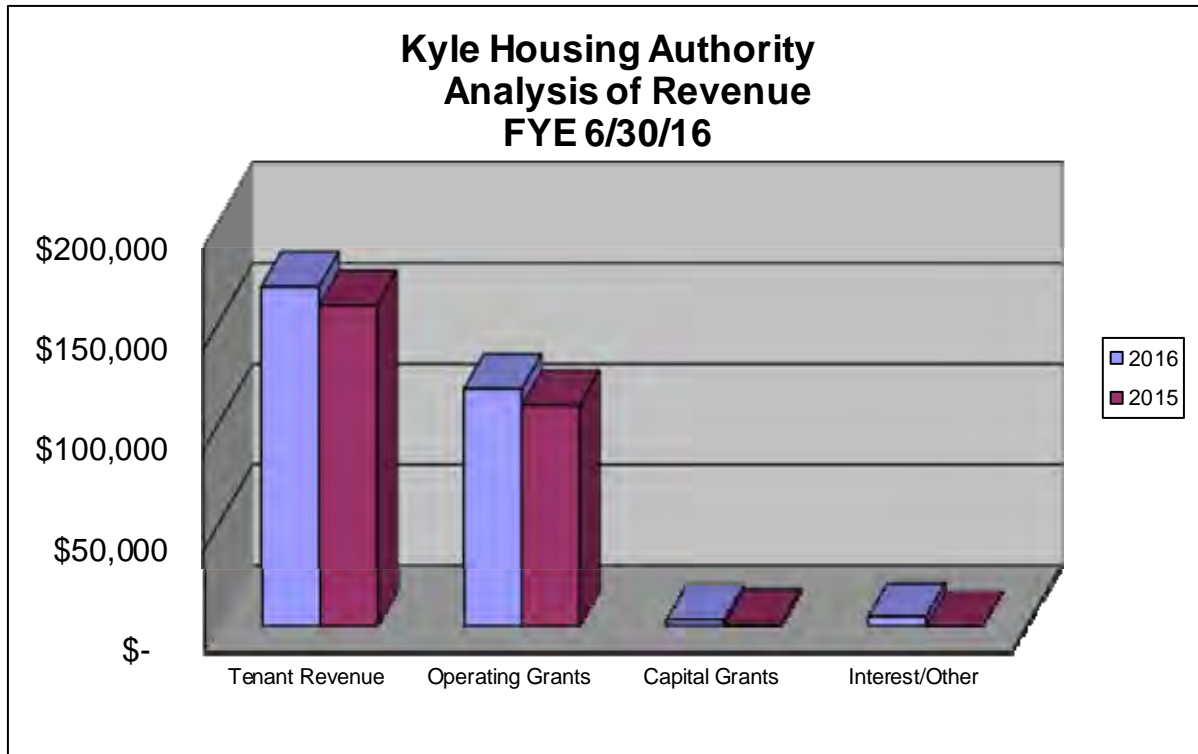
- Capital grants increased by \$2,138 due to increased activity related to capitalized costs in the Capital Fund Program.

Total expenses increased by \$3,044 or 1% from the previous year. Significant changes from the previous year include:

- Ordinary maintenance expenses decreased by \$3,242 or 3%, due primarily to a reduction in heating and cooling contracts. The Low Rent Housing Program and the Rural Development Housing Program decreased their spending on heating and cooling contracts by \$4,239 combined. In addition, the plumbing contracts reduced from \$5,482 to \$2,568 in the current year. Landscape and grounds contracts did increase by \$2,000.
- General expense increased from \$18,099 to \$21,620, a change of \$3,521 or 19%. The primary reason for the change is an increase in PILOT liability from \$4,490 in the previous year to \$5,567 in the current year. Also, bad debts – tenant rents were \$841 in the previous year and \$3,390 in the current year.
- There was a casualty loss of \$5,400 to the Rural Development Housing Program in the current year. This was due to fire and smoke damages.

## *Management's Discussion and Analysis-Cont.*

We have provided the following presentation to demonstrate the revenue and expenses by summarized account category:





## ***Management's Discussion and Analysis-Cont.***

### ***Capital Assets***

As of June 30, 2016, the Kyle Housing Authority's investment in net capital assets was (\$138,665). This investment includes land, building, and equipment. The principal balance of the notes payable has been deducted from the cost of the capital assets in the calculation of the investment of net capital assets.

#### **Summary Statement of Capital Assets June 30, 2016 and 2015**

<u>Category</u>	<u>FYE 2016</u>	<u>FYE 2015</u>	<u>Change \$</u>	<u>Change %</u>
Land	\$ 61,555	\$ 61,555	\$ -	0%
Buildings	\$ 1,568,453	\$ 1,568,453	\$ -	0%
Equipment	\$ 141,696	\$ 139,758	\$ 1,938	1%
Construction in Progress	\$ 3,000	\$ -	\$ 3,000	N/A
Accumulated Depreciation	\$ (1,548,673)	\$ (1,515,716)	\$ (32,957)	2%
Total Capital Assets	\$ 226,031	\$ 254,050	\$ (28,019)	-11%

Equipment increased by \$1,938 or 1% in the current year due to the purchase of an A/C compressor in the Rural Development Program.

Construction in progress (CIP) increased by \$3,000 in the current year due to unit modernization. The CIP is funded with the 2014 CFP grant.

### ***Debt Administration***

The Rural Development Program was financed through notes issued by the Department of Agriculture. The principal amount of these notes decreased by \$21,899, from \$386,595 to \$364,696 for the current year. No additional debt has been incurred during the current fiscal year.

The Authority classifies a portion of the employee's leave as long term debt. This is because the Authority does not anticipate paying out the total amount accrued in the upcoming fiscal year. The amount estimated as long term for the current year was \$8,278.

### **Subsequent Events**

Due to the 2017 Congressional Appropriations, the Authority's operating subsidy provided by HUD for the Low Rent Housing Program is estimated at 85% for the calendar year 2017.

The anticipation of the federal administration focus on decreasing funding for social programs may place a strain on the Housing Authority's budget which will be reflected on increasing expenses and less funding. Our two housing complexes, Charles Young and Pete Dressen were built in 1978 and 1980, respectively; these structures are aging thereby requiring continued maintenance and repairs. These two structures were developed from two separate federal agencies which each have different sets of rules and regulations. Pete Dressen Housing is operated with Rural Development which does not provide any administration operating funds or maintenance budget funding; which provides a dilemma on adequately sharing costs among both housing complexes.

We are slowly reducing costs by attempting to streamline operations by combining functions and transitioning to electronic operations. This will necessitate upgrading both the hardware and appropriate software.

Charles Young Housing is operated under the Department of Housing and Urban Development whose funding includes a once a year appropriation for major repairs and renovation expenses. Presently we will be renovating the bathrooms of three units. We expect to let contracts for those units this month.

There are plans to continue with renovations using Capital Fund monies; under consideration are relocating the Mail Kiosk and increasing the parking area,

The Kyle Housing Authority does not have any lawsuits or grievances pending nor are any anticipated in the near future.

### **Request for Information**

This financial report is designed to provide a general overview of the Authority's accountability for all those interested.

If you should have additional questions regarding the financial information, you can contact our office in writing at the following address:

Kyle Housing Authority  
Frank Arredondo, Executive Director  
P.O. Box 130  
Kyle, TX 78640

## **BASIC FINANCIAL STATEMENTS**

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**Government-Wide Financial Statements**

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**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement of Net Position**

**June 30, 2016**

	<b>Business-Type Activities</b>
<b><u>ASSETS</u></b>	
<b>Assets:</b>	
Cash and Cash Equivalents	\$ 44,556
Receivables:	
Tenant Receivables	1,222
Due from Other Government	-
Due From HUD	-
Investments	31,724
Inventories - Cost	233
Prepaid Expenses	2,616
Other Assets	5
Restricted Cash	28,930
Land	61,555
Buildings and Equipment, Net	161,476
Construction in Progress	3,000
<b>Total Assets</b>	<b>335,317</b>
<b><u>LIABILITIES</u></b>	
<b>Liabilities:</b>	
Accounts Payable	9,733
Accrued Payroll Liabilities and Other Accruals	1,557
Due to Other Governments	5,567
Accrued Vacation Payable - Current	3,441
Tenant Security Deposits Payable	8,531
Notes Payable - Current Year	20,212
Accrued Interest Payable	-
Accrued Vacation Payable - Long Term Portion	8,278
Notes Payable - Long Term Portion	344,484
<b>Total Liabilities</b>	<b>401,803</b>
<b>Deferred Inflows of Resources:</b>	
Tenant Revenues paid in advance	715
<b>Total Deferred Inflows of Resources:</b>	<b>715</b>
<b><u>NET POSITION</u></b>	
Invested in Capital Assets, Net of Related Debt	(138,665)
Restricted Net Position	28,930
Unrestricted Net Position	42,534
<b>Total Net Position</b>	<b>\$ (67,201)</b>

The notes to the financial statements are an integral part of this statement.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement of Revenues, Expenses, and Changes in Fund Net Position**

**For the Fiscal Year Ended June 30, 2016**

	<b>Business-Type Activities</b>
<b>Operating Revenues:</b>	
Charges for Services and Rents	\$ 168,412
Operating Grants and Contributions	117,616
Other Revenues	4,428
<b>Total Operating Revenues</b>	<b>290,456</b>
<b>Operating Expenses:</b>	
Administrative	80,633
Utilities	35,805
Maintenance and Operations	92,036
General	21,620
Depreciation	32,957
<b>Total Operating Expenses</b>	<b>263,051</b>
<b>Operating Income (Loss)</b>	<b>27,405</b>
<b>Nonoperating Revenues (Expenses)</b>	
Capital Grants	3,000
Interest Income	44
Interest Expense	(30,326)
Casualty Losses	(5,400)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(32,682)</b>
Income (Loss) before Contributions	<b>(5,277)</b>
<b>Contributions and Transfers</b>	
Capital Contributions	-
<b>Change in Net Position</b>	<b>(5,277)</b>
<b>Net Position - Beginning</b>	<b>(61,924)</b>
<b>Net Position - Ending</b>	<b>\$ (67,201)</b>

The notes to the financial statements are an integral part of this statement.



**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement of Cash Flows**

**For the Fiscal Year Ended June 30, 2016**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from Tenants	\$ 168,412
Receipts from (Payments to) Other Governments	78,211
Payments to Vendors/Suppliers	(162,285)
Payments to Employees	(70,532)
Receipts from HUD	46,833
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>60,639</u>
<b>CASH FLOW FROM NONCAPITAL ACTIVITIES</b>	
Operating Transfers	-
<b>NET CASH PROVIDED BY CAPITAL AND RELATED</b>	<u>-</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal Paid on Notes Payable	(21,898)
Interest Paid on Notes Payable	(30,326)
<b>NET CASH PROVIDED BY CAPITAL AND RELATED</b>	<u>-</u>
<b>FINANCING ACTIVITIES</b>	<u>(52,224)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment in Fixed Assets	(4,941)
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>(4,941)</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	3,474
<b>BALANCES - BEGINNING OF YEAR</b>	70,012
<b>BALANCES - END OF YEAR</b>	<u>\$ 73,486</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Change in Net Assets	\$ (5,277)
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities</b>	
Depreciation Expense	32,957
Interest Expense on Long-Term Notes Payable	30,326
<b>Changes in Assets and Liabilities</b>	
(Increase) Decrease in Accounts Receivable - Tenants	(656)
(Increase) Decrease in Due from Other Funds	1,218
(Increase) Decrease in Inventories	539
(Increase) Decrease in Prepaid Expenses	(816)
Increase (Decrease) in Accounts Payable	1,425
Increase (Decrease) in Accrued Payroll Liabilities and Other Accruals	10
Increase (Decrease) in Due to Other Governments	1,078
Increase (Decrease) in Accrued Vacation Payable	904
Increase (Decrease) in Tenant Security Deposits	(493)
Increase (Decrease) in Deferred Revenues	642
Changes in Interprogram - Due From/Interprogram - Due To	(1,218)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 60,639</u>
<b>Cash and Cash Equivalents Includes:</b>	
Cash	\$ 44,556
Restricted Cash	28,930
<b>Total Cash and Cash Equivalents</b>	<u>\$ 73,486</u>

The notes to the financial statements are an integral part of this statement.

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## **Fund Financial Statements**

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement of Net Position  
Proprietary Funds**

**For the Fiscal Year Ended June 30, 2016**

	<u>Programs</u>		
	<u>Low Rent Public Housing</u>	<u>Capital Fund Program</u>	<u>Total Programs</u>
<b><u>ASSETS</u></b>			
<b>Assets:</b>			
Cash and Cash Equivalents	\$ 38,189	\$ -	\$ 38,189
Receivables			
Tenant Receivables	34	-	34
Interprogram - Due From	32,680	-	32,680
Due from Other Government	-	-	-
Due From HUD	-	-	-
Investments	12,724	-	12,724
Inventories - Cost	114	-	114
Prepaid Expenses	1,196	-	1,196
Other Assets	2	-	2
Restricted Cash	-	-	-
Land	9,700	-	9,700
Buildings and Equipment, Net	132,431	-	132,431
Construction in Progress	3,000	-	3,000
<b>Total Assets</b>	<u>230,070</u>	<u>-</u>	<u>230,070</u>
<b><u>LIABILITIES</u></b>			
<b>Liabilities:</b>			
Accounts Payable	4,861	-	4,861
Accrued Payroll Liabilities and Other Accruals	739	-	739
Due to Other Governments	5,567	-	5,567
Accrued Vacation Payable - Current	1,504	-	1,504
Interprogram - Due To	-	-	-
Tenant Security Deposits Payable	2,350	-	2,350
Notes Payable - Current	-	-	-
Accrued Interest Payable	-	-	-
<b>Long Term Liabilities:</b>			
Accrued Vacation Payable - Long Term Portion	3,321	-	3,321
Notes Payable - Long Term Portion	-	-	-
<b>Total Liabilities</b>	<u>18,342</u>	<u>-</u>	<u>18,342</u>
<b>Deferred Inflows of Resources:</b>			
Tenant Revenues paid in advance	4	-	4
<b>Total Deferred Inflows of Resources</b>	<u>4</u>	<u>-</u>	<u>4</u>
<b><u>NET POSITION</u></b>			
Invested in Capital Assets, Net of Related Debt	145,131	-	145,131
Restricted	-	-	-
Unrestricted	66,593	-	66,593
<b>Total Net Position</b>	<u>\$ 211,724</u>	<u>\$ -</u>	<u>\$ 211,724</u>

The notes to the financial statements are an integral part of this statement.

<b>Projects</b>			
Rural Rental Housing Loans	Other Non-Major Projects	Total Projects	Total
\$ 6,367	\$ -	\$ 6,367	\$ 44,556
1,188	-	1,188	1,222
-	-	-	32,680
-	-	-	-
-	-	-	-
19,000	-	19,000	31,724
119	-	119	233
1,420	-	1,420	2,616
3	-	3	5
28,930	-	28,930	28,930
51,855	-	51,855	61,555
29,045	-	29,045	161,476
-	-	-	3,000
<u>137,927</u>	<u>-</u>	<u>137,927</u>	<u>367,997</u>
4,872	-	4,872	9,733
818	-	818	1,557
-	-	-	5,567
1,937	-	1,937	3,441
32,680	-	32,680	32,680
6,181	-	6,181	8,531
20,212	-	20,212	20,212
-	-	-	-
4,957	-	4,957	8,278
<u>344,484</u>	<u>-</u>	<u>344,484</u>	<u>344,484</u>
<u>416,141</u>	<u>-</u>	<u>416,141</u>	<u>434,483</u>
711	-	711	715
<u>711</u>	<u>-</u>	<u>711</u>	<u>715</u>
(283,796)	-	(283,796)	(138,665)
28,930	-	28,930	28,930
(24,059)	-	(24,059)	42,534
<u>\$ (278,925)</u>	<u>\$ -</u>	<u>\$ (278,925)</u>	<u>\$ (67,201)</u>

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds**

**For the Fiscal Year Ended June 30, 2016**

	<b>Programs</b>		
	Low Rent Public Housing	Capital Fund Program	Total Programs
<b>Operating Revenues:</b>			
Charges for Services and Rents	\$ 77,219	\$ -	\$ 77,219
Operating Grants	37,405	2,000	39,405
Other Revenues	-	-	-
<b>Total Operating Revenues</b>	114,624	2,000	116,624
<b>Operating Expenses:</b>			
Administrative	36,164	-	36,164
Utilities	19,511	-	19,511
Maintenance and Operations	42,906	-	42,906
General	12,411	-	12,411
Depreciation	26,616	-	26,616
<b>Total Operating Expenses</b>	137,608	-	137,608
<b>Operating Income (Loss)</b>	(22,984)	2,000	(20,984)
<b>Nonoperating Revenues (Expenses)</b>			
Capital Grants	-	3,000	3,000
Interest Income	22	-	22
Interest Expense	-	-	-
Casualty Losses	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	22	3,000	3,022
Income (Loss) before Contributions	(22,962)	5,000	(17,962)
<b>Contributions and Transfers</b>			
Capital Contributions	-	-	-
<b>Change in Net Position</b>	(22,962)	5,000	(17,962)
<b>Total Change in Net Position</b>			
<b>Operating Transfers In (Out)</b>	5,000	(5,000)	-
<b>Equity Transfers In (Out)</b>	-	-	-
<b>Net Position - Beginning</b>	229,686	-	229,686
<b>Net Position - Ending</b>	\$ 211,724	\$ -	\$ 211,724

The notes to the financial statements are an integral part of this statement.

<b>Projects</b>			
Rural Rental Housing Loans	Other Non-Major Projects	Total Projects	Total
\$ 91,193	\$ -	\$ 91,193	\$ 168,412
-	78,211	78,211	117,616
4,428	-	4,428	4,428
<u>95,621</u>	<u>78,211</u>	<u>173,832</u>	<u>290,456</u>
44,469	-	44,469	80,633
16,294	-	16,294	35,805
49,130	-	49,130	92,036
9,209	-	9,209	21,620
6,341	-	6,341	32,957
<u>125,443</u>	<u>-</u>	<u>125,443</u>	<u>263,051</u>
<u>(29,822)</u>	<u>78,211</u>	<u>48,389</u>	<u>27,405</u>
-	-	-	3,000
22	-	22	44
(30,326)	-	(30,326)	(30,326)
(5,400)	-	(5,400)	(5,400)
<u>(35,705)</u>	<u>-</u>	<u>(35,705)</u>	<u>(32,682)</u>
(65,526)	78,211	12,685	(5,277)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(65,526)	78,211	12,685	(5,277)
78,211	(78,211)	-	-
-	-	-	-
<u>(291,610)</u>	<u>-</u>	<u>(291,610)</u>	<u>(61,924)</u>
<u>\$ (278,925)</u>	<u>\$ -</u>	<u>\$ (278,925)</u>	<u>\$ (67,201)</u>

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement of Cash Flows  
Proprietary Funds**

**For the Fiscal Year Ended June 30, 2016**

	<b>Programs</b>	
	Low Rent Public Housing	Capital Fund Program
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Tenants	\$ 77,219	\$ -
Receipts from (Payments to) Other Governments	-	-
Payments to Vendors/Suppliers	(73,734)	-
Payments to Employees	(35,044)	-
Internal Activity - Payments/Receipts to/from other funds	1,218	-
Receipts from HUD	37,405	5,000
Housing Assistance Payments	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>7,064</u>	<u>5,000</u>
<b>CASH FLOW FROM NONCAPITAL ACTIVITIES</b>		
Operating Transfers	5,000	(5,000)
<b>NET CASH PROVIDED BY CAPITAL AND RELATED</b>	<u>5,000</u>	<u>(5,000)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal Paid on Notes Payable	-	-
Interest Paid on Notes Payable	-	-
<b>NET CASH PROVIDED BY CAPITAL AND RELATED</b>	<u>-</u>	<u>-</u>
<b>FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in Fixed Assets	(3,000)	-
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<u>(3,000)</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS</b>	9,064	-
<b>BALANCES - BEGINNING OF YEAR</b>	29,125	-
<b>BALANCES - END OF YEAR</b>	<u>\$ 38,189</u>	<u>\$ -</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</b>		
<b>PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ (22,962)	\$ 5,000
<b>Adjustments to Reconcile Operating Income to Net Cash</b>		
<b>Provided by Operating Activities</b>		
Depreciation Expense	26,616	-
Interest Expense on Long-Term Notes Payable	-	-
<b>Changes in Assets and Liabilities</b>		
(Increase) Decrease in Accounts Receivable - Tenants	(33)	-
(Increase) Decrease in Due from Other Funds	1,218	-
(Increase) Decrease in Inventories	201	-
(Increase) Decrease in Prepaid Expenses	(355)	-
Increase (Decrease) in Accounts Payable	831	-
Increase (Decrease) in Accrued Payroll Liabilities and Other Accruals	(1)	-
Increase (Decrease) in Due to Other Governments	1,078	-
Increase (Decrease) in Accrued Vacation Payable	452	-
Increase (Decrease) in Tenant Security Deposits	75	-
Increase (Decrease) in Deferred Revenues	(56)	-
Changes in Interprogram - Due From/Interprogram - Due To	-	-
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>\$ 7,064</u>	<u>\$ 5,000</u>
<b>Cash and Cash Equivalents Includes:</b>		
Cash	\$ 38,189	\$ -
Restricted Cash	-	-
<b>Total Cash and Cash Equivalents</b>	<u>\$ 38,189</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.



**Projects**

Rural Rental Housing Loans		Other Non-Major Projects	Total
\$ 91,193	\$ -	\$ -	\$ 168,412
-	78,211	-	78,211
(88,551)	-	-	(162,285)
(35,488)	-	-	(70,532)
(1,218)	-	-	-
4,428	-	-	46,833
-	-	-	-
<u>(29,636)</u>	<u>78,211</u>	<u>-</u>	<u>60,639</u>
<u>78,211</u>	<u>(78,211)</u>	<u>-</u>	<u>-</u>
<u>78,211</u>	<u>(78,211)</u>	<u>-</u>	<u>-</u>
(21,898)	-	-	(21,898)
<u>(30,326)</u>	<u>-</u>	<u>-</u>	<u>(30,326)</u>
<u>(52,224)</u>	<u>-</u>	<u>-</u>	<u>(52,224)</u>
<u>(1,941)</u>	<u>-</u>	<u>-</u>	<u>(4,941)</u>
<u>(1,941)</u>	<u>-</u>	<u>-</u>	<u>(4,941)</u>
(5,590)	-	-	3,474
40,887	-	-	70,012
<u>\$ 35,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,486</u>
\$ (65,526)	\$ 78,211	\$ -	\$ (5,277)
6,341	-	-	32,957
30,326	-	-	30,326
(623)	-	-	(656)
-	-	-	1,218
338	-	-	539
(461)	-	-	(816)
594	-	-	1,425
11	-	-	10
-	-	-	1,078
452	-	-	904
(568)	-	-	(493)
698	-	-	642
(1,218)	-	-	(1,218)
<u>\$ (29,636)</u>	<u>\$ 78,211</u>	<u>\$ -</u>	<u>\$ 60,639</u>
\$ 6,367	\$ -	\$ -	\$ 44,556
28,930	-	-	28,930
<u>\$ 35,297</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,486</u>

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**A. Reporting Entity**

The Housing Authority of the City of Kyle (the Authority) was established for the purpose of engaging in the development, acquisition, leasing, and administration of low-cost housing for individuals meeting criteria established by the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture. The governing body of the Authority is its Board of Commissioners. The Authority is fiscally independent of the City of Kyle (the City) and is not considered a component unit of the City as the Board of Commissioners independently oversees the Authority's operations.

A reporting entity consists of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The criteria for including other organizations as component units within the Authority's reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's Codification of Government Accounting and Financial Reporting Standards include:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

Income received or generated by the Authority is exempt from federal income tax under section 115(a)(1) of the Internal Revenue Code of 1986, as amended.

**B. Government-wide and Fund Financial Statements**

The Authority reports in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34, as amended by GASB Statement No. 37, and effective portions of GASB Statement No. 38. The objective of Statement No. 34, as amended, is to enhance the understandability and usefulness of the general purpose external financial reports of state and local governments to the citizenry, legislative and oversight bodies, and investors and creditors. As a result of Statement No. 34, as amended, the Authority's financial report is required to include a Management's Discussion and Analysis, Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and required Supplemental Information.

The Government-Wide financial statements (i.e., the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Fund Net Position, and the Statement of Cash Flows) report information on all activities of the Authority. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by grants, interest income and transfers, are reported separately from business-type activities, which rely to a significant extent on federal grants, interest income, mortgage repayments and bond proceeds for support. However in accordance with recommendations from the U.S. Department of Housing and Urban Development (HUD), all activities related to housing that are funded by HUD subsidies have been classified as business-type activities.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**B. Government-wide and Fund Financial Statements (continued)**

The Statement of Revenues, Expenses and Changes in Fund Net Position demonstrates the degree to which expenses are offset by revenues. Separate financial statements are provided for proprietary funds. Major individual enterprise funds are reported in separate columns in the fund financial statements.

The Statement of Cash Flows provides information on the Authority's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities. This statement provides information on the sources and uses of cash and the change in cash and cash equivalents balance during the current fiscal year.

The Authority adopted the reporting requirements of Government Accounting Standards Board Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, which is effective for financial statements for periods beginning after December 15, 2012. GASB Statement No. 63 adds the financial statement elements of deferred outflows or resources and deferred inflows of resources to the financial statements of all fund types and activities.

**Measurement Focus, Basis of Accounting, and Financial Statement Preparation**

The government-wide financial statements are reported using the *economic resources management focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenue to be available if they are collected within 60 days of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when the payment is due.

Grant revenue, tenant charges and interest associated within the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Authority.

The Authority reports the following major and non-major proprietary funds:

**Business-Type Funds**

Low Rent Public Housing (Major Fund) – This program is the Authority's primary source of operating funds. It is designed to provide subsidized housing to low income residents. The Authority receives dwelling rental income from residents and operating subsidies provided by HUD.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**B. Government-wide and Fund Financial Statements (continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Preparation (continued)**

N/C S/R Section 8 Program (Major Fund) – Under this program, the Authority provides rental assistance for eligible low-income persons in connection with newly constructed, privately owned rental housing financed with any type of construction or permanent financing. The Authority entered into a note payable agreement with USDA in 1979 and constructed thirty units.

Public Housing Capital Fund Program (Non-Major Fund) – Under this program, HUD provides the Authority with funding for capital and management activities, including modernization and development of public housing development and for management improvements to assure that they continue to be available to low-income housing residents.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Allowance for Doubtful Accounts**

The Authority records an allowance for doubtful accounts for estimating tenant accounts receivable when management deems them to be uncollectible.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**B. Government-wide and Fund Financial Statements (continued)**

**Fixed Assets and Depreciation**

Property and equipment are stated at cost and are depreciated using the straight-line method over their estimated lives of 5 to 40 years.

Repairs and maintenance are charged to costs and expenses as incurred. Renewals and betterments which add significantly to the utility or useful life of the asset are capitalized. Upon retirement or disposition of assets, related gains or losses are reflected in operations.

**Inventory Valuation**

Inventory in proprietary fund consists of supplies held for consumption stated at the lower of cost or market on a first in, first out basis.

**Prepaid Expenses**

Prepaid expenses record payment to vendors that benefit future reporting periods and are also reported on the consumption basis.

Both inventory and prepaid expenses are similarly reported in the government-wide and fund financial statements.

**Compensated Absences**

Employees are allowed to accrue vacation time according to their years of service. An employee can accrue vacation leave of 6.66 hours for each month's service to a maximum of 80 hours per year. Vacation leave shall begin to accrue at the end of the first full month of employment but no employee shall be allowed to use any vacation leave until he has completed one year's service. An employee may accrue three weeks vacation leave after five years of service. An employee may accrue four weeks of vacation leave after ten years of service. An employee may accrue five weeks vacation leave after fifteen years of service. Five weeks shall be the maximum vacation leave for the Authority's employees.

As of June 30, 2016, the balance of accrued compensated absences is \$ 11,719 and included in accrued liabilities in the government-wide and fund financial statements.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from those estimates.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**B. Government-wide and Fund Financial Statements (continued)**

**Net Position**

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capitals assets, net of related accumulated depreciation, reduced by the outstanding balances of borrowing funds for the acquisition, construction, improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use by restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position is reported as unrestricted if they do not fall within the categories that are presented in the text above. It is the Authority's policy to use unrestricted net assets if restricted net assets are unavailable to fund operations.

**C. Cash, Restricted Cash and Investments**

**Cash**

The Authority's funds are required to be deposited and invested under the terms of a depository contract pursuant to federal and state regulations. The depository bank deposits for safekeeping and trust with the Authority's agent bank approved pledged securities in an amount sufficient to protect the Authority's funds on a day to day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2016, the carrying amount of the Authority's deposits, including certificates of deposit, was \$ 105,210 and the bank balance was \$ 111,996 The Authority's cash deposits at June 30, 2016, were entirely covered by FDIC insurance or by pledged collateral held by the Authority's agent bank in the Authority's name.

**Restricted Cash**

In accordance with a note payable agreement with USDA, certain restricted cash accounts need to be maintained by the Authority. At June 30, 2016, the Authority's restricted cash balance consisted of the following:

Mortgage Escrow Deposits	\$	779
Replacement Reserve		<u>28,151</u>
<b>Total Restricted Cash</b>	<b>\$</b>	<b><u><u>28,930</u></u></b>

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**C. Cash, Restricted Cash and Investments (continued)**

**Investments**

The Texas Public Funds Investment Act (Texas Government Code Chapter 2256) (the Act) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the Authority to adopt, implement, and publicize an investment policy. The Act also requires the Authority to have independent auditors perform test procedures related to investment practices as provided by the Act. The Authority is in substantial compliance with the requirements of the Act and with local policies.

The Authority invests funds at its own discretion in accordance with its investment policy. Investments are reported at cost, which approximates fair value. Investments consisted of certificates of deposits, which are not subject to interest rate risk, and consisted of the following at June 30, 2016:

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Cost</u>
Certificates of Deposit	0.05% - 0.05%	6 Months	\$ 31,724

**Concentration of Credit Risk**

The full amount of the Authority's cash, restricted cash, and investments is held on deposit with one issuer, Wells Fargo Bank, N.A. In accordance with the Authority's investment policy, the entire amount was either insured or collateralized by securities pledged in the Authority's name in accordance with the Authority's investment policy.

**D. Contingencies**

The Authority participates in federal programs, which are governed by various rules and regulations of the granting agencies. Costs charged to the respective programs are subject to audit adjustments by the granting agencies; therefore, to the extent that the Authority has not complied with those rules and regulations, refunds of monies received might be required. In the opinion of management, there are no significant liabilities relating to compliance with rules and regulations governing the respective grants; therefore, no provision has been made in the financial statement for such contingencies.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**E. Capital Assets**

Capital assets activity for the year ended June 30, 2016 was as follows:

<b><u>Business-Type Activities</u></b>	Beginning Balance	Adjustments			Ending Balance
	07/01/15	Additions	Deletions	/Transfers	06/30/16
Land	\$ 61,555	\$ -	\$ -	\$ -	\$ 61,555
Buildings & Improvements	1,520,980	-	-	47,473	1,568,453
Furniture & Equipment	190,227	1,938	-	(53,091)	139,074
Construction in Progress	-	3,000	-	-	3,000
	<u>1,772,762</u>	<u>4,938</u>	<u>-</u>	<u>(5,618)</u>	<u>1,772,082</u>
Accumulated Depreciation	<u>(1,518,712)</u>	<u>(32,957)</u>	<u>-</u>	<u>5,618</u>	<u>(1,546,051)</u>
Total	<u>\$ 254,050</u>	<u>\$ (28,019)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 226,031</u>

The total depreciation for the fiscal year ending June 30, 2016 was \$ 32,957.

**F. Pension Plan**

The Authority contributes to a Simplified Employee Pension Plan (SEP), which is an individual retirement plan, for its full-time employees who have met the age requirements and completed ninety (90) days of continuous, full-time employment. The SEP is administered by an insurance company which purchase individual accounts for each employee and they have control of their accounts. The Authority contributes 5% of the employee's compensation to the plan. During the years ending June 30, 2014, 2015, and 2016, the Authority contributed \$ 5,782, \$5,782 and \$ 5,782 respectively, to the plan.

**G. Interprogram Transactions**

Interprogram receivables/payable within the Authority's funds consisted of the following as of fiscal year ended June 30, 2016:

<b><u>Interfund Receivables (Due To)</u></b>	<b><u>Interfund Payables (Due From)</u></b>	
	Payments	Total
Low Rent Public Housing	\$ 32,680	\$ 32,680
Total	<u>\$ 32,680</u>	<u>\$ 32,680</u>



**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Financial Statements**

**June 30, 2016**

**H. Long Term Debt**

Long-term debt activity for the fiscal year ended June was as follows:

Note payable to USDA Rural Development (Section 515) issued November 19, 1979, with monthly installments of \$ 4,352, including interest at 9% (1% subsidized, 8% unsubsidized). Final payment is due 50 years from the original date of issue. The note is secured by all land, structures, and equipment.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Notes Payable	\$ 386,595	\$ -	\$ (21,899)	\$ 364,696	\$ 23,814
<b>Total Long-Term Debt</b>	<b>\$ 386,595</b>	<b>\$ -</b>	<b>\$ (21,899)</b>	<b>\$ 364,696</b>	<b>\$ 23,814</b>

The annual requirements to amortize all long term debt outstanding as of June 30, 2016, including interest payments, are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	23,814	28,410	52,224
2018	25,791	26,433	52,224
2019	27,931	24,292	52,223
2020	30,250	21,974	52,224
2021	32,761	19,463	52,224
2022-2026	209,394	51,726	261,120
2027	14,755	254	15,009
Total Requirements	\$ 364,696	\$ 172,552	\$ 537,249

**I. Subsequent Events**

The Housing Authority of the City of Kyle has evaluated events through March 31, 2017, the date which the financial statements were available to be issued.

After the end of the fiscal year the City of Kyle appointed all new board members to the Authority Board, also a new Interim Executive Director was retained. A Resident Commissioner has not been appointed to the Board of Commissioners.

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**REPORT ON INTERNAL CONTROL**

# BILL C. ROCHA

CERTIFIED PUBLIC ACCOUNTANT, PLLC, CGMA

Mail: P.O. Box 160127 78280-2327  
2101 Lockhill-Selma Road, Suite 216  
San Antonio, Texas 78213-1409

Telephone: (210) 499-5832  
Fax: (210) 499-0166  
E-Mail: billrocha@billrochacpa.com

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners of the  
Housing Authority of the City of Kyle  
Kyle, Texas

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 governmental activities, the business-type activities, each major fund of the Housing Authority of the City of Kyle, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Housing Authority of the City of Kyle's basic financial statements, and have issued our report thereon dated March 31, 2017.

### Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Housing Authority of the City of Kyle's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority of the City of Kyle's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of the City of Kyle'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Finding 2016-001.

### Compliance and Other Matters

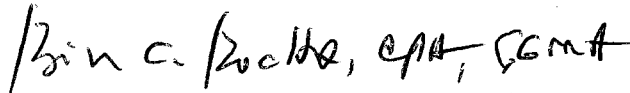
As part of obtaining reasonable assurance about whether the Housing Authority of the City of Kyle's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could 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*.

## Compliance and Other Matters

The Housing Authority of the City of Kyle's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Housing Authority of the City of Kyle's response was not subjected to the auditing procedure applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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 results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bill C. Rocha  
Certified Public Accountant, PPLC, CGMA  
San Antonio, Texas  
March 31, 2017

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Schedule of Expenditures of Federal Awards**

**For the Fiscal Year Ended June 30, 2016**

<b>Federal Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant/ Contract Number</b>	<b>Expenditures</b>
<b>U. S. Department of Housing &amp; Urban Development Direct Program</b>			
Low Rent Authority-Owned Housing	14.850	FW-647	37,405
Public Housing Capital Fund	14.872	FW-647	5,000
N/C S/R Section 8 Program	14.182	TX59R000014	<u>78,211</u>
<b>Total U. S. Department of Housing &amp; Urban Development</b>			<u>120,616</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 120,616</u></u>

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Notes to the Schedule of Expenditures of Federal Awards**

**June 30, 2016**

**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the City of Kyle and is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of 2 CFR 200 Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**Note 2 – USDA Rural Development Multifamily Housing Loans**

The Authority currently has a USDA Rural Development (Section 515) note payable in the original amount of \$ 639,000 with a June 30, 2016 balance due of \$ 364,696. The note payable to USDA Rural Development (Section 515) issued November 19, 1979, with monthly installments of \$ 4,352, including interest at 9% (1% subsidized, 8% unsubsidized). Final payment is due 50 years from the original date of issue. The note is secured by all land, structures, and equipment.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Schedule of Findings and Responses**

**June 30, 2016**

**I. Financial Statement Findings**

Finding 2016-001

**Condition:** During our testing of tenant files of the Low Rent Program, we noted that one (1) tenant was overcharged \$39 for seven (7) months (\$273 total). As of year end, this overcharged amount had not been noted by the Housing Authority.

**Criteria:** Tenant files should be regularly monitored to identify current rents are charged appropriately.

**Questioned Cost:** None.

**Cause:** A clerical error was made by management on the rental register and not discovered on a timely basis.

**Effect:** The effect on the financial statements was that the assets (receivables) were overstated by \$273 for the year.

**Recommendation:** Monthly rent register reconciliations should be made between the monthly rental rate versus the rent charge/collected by unit number/tenant for the month.

**II. Internal Control Findings**

Finding 2016-002

**Condition:** During our testing of tenant files of the Low Rent Program, we noted that one (1) tenant was overcharged \$39 for seven (7) months (\$273 total). As of year end, this overcharged amount had not been noted by the Housing Authority.

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**Housing Authority of the City of Kyle  
Kyle, Texas**

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**June 30, 2016**

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**Recommendation:** Monthly rent register reconciliations should be made between the monthly rental rate versus the rent charge/collected by unit number/tenant for the month.

**Response:** To address this finding staff recently attended training to transition from manual recordkeeping to an electronic format. Beginning this month we are initialing an electronic Rental Register to record rents, a Deposit Analysis and a Tenants Accounts Receivable Chart which will enable us to have more accurate recordkeeping. These changes will provide a check and balance system to ensure accuracy.

**II. Internal Control Findings**

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**SUPPLEMENTARY INFORMATION**

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement and Certification of Actual Capital Fund Program Costs**

**For the Fiscal Year Ended June 30, 2016**

1. The Actual Capital Fund Program Costs are as follows:

	<u><b>50112-12</b></u>
Funds Approved	\$ 21,730
Funds Expended	<u>21,730</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 21,730
Funds Expended	<u>21,730</u>
Excess (Deficiency) of Funds Advanced	<u><u>\$ -</u></u>

2. The distribution of costs as shown on the Final Performance and Evaluation Report for TX59P36750112-12 dated March 19, 2015, submitted to HUD for approval appears to be in agreement with the Authority's records.

**Housing Authority of the City of Kyle  
Kyle, Texas**

**Statement of Capital Fund Program Costs - Incomplete**

**For the Fiscal Year Ended June 30, 2016**

	<u>50113</u>	<u>50114</u>	<u>50115</u>	<u>50116</u>
Funds Approved	\$ 19,416	\$ 20,147	\$ 19,986	\$ 20,670
Funds Expended	<u>19,416</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Excess of Funds Approved	<u>\$ -</u>	<u>\$ 15,147</u>	<u>19,986</u>	<u>\$ 20,670</u>
Funds Advanced	\$ 19,416	\$ 5,000	-	\$ -
Funds Expended	<u>19,416</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Funds Advanced	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>

Line No.	Account Description	Operations	Capital Fund	Subtotal	14,182 - N/C S/R Section 8 Programs	10,415 Rural Rental Housing Loans	Eliminations	Total
TX367	Housing Authority of the City of Kyle							
	Financial Data Schedule							
	June 30, 2016							
111	Cash - unrestricted	35,839	-	35,839	-	186	-	36,026
112	Cash - restricted - modernization and development	-	-	-	-	-	-	-
113	Cash - other restricted	-	-	-	-	-	-	-
114	Cash - Tenant Security Deposits	2,350	-	2,350	-	6,181	-	8,531
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-
<b>100</b>	<b>Total cash</b>	<b>38,189</b>	-	<b>38,189</b>	-	<b>35,297</b>	-	<b>73,486</b>
121	Accounts receivable - PHA projects	-	-	-	-	-	-	-
122-010	Accounts receivable - HUD other projects - Operating Subsidy	-	-	-	-	-	-	-
122-020	Accounts receivable - HUD other projects - Capital Fund	-	-	-	-	-	-	-
122-030	Accounts receivable - HUD other projects - Other	-	-	-	-	-	-	-
<b>122</b>	<b>Accounts receivable - HUD other projects</b>	-	-	-	-	-	-	-
124	Accounts receivable - other government	-	-	-	-	-	-	-
125-010	Accounts receivable - miscellaneous - Not for Profit	-	-	-	-	-	-	-
125-020	Accounts receivable - miscellaneous - Partnership	-	-	-	-	-	-	-
125-030	Accounts receivable - miscellaneous - Joint Venture	-	-	-	-	-	-	-
125-040	Accounts receivable - miscellaneous - Tax Credit	-	-	-	-	-	-	-
125-050	Accounts receivable - miscellaneous - Other	-	-	-	-	-	-	-
125-060	Other - Comment	-	-	-	-	-	-	-
<b>125</b>	<b>Accounts receivable - miscellaneous</b>	-	-	-	-	-	-	-
126	Accounts receivable - tenants - dwelling rents	70	-	70	-	2,270	-	2,340
126.1	Allowance for doubtful accounts - dwelling rents	(36)	-	(36)	-	(1,082)	-	(1,117)
126.2	Allowance for doubtful accounts - other	-	-	-	-	-	-	-
127	Notes and mortgages receivable - current	-	-	-	-	-	-	-
128	Fraud recovery	-	-	-	-	-	-	-
128.1	Allowance for doubtful accounts - fraud	-	-	-	-	-	-	-
129	Accrued interest receivable	2	-	2	-	3	-	6
<b>120</b>	<b>Total receivables, net of allowances for doubtful accounts</b>	<b>36</b>	-	<b>37</b>	-	<b>1,192</b>	-	<b>1,228</b>
131	Investments - unrestricted	12,724	-	12,724	-	19,000	-	31,724
132	Investments - restricted	-	-	-	-	-	-	-
135	Investments - restricted for payment of current liabilities	-	-	-	-	-	-	-
142	Prepaid expenses and other assets	1,196	-	1,196	-	1,420	-	2,617
143	Inventories	127	-	127	-	132	-	259
143.1	Allowance for obsolete inventories	(13)	-	(13)	-	(26)	-	(26)
144	Interprogram - due from	32,680	-	32,680	-	-	-	(32,680)
145	Assets Held for Sale	-	-	-	-	-	-	-
146	Amounts to be provided	-	-	-	-	-	-	-
<b>150</b>	<b>Total Current Assets</b>	<b>84,939</b>	-	<b>84,941</b>	-	<b>57,027</b>	-	<b>141,968</b>
161	Land	9,700	-	9,700	-	51,855	-	61,555
162	Buildings	972,883	-	972,883	-	595,570	-	1,568,453
163	Furniture, equipment & machinery - dwellings	18,005	-	18,005	-	106,314	-	124,319
164	Furniture, equipment & machinery - administration	12,587	-	12,587	-	2,168	-	14,755
165	Leasehold improvements	-	-	-	-	-	-	-
166	Accumulated depreciation	(871,044)	-	(871,044)	-	(675,007)	-	(1,546,051)
167	Construction in Progress	3,000	-	3,000	-	-	-	3,000
168	Infrastructure	-	-	-	-	-	-	-
<b>160</b>	<b>Total fixed assets, net of accumulated depreciation</b>	<b>145,131</b>	-	<b>145,131</b>	-	<b>80,900</b>	-	<b>226,031</b>
171-010	Notes and mortgages receivable - non-current - Not for Profit	-	-	-	-	-	-	-
171-020	Notes and mortgages receivable - non-current - Partnership	-	-	-	-	-	-	-
171-030	Notes and mortgages receivable - non-current - Joint Venture	-	-	-	-	-	-	-
171-040	Notes and mortgages receivable - non-current - Tax Credit	-	-	-	-	-	-	-
171-050	Notes and mortgages receivable - non-current - Other	-	-	-	-	-	-	-
171-060	Other - Comment	-	-	-	-	-	-	-
<b>171</b>	<b>Notes and mortgages receivable - non-current</b>	-	-	-	-	-	-	-
172-010	Notes and mortgages receivable - non-current - past due - Not for Profit	-	-	-	-	-	-	-
172-020	Notes and mortgages receivable - non-current - past due - Partnership	-	-	-	-	-	-	-
172-030	Notes and mortgages receivable - non-current - past due - Joint Venture	-	-	-	-	-	-	-
172-040	Notes and mortgages receivable - non-current - past due - Tax Credit	-	-	-	-	-	-	-
172-050	Notes and mortgages receivable - non-current - past due - Other	-	-	-	-	-	-	-
172-060	Other - Comment	-	-	-	-	-	-	-
<b>172</b>	<b>Notes and mortgages receivable - non-current - past due</b>	-	-	-	-	-	-	-
173	Grants Receivable - Non Current	-	-	-	-	-	-	-
174-010	Other assets - Not for Profit	-	-	-	-	-	-	-

TX367 Housing Authority of the City of Kyle													
Financial Data Schedule													
June 30, 2016													
Line No.	Account Description	Operations	Capital Fund	Subtotal	14,182 - N/C S/R Section 8 Programs	10,415 Rural Rental Housing Loans	Subtotal	Eliminations	Total				
174-020	Other assets - Partnership	-	-	-	-	-	-	-	-				
174-030	Other assets - Joint Venture	-	-	-	-	-	-	-	-				
174-040	Other assets - Tax Credit	-	-	-	-	-	-	-	-				
174-050	Other assets - Other	-	-	-	-	-	-	-	-				
174-060	Other - Comment	-	-	-	-	-	-	-	-				
<b>174</b>	<b>Other assets</b>	-	-	-	-	-	-	-	-				
176-010	Investment in joint ventures - Not for Profit	-	-	-	-	-	-	-	-				
176-020	Investment in joint ventures - Partnership	-	-	-	-	-	-	-	-				
176-030	Investment in joint ventures - Joint Venture	-	-	-	-	-	-	-	-				
176-040	Investment in joint ventures - Tax Credit	-	-	-	-	-	-	-	-				
176-050	Investment in joint ventures - Other	-	-	-	-	-	-	-	-				
176-060	Other - Comment	-	-	-	-	-	-	-	-				
<b>176</b>	<b>Investment in joint ventures</b>	-	-	-	-	-	-	-	-				
<b>180</b>	<b>Total Noncurrent Assets</b>	<b>145,131</b>	-	<b>145,131</b>	-	<b>80,900</b>	<b>226,031</b>	-	<b>226,031</b>				
<b>190</b>	<b>Total Assets</b>	<b>230,070</b>	-	<b>230,072</b>	-	<b>137,927</b>	<b>367,999</b>	<b>(32,680)</b>	<b>335,319</b>				









Line No.	Account Description	Operations	Capital Fund	Subtotal	14,182 - N/C S/R Section 8 Programs	10,415 Rural Rental Housing Loans	Eliminations	Total
TX367	Housing Authority of the City of Kyle							
	Financial Data Schedule							
	June 30, 2016							
97500	Fraud losses	-	-	-	-	-	-	-
97800	Dwelling units rent expense	-	-	-	-	-	-	-
<b>99000</b>	<b>Total Expenses</b>	<b>137,608</b>	-	<b>137,607</b>	-	<b>161,169</b>	-	<b>298,776</b>
10010	Operating transfers in	5,000	-	5,000	-	78,211	-	83,211
10020	Operating transfers out	-	(5,000)	(5,000)	(78,211)	-	-	(83,211)
10030-010	Operating transfers from/to primary government - Not for Profit	-	-	-	-	-	-	-
10030-020	Operating transfers from/to primary government - Partnership	-	-	-	-	-	-	-
10030-030	Operating transfers from/to primary government - Joint Venture	-	-	-	-	-	-	-
10030-040	Operating transfers from/to primary government - Tax Credit	-	-	-	-	-	-	-
10030-050	Operating transfers from/to primary government - Other	-	-	-	-	-	-	-
10030-060	Other - Comment	-	-	-	-	-	-	-
<b>10030</b>	<b>Operating transfers from/to primary government</b>	-	-	-	-	-	-	-
10040	Operating transfers from/to component unit	-	-	-	-	-	-	-
10070	Extraordinary items/gains	-	-	-	-	-	-	-
10080	Special items/gains	-	-	-	-	-	-	-
10091	Inter project excess cash transfer in	-	-	-	-	-	-	-
10092	Inter project excess cash transfer out	-	-	-	-	-	-	-
10093	Transfers between programs and projects - in	-	-	-	-	-	-	-
10094	Transfers between programs and projects - out	-	-	-	-	-	-	-
<b>10100</b>	<b>Total other financing sources (uses)</b>	<b>5,000</b>	<b>(5,000)</b>	-	<b>(78,211)</b>	<b>78,211</b>	-	-
<b>10000</b>	<b>Excess (Deficiency) of Revenue Over (Under) Expenses</b>	<b>(17,962)</b>	-	<b>(17,960)</b>	-	<b>12,685</b>	-	<b>(5,276)</b>
11020	Required annual debt principal payments	-	-	-	-	20,212	-	20,212
<b>11030</b>	<b>Beginning equity</b>	229,686	-	<b>229,686</b>	-	(291,610)	-	<b>(61,924)</b>
11040-010	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-	-
11040-020	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-	-
11040-030	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-	-
11040-040	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-	-
11040-050	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-	-
11040-060	Prior period adjustments and correction of errors - Editable	-	-	-	-	-	-	-
11040-070	Equity transfers	-	-	-	-	-	-	-
11040-080	Equity transfers	-	-	-	-	-	-	-
11040-090	Equity transfers	-	-	-	-	-	-	-
11040-100	Equity transfers	-	-	-	-	-	-	-
11040-110	Equity transfers	-	-	-	-	-	-	-
<b>11040</b>	<b>Prior period adjustments, equity transfers, and correction of errors</b>	-	-	-	-	-	-	-

