

Approved: February 11, 2010
Date

MINUTES OF THE HOUSE GOVERNMENT EFFICIENCY AND FISCAL OVERSIGHT
COMMITTEE

The meeting was called to order by Vice-Chairman Mike Burgess at 3:37 p.m. on February 10, 2010, in Room 546-S of the Capitol.

All members were present except Chairman Morrison, who was excused.

Committee staff present:

Renae Jefferies, Office of the Revisor of Statutes
Cody Gorges, Kansas Legislative Research Department
Gary Deeter, Committee Assistant

Conferees appearing before the Committee:

Gary Allsup, Executive Director, Kansas Housing Resource Corporation

Others attending:

See attached list.

The minutes for the February 9 meeting were approved. (Motion by Representative Ruiz and seconded by Representative Sloan)

Gary Allsup, Executive Director, Kansas Housing Resource Corporation (KHRC), provided an overview of the KHRC, a quasi-governmental agency created by executive order in 2003 to address the housing needs of Kansans (Attachment 1). He said the agency serves as primary administrator for federal housing programs on behalf of the state of Kansas. The agency receives no operational revenue from the state, has its own board of directors, and is solely funded by federal contracts, grants, and program administration fees, funds which are channeled to meet the housing needs of Kansas citizens (Attachments 2 and 3). He noted that the agency is also administering six programs totaling about \$135 million through the American Recovery and Reinvestment Act of 2009 (Attachment 4).

Mr. Allsup stated that the agency also oversees the State Housing Trust Fund, another resource to provide for housing needs of the state's citizens. The Trust Fund receives its funding from two sources: through fees generated by issuing Single Family Mortgage Revenue Bonds, and through discretionary dollars from the KHRC; the Trust Fund is used to support housing needs or gaps not covered elsewhere by federal or state programs. Mr. Allsup commented that the agency is making a voluntary transfer of \$2 million to the State General Fund (SGF) to support funding shortfalls in the state budget; the transfer is a part of the rescission bill currently making its way through the legislature.

Mr. Allsup referenced the 2010 Housing Guide and the 2008 Annual Report to illustrate the programs provided by the agency (Attachments 5 and 6). He stated that the agency has become a "one-stop shop" for the state's housing programs, and, although a decrease in funding is expected from the U. S. Department of Housing and Urban Development, the agency is fiscally stable and will continue its services with the exception of discretionary support for the Trust Fund.

CONTINUATION SHEET

Minutes of the House Government Efficiency and Fiscal Oversight Committee at 3:37 p.m. on February 10, 2010, in Room 546-S of the Capitol.

Mr. Allsup responded to members' questions, saying that:

- The federal reductions are similar to what is occurring in other states.
- When the KHRC has excess funds, it transfers some of the funds to the Trust Fund. Some counties also provide monies for the Trust Fund.
- Previous to the creation of the KHRC, the programs were funded through other state agencies, such as the Kansas Department of Commerce; thus the programs drew on SGF monies. The present arrangement frees the state from providing SGF funding for administering federal programs.
- A pilot program, the Housing Development Grant Program, provides state funding for county housing initiatives; plans are to expand the program state-wide. Currently, however, the \$2-million transfer to the SGF recommended by the Governor will suspend these services to counties.
- ARRA has allocated \$8 million to address the needs of homelessness; these funds are still in process of distribution.
- The Revolving Loan program has been moved to the Energy Office.
- The fee-for-service administration of the federal programs totals \$3.5 million, with another \$1.6 million received for administering the grant programs. However, many other agency services are administered without receiving any fees. All these funds are federal dollars; the agency receives no state or private funding.
- The depreciation amount (\$130,000) on the financial report includes office furniture, vehicles, and computers.
- The weatherization program excludes bank participation; the banks are involved in the revolving loan program.

The Vice-Chair announced two bill hearings for the next day and adjourned the meeting at 4:17 p.m. The next meeting is scheduled for February 11, 2010.



**TESTIMONY BEFORE THE GOVERNMENT EFFICIENCY
AND FISCAL OVERSIGHT COMMITTEE**

February 10, 2010

Gary Allsup, KHRC Executive Director

Introduction

Chairman Morrison and Members of the Committee, as our nation has endured record numbers of foreclosures, high unemployment, and the near collapse of the housing and financial markets this past year, Kansas has not been immune from these concerns. In addition, Kansas communities continue to recover from natural disasters that devastated thousands of homes in 2007. For these reasons, the need for affordable, safe, and decent housing in Kansas has never been greater. With this in mind, as Executive Director of the Kansas Housing Resources Corporation (KHRC), I am proud to present this overview of a corporation that continues to meet ever-changing challenges, while remaining financially viable, self-sufficient, and flexible. In addition to my testimony, your packets include several documents which provide detailed information regarding the Kansas Housing Resources Corporation.

- 2008-2009 Audited Financial Statements
- 2010 Financial Plan
- 2010 Housing Resources Guide
- ARRA Programs Report
- 2008 Annual Report

Background of KHRC

Kansas Housing Resources Corporation (KHRC) is a quasi-governmental corporation established by Governor's Executive Reorganization Order (ERO) #30 and pursuant to K.S.A. 74-8904(v). KHRC serves as the primary administrator of federal housing programs on behalf of the State of Kansas. KHRC does not receive any operational revenue from the state, but rather sustains itself through federal contracts for service and program administration fees. KHRC's mission is to enhance Kansas communities with housing opportunities. KHRC has its own Board of Directors and operates independently of the Kansas Development Finance Authority.

KHRC Financial Operations

A copy of KHRC's audited financial statements is provided and is available on KHRC's website at www.kshousingcorp.org. As a self-supporting entity which receives no appropriation from the State for administrative costs, KHRC recovers expenses through fees for services and administrative cost reimbursement from the administration of federal grants. KHRC's Annual Financial Plan is drafted, reviewed, and adopted by its Board of Directors before the commencement of each fiscal year. The Financial Plan itemizes anticipated revenues and proposed expenses by program, and as a policy, total Financial Plan activity must be balanced. Revenues and expenses are tracked regularly to ensure adherence to the Financial Plan. Monthly financial statements and reports are prepared and presented to the Board to review adherence to the Financial Plan and provide an awareness of KHRC's financial position.

In addition to KHRC's role as the administrator of federal housing programs, KHRC also administers the State Housing Trust Fund (SHTF). In your review of our financial plans and reports, you will notice that KHRC Operations and the SHTF are reported separately. This two-fund presentation improves and enhances financial management of resources and reporting for timely and effective decision-making and analysis.

KHRC Operations Fund

KHRC' Operations Fund is derived from federal fee-for-service activities and federal grant administration income. KHRC Operations does not receive any State General Fund or other state funds. Additionally, over the next three fiscal years KHRC will manage over \$135 million in federal American Recovery and Reinvestment Act (ARRA) allocations that provide financial assistance for Tax Credit developments, improve energy efficiency, help reduce homelessness, and expand community action activities across the state. Some of these programs provide administrative dollars, while others provide no administrative dollars or have a matching requirement for every administrative dollar spent.

State Housing Trust Fund

State Housing Trust Fund activities include activities and resources KHRC receives based solely on KHRC's designation as the provider of housing services for the State of Kansas. For example, SHTF funding sources include receipt of Single Family Mortgage Revenue Bond (MRB) bond issuance fees, private activity bond multi-family bond issuance fees, transfers from KHRC Operations, and specific purpose (restricted) state allocations for disaster assistance (\$5 million in FY 2008) and housing development grant programs (\$4 million each in FY 2008 and FY 2009). Please note that KHRC has not charged any administrative fee for the expenses incurred in the operation of either of these state-funded housing programs.

Historically, Trust Fund *discretionary* dollars have been provided by two funding sources: transfers from KHRC Operations and the receipt of MRB bond issuance fees. These discretionary sources are used to fund program needs or gaps not covered elsewhere by federal or state program dollars and include programs such as the Kansas Accessibility Modification Program (KAMP) and Emergency Repair Program (ERP). Since KHRC was established in 2003, KAMP and ERP serve very low-income Kansans and have been funded by the SHTF.. In addition, the SHTF has funded landlord-tenant counseling, housing community development, development loans and grants, and emergency loans and grants.

In recent years KHRC Operations Fund transfers have been virtually the only discretionary funding source for the SHTF. You may also be aware that a \$2 million transfer from the Housing Trust Fund to the State General Fund is included in the rescission bill which is currently working its way through the legislature.

ARRA Activity

Kansas Housing Resources Corporation (KHRC) currently administers six programs that were either impacted or created by the American Recovery and Reinvestment Act of 2009 (ARRA). These programs include the following: State Energy Efficient Appliance Replacement Program, Kansas Weatherization Assistance Program, Housing Credit Exchange Program, Tax Credit Assistance Program, Homelessness Prevention and Rapid Re-Housing Program, and Community Services Block Grant Program. The attached report contains a summary of each program, the impact of ARRA, and the current status of program expenditures.

- Weatherization Assistance Program... \$56,441,771
- Housing Credit Exchange Program ... \$45,098,154
- Tax Credit Assistance Program ... \$17,121,110
- Homelessness Prevention and Rapid Re-housing Program... \$8,360,995
- Community Service Block Grant ... \$8,161,336
- State Energy Efficient Appliance Replacement ... \$2,688,559

KHRC Housing Programs

Another addendum provided today is a 2010 Housing Resources Guide. This guide provides a brief summary of the housing programs offered by KHRC. In the guide you will find information on the state-funded, Housing Development Grant Program (the subject of the rescission bill mentioned earlier), as well as federally funded homeownership program, homeowner rehabilitation program, rental development programs such as HOME and the Low Income Housing Tax Credit, and supportive services programs, such as Emergency Shelter

Grant, Community Services Block Grant, Tenant Based Rental Assistance and Weatherization Assistance.

Expectations Going Forward

Since its inception, KHRC has become a “one-stop-shop” for housing programs in the State of Kansas. Although KHRC is fiscally stable, we expect a substantial decrease in revenue provided by one of our largest programs, which is a contract with the U.S. Department of Housing and Urban Development (HUD). Under this contract, KHRC administers contract based section 8 programs on behalf of HUD. We expect HUD’s newly announced bid process will decrease our annual revenue by approximately \$800,000. KHRC Operations will absorb this loss, but will no longer be able to support the State Housing Trust Fund, forcing Trust Fund Programs such as the Kansas Accessibility Modification Program and the Emergency Repair Programs to be suspended.

I would be happy to answer any questions you might have about the Kansas Housing Resources Corporation.

KANSAS  **HOUSING**
RESOURCES CORPORATION

May 28, 2009

MEMO FOR: KHRC Board of Directors

FROM: Gary Allsup, Executive Director
Susan James, Controller

SUBJECT: FY 2010 Budget and Financial Plan

*Approved
6/4/09*

It is our pleasure to present to you a balanced Budget and Financial Plan for the 2010 fiscal year for Board consideration. This document serves as a policy document, an operations guide, and a communications device, as well as a standard budget.

Themes

Our proposed FY 2010 Financial Plan aligns budgetary priorities around a number of key themes:

- Continued efforts to increase resources. For the next three fiscal years, KHRC will manage over \$135 million in federal American Recovery and Reinvestment Act (ARRA) allocations that provide financial assistance for Tax Credit developments, improve residential energy efficiency, help prevent homelessness, and expand community action activities across the state. As these funds are time-sensitive, we will assure their long-term effect as we assess and identify longer term funding opportunities to meet Kansans housing needs.
- Maximizing the use of KHRC Operations and State Housing Trust Fund (SHTF) resources, including state and federal funds through the use of Notices of Funding Availability (NOFA). This process notifies the public of the availability of resources and formalizes the application process, especially with anticipated receipt of ARRA funding.
- Improving our capacity. The proposed financial plan includes funds to improve and enhance network infrastructure and reporting capabilities, increased staffing to meet and address federal ARRA program administration requirements, and additional office space to accommodate increased staffing and conference room needs.
- Enhancing the profile of KHRC and improving communications with our stakeholders. Efforts continue to solidify KHRC as the "go-to" provider of housing resources in Kansas.

*Attachment 2
GEFO 2-10-10*

Overview of the 2010 Financial Plan

KHRC OPERATIONS

Revenue:

- Fees for services revenue is projected to be strong, consistent with 2009.
- Grant administration revenue, which is a function of administrative costs incurred, is expected to increase primarily due to the six new federal ARRA DOE weatherization program staff and related travel and training costs.
- Recognized match income is proposed to increase from \$1.3 million to \$2.6 million due to HOME disaster declarations expiring in 2009 (disaster area grant payments are not subject to match). With HOME match unearned revenue treatment, as long as KHRC has a match credit, recognized match income and recognized match expense will be recorded in corresponding amounts on KHRC's financial statements with no impact to the "bottom line". KHRC currently has a match carryover balance of approximately \$7.5 million; thus, it's very likely KHRC will be in a match credit position for several years.
- Federal program revenues are projected to increase from \$69.2 million to \$150.5 million due to projected receipt of federal ARRA funds for subgrantee grant recipients.

Expenses:

- Salaries and wages increased for the six new federal ARRA DOE weatherization program staff.
- Rents are proposed to increase for additional office space in the KPERS Building effective October 1, 2009.
- Travel costs are proposed to increase primarily due to new federal ARRA DOE weatherization program staff travel.
- Expensed furniture/equipment costs are proposed to increase for the new office space furniture.
- Recognized match expense is proposed to increase from \$1.3 million to \$2.6 million due to HOME disaster declarations expiring in 2009.
- Federal program expenses are projected to increase from \$69.2 million to \$150.5 million due to subsequent payment, or "pass through", of federal ARRA funds to subgrantee grant recipients.

Transfers:

- Transfers out are projected to include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund.

Result:

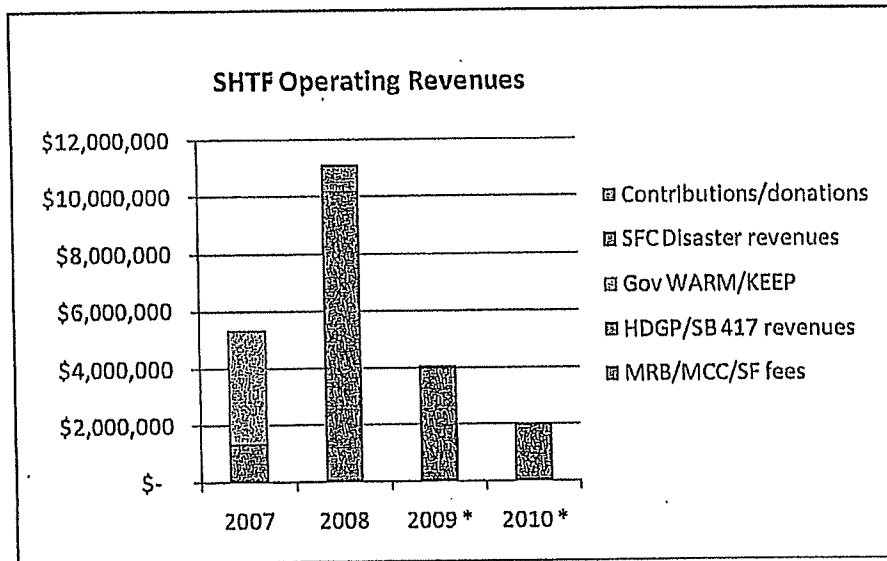
- KHRC Operations fees for services activity will remain strong, and program administration activity will grow with receipt of large federal ARRA funding. In addition, as a primary funder

of the State Housing Trust Fund, KHRC Operations proposes a \$1.25 million discretionary transfer funded by its operations. After the transfer, KHRC Operations is projected to provide a positive "bottom line" position of \$52,000.

STATE HOUSING TRUST FUND

Revenue:

- The chart below provides a historical snapshot of state revenues and MRB/MCC/SF housing bond fees. Total operating revenue is estimated at \$2.2 million for 2010 versus \$4.1 million for projected 2009, a reduction of \$1.9 million.



* - 2009 Projected Estimate and proposed 2010 Financial Plan.

- **MRB/MCC/SF housing bond fees** are projected to be \$50,000, which is consistent with the projected 2009 level due to current economic conditions.
- **State program revenues** are projected to fall due to reduced state funding for the Housing Development Grant Program (HDGP) from \$4.0 million in 2009 to \$2.0 million in 2010.

Expenses:

- **Program expenses** include \$800,000 for the Kansas Accessibility Modifications Program (KAMP) and Emergency Repair Program (ERP) grants at \$400,000 each. Historically, KAMP and ERP funding has been \$800,000 per year for FY 2004 through FY 2007 and \$1.0 million per year for FY 2008 and FY 2009. We propose funding these programs for FY 2010 at a reduced level from FY 2008 and FY 2009 due to limited resources in the current market environment. The program year has now been converted from November 1st to July 1st to better correspond with KHRC's June 30th fiscal year end.
- **Provision for loan losses** include projected issuance of disaster-related soft loans representing the balance of the State Finance Council 2008 \$5.0 million disaster allocation.

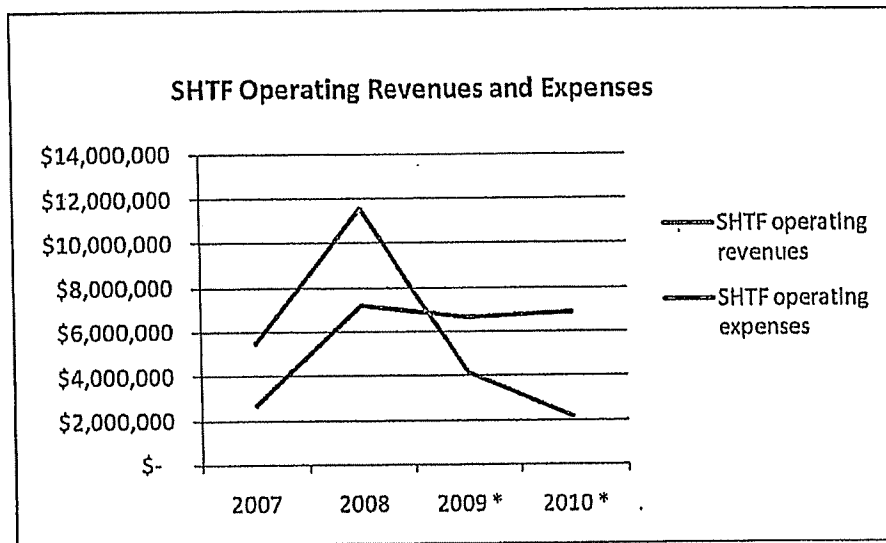
- State program expenses are projected to increase after 2009 as state allocations for the Housing Development Grant Program are expended.

Transfers:

- Transfers in are projected to include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund.

Result:

- The chart below provides a historical snapshot of SHTF operating revenues and expenses. Total operating expenses are projected to remain constant with 2009, while operating revenues are expected to fall from \$4.1 million to \$2.2 million, a reduction of \$1.9 million.



* - 2009 Projected Estimate and proposed 2010 Financial Plan.

- The receipt of funds in one year and the expenditure of funds in a subsequent year create a timing difference. For example, the SHTF had an *excess* of revenues over expenses of \$5.7 million for 2008, while FY 2010 proposes a \$3.4 million *deficiency* of revenues under expenses (please see SHTF Total Operations on page 10, and positive cash position on the Net Assets and Cash Balances schedule on page 12). We will continue to monitor timing difference fluctuations from year-to-year for an overall balanced financial plan approach.

We would be happy to address any questions you might have at the Board meeting. Thank you for your time and attention to this information.

Kansas Housing Resources Corporation

2010 Financial Plan

June 4, 2009

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Overview of Financial Plan

An Overview of the 2010 Financial Plan

The Kansas Housing Resources Corporation (KHRC) administers federal and fee-funded housing programs (KHRC Operations), and also serves as administrator of the Kansas State Housing Trust Fund (SHTF). The SHTF was established by House Bill No. 2517 and is now codified at KSA 74-8959. SHTF resources must be used for the purpose of housing programs and services, which include repair and rehabilitation of existing housing, accessibility modifications, and assistance to low-income or disabled persons. Effective July 1, 2007 separate and distinct balances were established for the SHTF and KHRC Operations. KHRC Operations are defined as fee for service activities, federal grant program administration, and other activities that have the characteristics of an exchange transaction. SHTF activities and resources include funding KHRC receives based solely on its designation as the provider of housing services for the State of Kansas. Examples of SHTF activities include receipt of MRB/MCC bond issuance fees, private activity bond multi-family bond issuance fees, state allocations, and other miscellaneous revenue streams.

The separation of KHRC Operations and the SHTF is provided in the 2010 Financial Plan in the form of separate schedules titled, for example, as follows: "KHRC Operations", "State Housing Trust Fund", and "Kansas Housing Resources Corporation (Combined)".

KHRC Operations and the SHTF's activities combined meet the definition of an enterprise fund from an accounting perspective, since it is the intent of KHRC to recover, primarily through user charges and grant reimbursement, the cost of providing goods or services to the public. This document serves as KHRC's proposed financial plan for the year ending June 30, 2010 (2010 Financial Plan).

The proposed financial plan was developed taking into consideration anticipated continued fee fund and federal program activity at current levels, new federal American Recovery and Reinvestment Act (ARRA) funding, state funding, the need for continued funding and growth of KHRC-administered programs, and preserving and growing cash balances to meet future Kansans' housing needs. In addition, timing differences were also considered for SHTF program funds received, but not spent in the same year. These timing differences can cause an *excess* of revenues over expenses in the first year, and a *deficiency* of revenues over expenses in the next year. For example, the State Finance Council's \$5 million 2008 Disaster Allocation was received in FY 2008, but will not be fully expended until after FY 2008. Please see the table on page 10 labeled "State Housing Trust Fund Total Operations" for examples of timing differences comparing Projected 2009 to the 2010 Financial Plan. Please also see page 12 for Net Assets and Cash Balances and note the SHTF's positive cash position for the 2009 Projected Estimate and 2010 Financial Plan.

Revenues in the 2010 Financial Plan from all funding sources combined are expected to increase by \$81.3 million, or 101.3 percent, from \$80.3 million for 2009 projected revenues to \$161.6 million due to expected receipt of federal ARRA funding, while expenses are expected to grow by \$84.9 million, or 103.0 percent, from \$81.4 million for 2009 projected expenses to \$165.3 million, due to payment of federal ARRA program expenses. Expenses are projected to exceed revenues in 2010 due to timing differences for SHTF program funds spent in 2010, but received in a prior year.

Overview of Revenues

Operating revenues from all funding sources combined estimated to finance the 2010 Financial Plan totals \$161.6 million for 2010 versus \$80.3 million for projected 2009. Operating revenues include fees for service, grant administration fees, and federal "pass-through" program revenues. The 2010 estimate is 101.3 percent higher than the projected 2009 estimate due to expected receipt of federal ARRA program funding. The tables on pages 16 and 17 break out the 2008 through 2010 operating revenues by program. Further discussion of all revenue sources is in the Appendix section.

Operating revenues from KHRC Operations funding sources are estimated at \$159.5 million for 2010 versus \$76.1 million for projected 2009. The 2010 estimate is 109.5 percent higher than the projected 2009 estimate due to expected receipt of federal ARRA funding.

Operating revenues from SHTF funding sources are estimated at \$2.2 million for 2010 versus \$4.1 million for projected 2009. The 2010 estimate is 48.1 percent lower than the projected 2009 estimate due to reduced Housing Development Grant Program funding from \$4.0 million to \$2.0 million in 2010. MRB/MCC/SF housing bond fees are estimated at \$50,000 for 2010, which approximates the projected 2009 estimate of \$47,000, as current economic conditions are projected to continue.

Non-operating revenues from all funding sources combined are estimated at \$335,000. Non-operating revenues include investment income. The 2010 total is a decrease of \$266,000 or 44.2 percent from the 2009 projected revenue estimate. The decrease from projected 2009 to the 2010 Financial Plan is due to reduced cash balances available for investment and reduced yield. The tables on pages 16 and 17 break out the 2008 through 2010 non-operating revenues by program.

Non-operating revenues (investment income) from KHRC Operations funding sources are estimated at \$175,000 for 2010 versus \$225,000 for projected 2009. The 2010 estimate is 22.2 percent lower than the projected 2009 estimate primarily due to reduced yield.

Non-operating revenues (investment income) from SHTF funding sources are estimated at \$160,000 for 2010 versus \$376,000 for projected 2009. The 2010 estimate is 57.4 percent lower than the projected 2009 estimate primarily due to reduced cash balances available for investment and reduced yield.

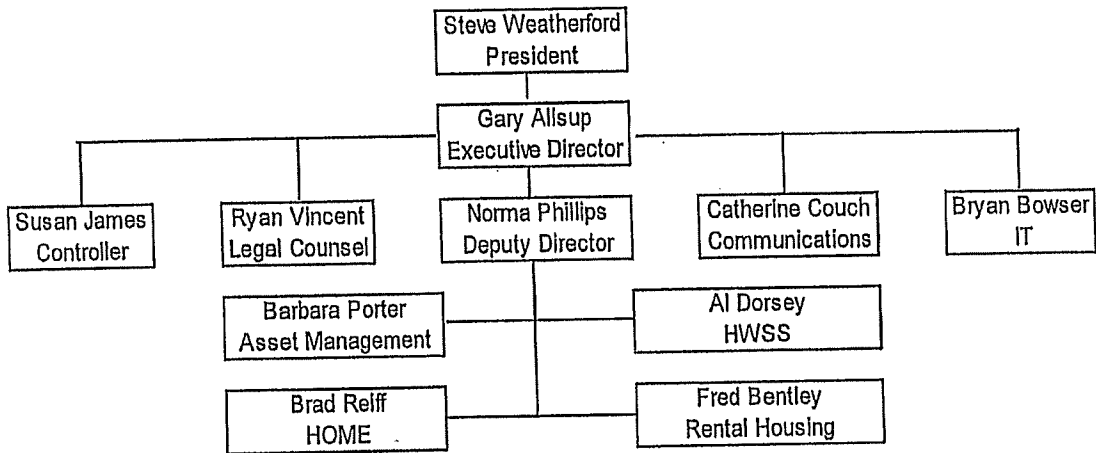
Overview of Expenses

Operating expenses from all funding sources combined are estimated at \$165.3 million for 2010 versus \$81.4 million for projected 2009. Operating expenses include employee salaries and benefits, supplies, professional fees, and federal ARRA and state program expenses. The 2010 estimate is 103.0 percent higher than the projected 2009 estimate due to expected payment of federal ARRA program expenses. The tables on pages 16 and 17 break out the 2008 through 2010 operating expenses by program. Further discussion of all expenses is in the Appendix section.

Operating expenses from KHRC Operations are estimated at \$158.4 million for 2010 versus \$74.8 million for projected 2009. The 2010 estimate is 111.8 percent higher than the projected 2009 estimate due to expected payment of federal ARRA program expenses.

Operating expenses from SHTF activities are estimated at \$6.9 million for 2010 versus \$6.7 million for projected 2009. The 2010 estimate is 2.8 percent higher than the projected 2009 estimate primarily due to increased state program expenses.

General Organization Chart – Corporate Overview



History

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

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

While the KDFA Act clearly distinguishes KHRC as an independent instrumentality, rather than a State agency, KHRC enjoys State resources when it is to KHRC's advantage to do so. For example, KHRC chooses to process employee compensation and benefits through the State's payroll system and enjoys advantages such as the use of State purchasing contract prices, the central mail system, the printing division's services, and telecommunications services. Use of these State services is efficient for KHRC, saving both staff time and money.

From an accounting and reporting perspective, ERO 30 established that KDFA shall keep separate records and accounts for KDFA and KHRC. In addition, the ERO established that all expenses of KDFA incurred in the performance of its duties shall be payable from funds generated by KDFA, and all expenses of KHRC incurred in the performance of its duties shall be payable from funds generated by KHRC.

Mission and Strategic Plan Goals

Mission

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

Strategic Plan Goals

KHRC completed its first strategic plan in 2006. Thereafter, KHRC annually reviews its operations and current and future requirements in order to identify improvement opportunities. Improvement opportunities identified in this process can be summarized in three general areas:

Documenting Kansas Housing Needs and Challenges

KHRC will identify the housing needs of Kansans, existing resources committed, and critical unmet housing needs. Working with housing advocates and service providers, KHRC will coordinate statewide needs and programs. Identifying potential resource priorities and potential funding sources will help reduce the gap on critical unmet needs.

Improving Services to Kansans

Opportunities to improve services to Kansans will be identified. KHRC will expand the information available on housing services and programs. KHRC will increase customer knowledge with expanded communications. In addition, KHRC will expand solicitation of feedback from customers and stakeholders.

Using Technology to Improve Effectiveness

KHRC will identify and implement technologies needed to improve its program effectiveness. KHRC will also identify internal and external information needs and the technologies required to meet housing needs.

With the above areas in mind, KHRC developed specific long-term **goals** during the strategic planning process, which are to be completed within the next three to five years, as follows:

- Assist 10,000 underserved Kansans with unmet critical housing needs
- Educate customers and stakeholders on affordable housing
- Provide accurate and current housing information
- Increase minority participation in programs
- Improve affordable housing services
- Improve KHRC financial system efficiency, accuracy, and timeliness
- Improve the effectiveness of KHRC business processes and staff resources
- Research and implement new technology to improve KHRC effectiveness

Progress on Strategic Plan Goals

To date KHRC has made substantial progress towards these improvement opportunities:

- Now an annual event, the Kansas Housing Conference continues to grow in size. In 2006, the first year of the conference, over 200 participants attended the three-day event in Salina. In 2007, over 300 attendees traveled to Hutchinson and nearly 350 attendees participated in the conference in Pittsburg in 2008. This year, conference organizers estimate nearly 400 registrants will attend the conference in Overland Park. The conference has served as an excellent tool to increase and improve KHRC partnerships with numerous organizations across the state, as well as educate housing providers, advocates, elected officials, builders and developers on the increasing affordable housing needs in Kansas.
- An enhanced mailing list was developed, which can be tailored for various uses and more effective communications.
- The Microsoft Dynamics GP accounting system has been implemented and a new banking structure established to improve KHRC's financial system efficiency, accuracy, timeliness, ability to make effective decisions, and deliver services to its customers both internally and externally.
- KHRC staff continues to develop a comprehensive network of housing providers and advocates throughout Kansas, who have held regular meetings to discuss housing strategies, advocate for housing legislation, and determine ways to better utilize available resources while exploring new sources of funding to meet Kansans' housing needs.
- KHRC staff and resources are continuing to help Greensburg and Southeast Kansas communities rebuild from the 2007 tornado and flooding, and the corporation's efforts are now being recognized nationally. One of KHRC's housing tax credit developments – Prairie Pointe Townhomes, which serves seniors - received top honors from the U.S. Green Building Council and is the first LEED® Platinum new construction affordable housing development in Kansas, and the third tax credit complex in the nation.
- Cross-training occurred with Rental Housing and Asset Management staff so monitoring could be completed for multiple programs in the same compliance visit, resulting in more effective use of KHRC staff time, reduced overall travel costs, and one combined visit for KHRC's customer.
- Electronic communication was enhanced and improved by the purchase and use of more laptop computers, PDAs, and other technology.
- KHRC's new housing locator website, KSHousingSearch.org, is successfully adding new rental properties daily. The site allows free listing of rental properties and enables people to search statewide for rental vacancies. As of April 2009, the site had nearly 23,000 units in 82 counties listed.
- KHRC received an overwhelming response to the corporation's new statewide initiative to help income-eligible families replace inefficient appliances. The Residential Appliance Replacement Program received over 2,300 voucher requests and committed \$4.0 million in funding in only two weeks. The Appliance Replacement Program funded by the State of Kansas' LIEAP grant allows homeowners and renters to replace old, energy-hungry and unsafe appliances with new, energy-efficient and environmentally-friendly models. Appliances eligible for replacement include refrigerators, water heaters, heating and cooling systems and window air units.

KHRC Operations
TOTAL OPERATIONS

	2008 ACTUAL	2009 FINANCIAL PLAN *	2009 PROJECTED ESTIMATE	2010 FINANCIAL PLAN
<u>Operating revenues:</u>				
Fees for services	\$ 3,398,258	\$ 3,485,311	\$ 3,693,644	\$ 3,490,525
Grant administration income	1,431,041	1,862,776	1,833,125	2,701,716
Recognized match income	991,392	2,393,258	1,253,006	2,596,331
Housing bond fees (MRB/MCC/SF)	-	-	-	-
PAB Multifamily Allocation fees	-	-	-	-
Contributions and donations	-	-	-	-
Interest income on loans	48,347	58,485	52,825	53,276
Other income	113,502	130,000	97,924	70,000
Federal program revenues	62,925,675	60,581,584	69,197,547	150,539,352
Federal loan proceeds	349,500	-	-	-
State program revenues	-	-	-	-
State loan proceeds	-	-	-	-
Total operating revenues	\$ 69,257,715	\$ 68,511,414	\$ 76,128,071	\$ 159,451,200
<u>Operating expenses:</u>				
Salaries and Wages	\$ 1,997,773	\$ 2,329,444	\$ 2,194,321	\$ 2,538,744
Employee Benefits	536,919	606,438	545,249	719,176
Communication	41,365	39,075	40,475	43,650
Advertising and printing	19,829	13,025	24,431	29,500
Rent and parking fees	219,172	222,933	218,033	257,510
Equipment repairs and maintenance	21,198	32,560	24,162	25,650
Travel	150,150	124,575	164,815	398,967
Fees - professional and other services	468,329	472,871	618,757	756,326
Office and data processing supplies	82,420	60,477	66,833	61,750
Expensed furniture and equipment	36,969	129,639	80,240	155,000
Recognized match expense	991,392	2,393,258	1,253,006	2,596,331
Program expenses	30,000	-	-	-
Provision for loan losses	250,151	31,360	28,663	-
Provision for bad debts	-	-	110,000	28,735
Depreciation	97,478	116,475	126,103	157,239
Federal program expenses	62,925,675	60,581,584	69,197,547	150,539,352
Federal program income grant expenses	149,950	-	71,468	75,000
State program expenses	-	-	-	-
Total operating expenses	\$ 68,018,770	\$ 67,153,714	\$ 74,764,101	\$ 158,382,929
Operating income	\$ 1,238,945	\$ 1,357,700	\$ 1,363,970	\$ 1,068,271
<u>Non-operating revenues:</u>				
Investment Income	208,164	202,500	225,000	175,000
Total non-operating revenues	\$ 208,164	\$ 202,500	\$ 225,000	\$ 175,000
Transfers in	\$ 333,700	\$ -	\$ 64,652	\$ 58,999
Transfers out **	(1,267,034)	-	(41,243)	(1,250,000)
Excess of revenues over expenses	\$ 513,775	\$ 1,560,200	\$ 1,612,379	\$ 52,270

* - FY 2009 Financial Plan as amended March 5, 2009.

** - The 2008 Actual and FY 2010 Financial Plan Transfers out include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund.

State Housing Trust Fund
TOTAL OPERATIONS

	2008 ACTUAL	2009 FINANCIAL PLAN *	2009 PROJECTED ESTIMATE	2010 FINANCIAL PLAN
Operating revenues:				
Fees for services	\$ -	\$ -	\$ -	\$ -
Grant administration income	-	-	-	-
Recognized match income	-	-	-	-
Housing bond fees (MRB/MCC/SF)	1,210,648	800,000	47,057	50,000
PAB Multifamily Allocation fees	52,400	20,000	-	-
Contributions and donations **	909,489	-	-	-
Interest income on loans	102,310	101,902	100,613	101,524
Other income	2,500	-	-	-
Federal program revenues	-	-	-	-
Federal loan proceeds	-	-	-	-
State program revenues	9,000,000	4,000,000	4,000,000	2,000,000
State program loan proceeds	285,000	-	-	-
Total operating revenues	\$ 11,562,347	\$ 4,921,902	\$ 4,147,670	\$ 2,151,524
Operating expenses:				
Salaries and Wages	\$ 92,653	\$ 168,252	\$ 120,478	134,825
Employee Benefits	23,088	43,722	29,640	38,194
Communication	1,381	1,200	2,674	1,250
Advertising and printing	4,283	1,875	2,070	1,125
Rent and parking fees	6,312	11,376	12,780	11,535
Equipment repairs and maintenance	857	1,440	1,132	500
Travel	24,879	5,375	9,160	5,500
Fees - professional and other services	68,623	108,300	153,936	53,000
Office and data processing supplies	3,191	2,514	3,216	2,000
Expensed furniture and equipment	860	5,586	2,661	3,500
Recognized match expense	-	-	-	-
Program expenses	2,049,754	1,185,285	1,595,165	800,000
Provision for loan losses ***	2,559,303	1,959,127	1,115,000	1,295,869
Provision for bad debts	-	-	-	-
Depreciation	-	2,500	-	-
Federal-program expenses	-	-	-	-
Federal program income grant expenses	-	-	-	-
State program expenses	2,340,095	6,800,000	3,630,104	4,520,027
Total operating expenses	\$ 7,175,279	\$ 10,296,552	\$ 6,678,015	\$ 6,867,325
Operating income	\$ 4,387,068	\$ (5,374,650)	\$ (2,530,345)	\$ (4,715,801)
Non-operating revenues:				
Investment Income	\$ 385,338	\$ 472,500	\$ 375,527	\$ 160,000
Total non-operating revenues	\$ 385,338	\$ 472,500	\$ 375,527	\$ 160,000
Transfers in ^	\$ 1,267,034	\$ -	\$ 41,243	\$ 1,250,000
Transfers out ^^	(333,700)	-	(1,064,652)	(58,999)
Excess (deficiency) of revenues over (under) expenses	\$ 5,705,740	\$ (4,902,150)	\$ (3,178,227)	\$ (3,364,800)

* - FY 2009 Financial Plan as amended March 5, 2009.

** - The 2008 Actual Contributions and donations revenue was for receipt of HUD restructured program loans.

*** - The 2009 Projected Estimate and 2010 Financial Plan Provision for loan losses are due to anticipated issuance of disaster-related soft loans from the State Finance Council 2008 Disaster Allocation of \$5 million.

^ - The 2008 Actual and 2010 Financial Plan Transfers in include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund.

^^ - The 2009 Projected Estimate Transfers out includes a \$1.0 million transfer from the State Housing Trust Fund to the State of Kansas State General Fund. This amount represents the balance of loan proceeds from the Governor's WARM Initiatives Program/KEEP revolving loan program.

Kansas Housing Resources Corporation (Combined)
GRAND TOTAL OPERATIONS

	2008 <u>ACTUAL</u>	2009 <u>FINANCIAL PLAN *</u>	2009 <u>PROJECTED ESTIMATE</u>	2010 <u>FINANCIAL PLAN</u>
<u>Operating revenues:</u>				
Fees for services	\$ 3,398,258	\$ 3,485,311	\$ 3,693,644	\$ 3,490,525
Grant administration income	1,431,041	1,862,776	1,833,125	2,701,716
Recognized match income	991,392	2,393,258	1,253,006	2,596,331
Housing bond fees (MRB/MCC/SF)	1,210,648	800,000	47,057	50,000
PAB Multifamily Allocation fees	52,400	20,000	-	-
Contributions and donations	909,489	-	-	-
Interest income on loans	150,657	160,387	153,438	154,800
Other income	116,002	130,000	97,924	70,000
Federal program revenues	62,925,675	60,581,584	69,197,547	150,539,352
Federal loan proceeds	349,500	-	-	-
State program revenues	9,000,000	4,000,000	4,000,000	2,000,000
State loan proceeds	285,000	-	-	-
Total operating revenues	\$ 80,820,062	\$ 73,433,316	\$ 80,275,741	\$ 161,602,724
<u>Operating expenses:</u>				
Salaries and Wages	\$ 2,090,426	\$ 2,497,696	\$ 2,314,798	\$ 2,673,569
Employee Benefits	560,007	650,160	574,890	757,370
Communication	42,746	40,275	43,149	44,900
Advertising and printing	24,112	14,900	26,500	30,625
Rent and parking fees	225,484	234,309	230,812	269,045
Equipment repairs and maintenance	22,055	34,000	25,294	26,150
Travel	175,029	129,950	173,976	404,467
Fees - professional and other services	536,952	581,171	772,693	809,326
Professional and office supplies	85,611	62,991	70,049	63,750
Expensed furniture and equipment	37,829	135,225	82,900	158,500
Recognized match expense	991,392	2,393,258	1,253,006	2,596,331
Program/grant expenses	2,079,754	1,185,285	1,595,165	800,000
Provision for loan losses	2,809,454	1,990,487	1,143,663	1,295,869
Provision for bad debts	-	-	110,000	28,735
Depreciation	97,478	118,975	126,103	157,239
Federal program expenses	62,925,675	60,581,584	69,197,547	150,539,352
Federal program income grant expenses	149,950	-	71,468	75,000
State program expenses	2,340,095	6,800,000	3,630,104	4,520,027
Total operating expenses	\$ 75,194,049	\$ 77,450,266	\$ 81,442,117	\$ 165,250,254
Operating income	\$ 5,626,013	\$ (4,016,950)	\$ (1,166,375)	\$ (3,647,530)
<u>Non-operating revenues:</u>				
Investment Income	\$ 593,502	\$ 675,000	\$ 600,527	\$ 335,000
Total non-operating revenues	\$ 593,502	\$ 675,000	\$ 600,527	\$ 335,000
Transfers in	\$ 1,600,734	\$ -	\$ 105,895	\$ 1,308,999
Transfers out	(1,600,734)	-	(1,105,895)	(1,308,999)
Excess (deficiency) of revenues over (under) expenses	\$ 6,219,515	\$ (3,341,950)	\$ (1,565,849)	\$ (3,312,530)

* - FY 2009 Financial Plan as amended March 5, 2009.

Revised
6/4/09

NET ASSETS AND CASH BALANCES

	2008 * <u>ACTUAL</u>	2009 <u>FINANCIAL PLAN</u>	2009 <u>PROJECTED ESTIMATE</u>	2010 <u>FINANCIAL PLAN</u>
<i>Kansas Housing Resources Corporation (Combined)</i>				
<u>NET ASSETS:</u>				
<i>Net Assets, beginning as restated</i>	\$ 12,433,380	\$ 21,365,244	\$ 18,652,895	\$ 17,087,046
Excess of revenues over expenses (page 11)	<u>6,219,515</u>	<u>(3,491,950)</u>	<u>(1,565,849)</u>	<u>(3,312,530)</u>
<i>Net Assets, ending as restated</i>	<u>\$ 18,652,895</u>	<u>\$ 17,873,294</u>	<u>\$ 17,087,046</u>	<u>\$ 13,774,516</u>
<u>CASH AND INVESTMENT BALANCES:</u>				
Restricted	\$ 7,995,853	\$ 4,250,000	\$ 6,100,000	\$ 2,100,000
Unrestricted	<u>8,314,450</u>	<u>6,250,000</u>	<u>6,400,000</u>	<u>6,400,000</u>
Total Cash, end of year	<u>\$ 16,310,303</u>	<u>\$ 10,500,000</u>	<u>\$ 12,500,000</u>	<u>\$ 8,500,000</u>

* - KHRC Operations and State Housing Trust Fund balances were combined as of June 30, 2007. Separate and distinct balances were established July 1, 2007 going forward.

<i>KHRC Operations</i>				
<u>NET ASSETS:</u>				
<i>Net Assets, beginning as restated</i>	\$ 5,766,610	\$ 7,962,225	\$ 6,280,385	\$ 7,892,764
Excess of revenues over expenses (page 9)	<u>513,775</u>	<u>1,410,200</u>	<u>1,612,379</u>	<u>52,270</u>
<i>Net Assets, ending as restated</i>	<u>\$ 6,280,385</u>	<u>\$ 9,372,425</u>	<u>\$ 7,892,764</u>	<u>\$ 7,945,034</u>
<u>CASH AND INVESTMENT BALANCES:</u>				
Restricted	\$ 316,517	\$ 200,000	\$ 100,000	\$ 100,000
Unrestricted	<u>4,733,117</u>	<u>4,750,000</u>	<u>5,400,000</u>	<u>5,400,000</u>
Total Cash, end of year	<u>\$ 5,049,634</u>	<u>\$ 4,950,000</u>	<u>\$ 5,500,000</u>	<u>\$ 5,500,000</u>

<i>State Housing Trust Fund</i>				
<u>NET ASSETS:</u>				
<i>Net Assets, beginning as restated</i>	\$ 6,666,770	\$ 13,403,019	\$ 12,372,510	\$ 9,194,283
Excess of revenues over expenses (page 10)	<u>5,705,740</u>	<u>(4,902,150)</u>	<u>(3,178,227)</u>	<u>(3,364,800)</u>
<i>Net Assets, ending as restated</i>	<u>\$ 12,372,510</u>	<u>\$ 8,500,869</u>	<u>\$ 9,194,283</u>	<u>\$ 5,829,483</u>
<u>CASH AND INVESTMENT BALANCES:</u>				
Restricted	\$ 7,679,336	\$ 4,050,000	\$ 6,000,000	\$ 2,000,000
Unrestricted	<u>3,581,333</u>	<u>1,500,000</u>	<u>1,000,000</u>	<u>1,000,000</u>
Total Cash, end of year	<u>\$ 11,260,669</u>	<u>\$ 5,550,000</u>	<u>\$ 7,000,000</u>	<u>\$ 3,000,000</u>

KHRC Operations
FY 2010 Financial Plan Revenues and Expenses by Program

Operating revenues:

Fees for services
 Grant administration income
 Recognized match income
 Housing bond fees (MRB/MCC/SF)
 PAB Multifamily Allocation fees
 Contributions and donations
 Interest income on program loans
 Other income
 Federal program revenues
 State program revenues
 Total operating revenues

Operating expenses:

Salaries and Wages
 Employee Benefits
 Communication
 Printing and advertising
 Rent and parking fees
 Repairs and maintenance
 Travel
 Fees - professional services
 Professional and office supplies
 Expensed furniture and equipment
 Recognized match expense
 Program expenses
 Provision for loan losses
 Provision for bad debts
 Depreciation
 Federal program expenses
 Federal program income grant expenses
 State program expenses
 Total operating expenses

Operating income

Nonoperating revenues:

Investment income
 Total nonoperating revenues

Transfers in
 Transfers out ^A

Excess (deficiency) of revenues over
 (under) expenses

	Tax Credit	Asset Management	HOME	DOE - WAP	LIEAP	CSBG, ESG, HMIS & Corrects	KHRC Corporate	Eliminate Intra-Fund Transfers	KHRC Total
	\$ 842,500	\$ 2,637,725	\$ -	\$ -	\$ -	\$ -	\$ 10,300	\$ -	\$ 3,490,525
Fees for services	-	-	759,968	1,140,486	169,726	631,536	-	-	2,701,716
Grant administration income	-	-	1,800,000	-	-	796,331	-	-	2,596,331
Recognized match income	-	-	-	-	-	-	-	-	-
Housing bond fees (MRB/MCC/SF)	-	-	-	-	-	-	-	-	-
PAB Multifamily Allocation fees	-	-	-	-	-	-	-	-	53,276
Contributions and donations	-	-	53,276	-	-	-	-	-	70,000
Interest income on program loans	-	-	-	-	-	70,000	-	-	150,539,352
Other income	-	-	-	-	-	15,786,281	-	-	-
Federal program revenues	46,664,448	45,720,000	8,000,000	27,578,594	6,790,028	-	-	-	-
State program revenues	-	-	-	-	-	-	-	-	-
Total operating revenues	47,506,948	48,357,725	10,613,244	28,719,081	6,959,754	17,284,148	10,300	-	159,451,200
									2,538,744
Salaries and Wages	459,987	759,989	419,027	505,384	101,452	282,292	10,613	-	719,176
Employee Benefits	130,305	215,290	118,702	143,166	28,739	79,968	3,006	-	43,650
Communication	8,000	14,000	12,200	4,000	1,200	4,250	-	-	29,500
Printing and advertising	7,500	2,500	2,500	5,000	10,000	2,000	-	-	257,510
Rent and parking fees	64,978	84,549	41,389	27,683	11,535	27,376	-	-	25,650
Repairs and maintenance	3,000	16,500	3,000	1,250	500	1,400	-	-	398,967
Travel	50,000	39,000	24,250	249,917	1,800	34,000	-	-	756,326
Fees - professional services	61,090	266,749	109,900	82,587	11,500	179,500	45,000	-	61,750
Professional and office supplies	20,000	16,000	12,000	7,500	1,000	5,250	-	-	155,000
Expensed furniture and equipment	18,000	38,500	17,000	64,000	2,000	15,500	-	-	2,596,331
Recognized match expense	-	-	1,800,000	-	-	796,331	-	-	-
Program expenses	-	-	-	-	-	-	-	-	28,735
Provision for loan losses	-	-	28,735	-	-	-	-	-	-
Provision for bad debts	-	-	-	-	-	-	-	-	157,239
Depreciation	12,213	25,003	37,383	37,026	38,979	6,635	-	-	150,539,352
Federal program expenses	46,664,448	45,720,000	8,000,000	27,578,594	6,790,028	15,786,281	-	-	75,000
Federal program income grant expenses	-	-	75,000	-	-	-	-	-	-
State program expenses	-	-	-	-	-	-	-	-	-
Total operating expenses	47,499,521	47,198,080	10,701,086	28,706,107	6,998,733	17,220,783	58,619	-	158,382,929
Operating income	7,427	1,159,645	(87,842)	12,974	(38,979)	63,365	(48,319)	-	1,068,271
									175,000
Investment income	-	-	-	-	-	-	175,000	-	175,000
Total nonoperating revenues	-	-	-	-	-	-	175,000	-	175,000
Transfers in	-	-	-	17,700	-	123,949	-	(82,650)	58,999
Transfers out ^A	-	-	-	-	-	-	(1,332,650)	82,650	(1,250,000)
Excess (deficiency) of revenues over (under) expenses	\$ 7,427	\$ 1,159,645	\$ (87,842)	\$ 30,674	\$ (38,979)	\$ 187,314	\$ (1,205,969)	\$ -	\$ 52,270

^A - Transfers out include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund.

**State Housing Trust Fund
FY 2010 Financial Plan Revenues and Expenses by Program**

	SFC Disaster Assistance	Housing Development	KAMP and ERP	General SHTF	SHTF Total
Operating revenues:					
Fees for services	\$ -	\$ -	\$ -	\$ -	\$ -
Grant administration income	-	-	-	-	-
Recognized match income	-	-	-	50,000	50,000
Housing bond fees (MRB/MCC/SF)	-	-	-	-	-
PAB Multifamily Allocation fees	-	-	-	-	-
Contributions and donations	-	-	-	87,224	101,524
Interest income on program loans	14,300	-	-	-	-
Other income	-	-	-	-	-
Federal program revenues	-	2,000,000	-	-	2,000,000
State program revenues	-	-	-	137,224	2,151,524
Total operating revenues	14,300	2,000,000	-	137,224	2,151,524
Operating expenses:					
Salaries and Wages	-	72,984	61,841	-	134,825
Employee Benefits	-	20,675	17,519	-	38,194
Communication	-	500	750	-	1,250
Printing and advertising	-	275	100	750	1,125
Rent and parking fees	-	6,921	4,614	-	11,535
Repairs and maintenance	-	-	500	-	500
Travel	-	2,500	2,500	500	5,500
Fees - professional services	-	2,500	7,500	43,000	53,000
Professional and office supplies	-	1,000	1,000	-	2,000
Expensed furniture and equipment	-	1,500	2,000	-	3,500
Recognized match expense	-	-	-	-	-
Program expenses	-	-	800,000	-	800,000
Provision for loan losses	1,232,135	-	-	63,734	1,295,869
Provision for bad debts	-	-	-	-	-
Depreciation	-	-	-	-	-
Federal program expenses	-	-	-	-	-
Federal program income grant expenses	-	-	-	-	-
State program expenses	-	4,520,027	-	-	4,520,027
Total operating expenses	1,232,135	4,628,882	898,324	107,984	6,867,325
Operating income	(1,217,835)	(2,628,882)	(898,324)	29,240	(4,715,801)
Nonoperating revenues:					
Investment income	10,000	25,000	-	125,000	160,000
Total nonoperating revenues	10,000	25,000	-	125,000	160,000
Transfers in ^	-	-	-	1,250,000	1,250,000
Transfers out	-	-	-	(58,999)	(58,999)
Excess (deficiency) of revenues over (under) expenses	\$ (1,207,835)	\$ (2,603,882)	\$ (898,324)	\$ 1,345,241	\$ (3,364,800)

^ - Transfers in include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund.

Kansas Housing Resources Corporation (Combined)
FY 2010 Financial Plan Revenues and Expenses by Program

	KHRC Operations	State Housing Trust Fund	Grand Total
<u>Operating revenues:</u>			
Fees for services	\$ 3,490,525	\$ -	3,490,525
Grant administration income	2,701,716	-	2,701,716
Recognized match income	2,596,331	-	2,596,331
Housing bond fees (MRB/MCC/SF)	-	50,000	50,000
PAB multifamily allocation fees	-	-	-
Contributions and donations	-	-	-
Interest income on program loans	53,276	101,524	154,800
Other income	70,000	-	70,000
Federal program revenues	150,539,352	-	150,539,352
State program revenues	-	2,000,000	2,000,000
Total operating revenues	159,451,200	2,151,524	161,602,724
<u>Operating expenses:</u>			
Salaries and Wages	2,538,744	134,825	2,673,569
Employee Benefits	719,176	38,194	757,370
Communication	43,650	1,250	44,900
Printing and advertising	29,500	1,125	30,625
Rent and parking fees	257,510	11,535	269,045
Repairs and maintenance	25,650	500	26,150
Travel	398,967	5,500	404,467
Fees - professional services	756,326	53,000	809,326
Professional and office supplies	61,750	2,000	63,750
Expensed furniture and equipment	155,000	3,500	158,500
Recognized match expense	2,596,331	-	2,596,331
Program expenses	-	800,000	800,000
Provision for loan losses	28,735	1,295,869	1,324,604
Provision for bad debts	-	-	-
Depreciation	157,239	-	157,239
Federal program expenses	150,539,352	-	150,539,352
Federal program income grant expenses	75,000	-	75,000
State program expenses	-	4,520,027	4,520,027
Total operating expenses	158,382,929	6,867,325	165,250,254
Operating income	1,068,271	(4,715,801)	(3,647,530)
<u>Nonoperating revenues:</u>			
Investment income	175,000	160,000	335,000
Total nonoperating revenues	175,000	160,000	335,000
Transfers in	58,999	1,250,000	1,308,999
Transfers out	(1,250,000)	(58,999)	(1,308,999)
Excess (deficiency) of revenues over (under) expenses)	\$ 52,270	\$ (3,364,800)	\$ (3,312,530)

KHRC Operations
OPERATING REVENUES AND EXPENSES BY PROGRAM, AND NONOPERATING
REVENUES BY PROGRAM

<u>Program/KHRC Corporate</u>	<u>2008</u> <u>ACTUAL</u>	<u>2009</u> <u>FINANCIAL</u> <u>PLAN *</u>	<u>2009</u> <u>PROJECTED</u> <u>ESTIMATE</u>	<u>2010</u> <u>FINANCIAL</u> <u>PLAN</u>
OPERATING REVENUES AND EXPENSES BY PROGRAM				
<u>OPERATING REVENUES</u>				
Rental Housing Program (Tax Credit)	\$ 943,799	\$ 966,250	\$ 6,143,416	\$ 47,506,948
Section 8 Contract Admin/HAP (Asset Mgmt.)	44,679,600	43,858,761	47,036,451	48,357,725
HOME Investment Partnership Program (HOME)	11,347,440	10,438,079	9,790,624	10,613,244
Weatherization Assistance Program (DOE-WAP)	2,720,675	3,030,909	2,466,370	28,719,081
Low-Income Energy Assistance Program (LIEAP)	3,097,220	2,544,982	3,158,732	6,959,754
Community Services Block Grant (CSBG), Emergency Shelter Grant (ESG), Homeless Management Information Systems Grant (HMIS), and Dept. of Corrections Reentry Program	6,467,069	7,662,133	7,522,177	17,284,148
KHRC Corporate	1,912	10,300	10,300	10,300
Total Operating Revenues	\$ 69,257,715	\$ 68,511,414	\$ 76,128,071	\$ 159,451,200
<u>OPERATING EXPENSES</u>				
Rental Housing Program (Tax Credit)	\$ 665,186	\$ 743,450	\$ 5,831,799	\$ 47,499,521
Section 8 Contract Admin/HAP (Asset Mgmt.)	43,630,369	42,884,162	45,962,845	47,198,080
HOME Investment Partnership Program (HOME)	11,388,727	10,438,079	9,876,694	10,701,086
Weatherization Assistance Program (DOE-WAP)	2,783,997	2,880,909	2,475,535	28,706,107
Low-Income Energy Assistance Program (LIEAP)	3,032,734	2,544,982	3,184,971	6,998,733
Community Services Block Grant (CSBG), Emergency Shelter Grant (ESG), Homeless Management Information Systems Grant (HMIS), and Dept. of Corrections Reentry Program	6,515,915	7,662,133	7,432,155	17,220,783
KHRC Corporate	1,842	-	102	58,619
Total Operating Expenses	\$ 68,018,770	\$ 67,153,714	\$ 74,764,101	\$ 158,382,929
Operating Income	\$ 1,238,945	\$ 1,357,700	\$ 1,363,970	\$ 1,068,271
NON-OPERATING REVENUES BY PROGRAM				
Rental Housing Program (Tax Credit)	\$ -	\$ -	\$ -	\$ -
Section 8 Contract Admin/HAP (Asset Mgmt.)	-	-	-	-
HOME Investment Partnership Program (HOME)	-	-	-	-
Weatherization Assistance Program (DOE-WAP)	-	-	-	-
Low-Income Energy Assistance Program (LIEAP)	-	-	-	-
Emergency Shelter Grant (ESG), Homeless	-	-	-	-
KHRC Corporate	208,164	202,500	225,000	175,000
Total Non-Operating Revenues	\$ 208,164	\$ 202,500	\$ 225,000	\$ 175,000

* - FY 2009 Financial Plan as amended March 5, 2009.

State Housing Trust Fund

OPERATING REVENUES AND EXPENSES BY PROGRAM, AND NONOPERATING REVENUES BY PROGRAM

Program/General SHTF	2008 ACTUAL	2009 FINANCIAL PLAN *	2009 PROJECTED ESTIMATE	2010 PROJECTED ESTIMATE
OPERATING REVENUES AND EXPENSES BY PROGRAM				
<u>OPERATING REVENUES</u>				
SHTF Disaster Assistance	\$ -	\$ -	\$ -	\$ -
SFC Disaster Assistance	5,000,794	-	14,264	14,300
Governor's WARM Initiatives Program/KEEP	2,500	-	-	-
Housing Development Grant Program	4,000,000	4,000,000	4,000,000	2,000,000
Kansas Accessibility Modifications Program (KAMP) and Emergency Repair Program (ERP)	-	-	-	-
General SHTF	2,559,053	921,902	133,406	137,224
Total Operating Revenues	\$ 11,562,347	\$ 4,921,902	\$ 4,147,670	\$ 2,151,524
<u>OPERATING EXPENSES</u>				
SHTF Disaster Assistance	\$ 890,897	\$ -	\$ 594,685	\$ -
SFC Disaster Assistance	3,426,890	2,713,924	988,109	1,232,135
Governor's WARM Initiatives Program/KEEP	13,212	25,538	23,401	-
Housing Development Grant Program	3,822	6,107,615	3,513,065	4,628,882
Kansas Accessibility Modifications Program (KAMP) and Emergency Repair Program (ERP)	1,038,924	1,109,504	1,048,021	898,324
General SHTF	1,801,534	339,971	510,734	107,984
Total Operating Expenses	\$ 7,175,279	\$ 10,296,552	\$ 6,678,015	\$ 6,867,325
Operating Income	\$ 4,387,068	\$ (5,374,650)	\$ (2,530,345)	\$ (4,715,801)
NON-OPERATING REVENUES BY PROGRAM				
SHTF Disaster Assistance	\$ -	\$ -	\$ -	\$ -
SFC Disaster Assistance	105,997	-	25,000	10,000
Governor's WARM Initiatives Program/KEEP	81,408	-	41,000	-
Housing Development Grant Program	15,475	-	190,000	25,000
Kansas Accessibility Modifications Program (KAMP) and Emergency Repair Program (ERP)	-	-	-	-
General SHTF	182,458	472,500	119,527	125,000
Total Non-Operating Revenues	\$ 385,338	\$ 472,500	\$ 375,527	\$ 160,000

* - FY 2009 Financial Plan as amended March 5, 2009.

KHRC Operations

TRANSFERS BY PROGRAM AND EXCESS OF REVENUES OVER EXPENSES

Program/KHRC Corporate	2008 ACTUAL	2009 FINANCIAL PLAN *	2009 PROJECTED ESTIMATE	2010 FINANCIAL PLAN
TRANSFERS BY PROGRAM				
TRANSFERS IN				
Rental Housing Program (Tax Credit)	\$ -	\$ -	\$ -	\$ -
Section 8 Contract Admin/HAP (Asset Mgmt.)	-	-	-	-
HOME Investment Partnership Program (HOME)	333,700	-	57,654	-
Weatherization Assistance Program (DOB-WAP)	54,163	-	17,700	17,700
Low-Income Energy Assistance Program (LIEAP)	-	-	-	-
Community Services Block Grant (CSBG), Emergency Shelter Grant (ESG), Homeless Management Information Systems Grant (HMIS), and Dept. of Corrections Reentry Program KHRC Corporate	42,632	-	71,948	123,949
Less: KHRC Operations intrafund transfers **	(96,795)	-	(82,650)	(82,650)
Total Transfers In	\$ 333,700	\$ -	\$ 64,652	\$ 58,999
TRANSFERS OUT				
Rental Housing Program (Tax Credit)	\$ -	\$ -	\$ 17,600	\$ -
Section 8 Contract Admin/HAP (Asset Mgmt.)	-	-	-	-
HOME Investment Partnership Program (HOME)	-	-	-	-
Weatherization Assistance Program (DOB-WAP)	-	-	-	-
Low-Income Energy Assistance Program (LIEAP)	-	-	-	-
Community Services Block Grant (CSBG), Emergency Shelter Grant (ESG), Homeless Management Information Systems Grant (HMIS), and Dept. of Corrections Reentry Program KHRC Corporate ***	1,363,829	-	106,293	1,332,650
Less: KHRC Operations intrafund transfers **	(96,795)	-	(82,650)	(82,650)
Total Transfers Out	\$ 1,267,034	\$ -	\$ 41,243	\$ 1,250,000
EXCESS OF REVENUES OVER EXPENSES	\$ 513,775	\$ 1,560,200	\$ 1,612,379	\$ 52,270

* - FY 2009 Financial Plan as amended March 5, 2009.

** - KHRC Operations intrafund transfers represent transfers needed to fund federal program administration shortfalls (i.e., insufficient federal program administration funding).

*** - The 2008 Actual and 2010 Financial Plan Transfers out include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund.

State Housing Trust Fund

TRANSFERS BY PROGRAM AND EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES

<u>Program/General SHTF</u>	<u>2008 ACTUAL</u>	<u>2009 FINANCIAL PLAN *</u>	<u>2009 PROJECTED ESTIMATE</u>	<u>2010 FINANCIAL PLAN</u>
TRANSFERS BY PROGRAM				
TRANSFERS IN				
SHTF Disaster Assistance **	\$ 1,250,000	\$ -	\$ -	\$ -
SFC Disaster Assistance	-	-	8	-
Governor's WARM initiatives Program/KEEP	13,212	-	-	-
Housing Development Grant Program	3,822	-	23,635	-
Kansas Accessibility Modifications Program (KAMP) and Emergency Repair Program (ERP)	-	-	-	-
General SHTF **	-	-	17,600	1,250,000
Total Transfers In	\$ 1,267,034	\$ -	\$ 41,243	\$ 1,250,000
TRANSFERS OUT				
SHTF Disaster Assistance	\$ -	\$ -	\$ -	\$ -
SFC Disaster Assistance	-	-	-	-
Governor's WARM Initiatives Program/KEEP ***	-	-	1,000,000	-
Housing Development Grant Program	-	-	-	-
Kansas Accessibility Modifications Program (KAMP) and Emergency Repair Program (ERP)	-	-	-	-
General SHTF	333,700	-	64,652	58,999
Total Transfers Out	\$ 333,700	\$ -	\$ 1,064,652	\$ 58,999
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENSES				
	\$ 5,705,740	\$ (4,902,150)	\$ (3,178,227)	\$ (3,364,800)

* - FY 2009 Financial Plan as amended March 5, 2009.

** - The 2008 Actual and 2010 Financial Plan Transfers In include a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund (2008 Actual for SHTF Disaster Assistance and 2010 Financial Plan for General SHTF purposes).

*** - The \$1.0 million 2009 Projected Estimate Transfers out represents the balance of loan proceeds from the Governor's WARM Initiatives Program/KEEP revolving loan program. Funds were transferred to the State of Kansas State General Fund.

Kansas Housing Resources Corporation
GRAND TOTALS

Program/General SHTF	2008 ACTUAL	2009 FINANCIAL PLAN *	2009 PROJECTED ESTIMATE	2010 FINANCIAL PLAN
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GRAND TOTAL
OPERATING REVENUES AND EXPENSES

Total Operating Revenues	\$ 80,820,062	\$ 73,433,316	\$ 80,275,741	\$ 161,602,724
Total Operating Expenses	\$ 75,194,049	\$ 77,450,266	\$ 81,442,117	\$ 165,250,254
Operating Income	\$ 5,626,013	\$ (4,016,950)	\$ (1,166,375)	\$ (3,647,530)

GRAND TOTAL
NON-OPERATING REVENUES

Total Non-Operating Revenues	\$ 593,502	\$ 675,000	\$ 600,527	\$ 335,000
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GRAND TOTAL
TRANSFERS

Total Transfers In	\$ 1,600,734	\$ -	\$ 105,895	\$ 1,308,999
Total Transfers Out	\$ 1,600,734	\$ -	\$ 1,105,895	\$ 1,308,999

GRAND TOTAL
EXCESS OF REVENUES OVER EXPENSES

KHRC Operations	\$ 513,775	\$ 1,560,200	\$ 1,612,379	\$ 52,270
State Housing Trust Fund	\$ 5,705,740	\$ (4,902,150)	\$ (3,178,227)	\$ (3,364,800)
Excess (deficiency) of revenues over (under) expenses	\$ 6,219,515	\$ (3,341,950)	\$ (1,565,849)	\$ (3,312,530)

* - FY 2009 Financial Plan as amended March 5, 2009.

Kansas Housing Resources Corporation
Capital Outlay

<u>Description</u>	<u>Cost</u>
<i>KHRC Operations</i>	
<u>Information technology:</u>	
Dell Servers (2) to replace domain controllers *	\$ 30,000
MS Exchange Dell Server upgrade *	20,000
Network Router *	5,000
Fax Server *	15,000
MS Exchange Server 2007 *	15,000
Weatherization Program Software Upgrades **	<u>50,000</u>
Total information technology	<u>\$ 135,000</u>
Total Financial Plan 2010 Capital Outlay	<u><u>\$ 135,000</u></u>

* - Equipment included in FY 2009 Financial Plan not purchased in FY 2009.

** - Estimated additional software programming as needed due to ARRA recovery funding.

The above items will be capitalized in accordance with KHRC's fixed asset capitalization policy. Computer and other IT equipment not included above totaling \$49,000 will be expensed as expensed equipment.

KHRC Operations 2010 Financial Plan: Federal Funds Summary

	2008 ACTUAL	2009 FIN. PLAN	2009 PROJECTED	2010 FIN. PLAN
SOURCES: *				
Community Services Block Grant (CSBG) ARRA Federal Allocation	\$ -	\$ -	\$ -	\$ 8,161,366
Weatherization Assistance Program (DOE-WAP) ARRA Federal Allocation **	-	-	-	56,441,771
Emergency Shelter Grant (ESG) ARRA Federal Allocation **	-	-	-	8,360,995
Tax Credit Assistance Program (TCAP) ARRA Federal Allocation	-	-	-	17,121,110
Credit Exchange Program (CEP) "Section 1602" ARRA Federal Allocation	-	-	-	45,098,154
HOME Federal Allocation **	8,051,945	7,733,134	7,733,134	8,551,968
HOME Program Income	168,614	100,000	262,570	250,000
HOME Recaptured Funds	428,634	425,000	374,068	400,000
Community Services Block Grant (CSBG) Federal Allocation **	5,120,512	5,307,536	5,307,536	5,679,633
Weatherization Assistance Program (DOE-WAP) Federal Allocation **	2,264,099	2,518,837	2,518,837	5,001,886
Low-Income Energy Assistance Program (LIEAP) Federal Allocation **	2,501,554	2,497,790	2,497,790	6,790,028
Emergency Shelter Grant (ESG) Federal Allocation **	888,683	893,258	893,258	896,331
Homeless Management Information System (HMIS) Federal Allocation **	133,000	-	133,000	133,000
Section 8 Project-Based Rental Assistance	42,222,427	41,350,000	44,496,108	45,720,000
Administration of Section 8 Project-Based Rental Assistance Contracts	2,457,173	2,508,761	2,540,344	2,637,725
Administration of Low Income Housing Tax Credit Program	943,799	966,250	1,143,416	842,500
Low Income Housing Tax Credit Program (per capita)	57,104,050	57,330,320	57,000,000	57,000,000
TOTAL SOURCES	\$ 122,284,490	\$ 121,630,886	\$ 124,900,061	\$ 269,086,467
USES (FUND COMMITMENTS): *				
Community Services Block Grant (CSBG) ARRA Federal Allocation	\$ -	\$ -	\$ -	\$ 8,161,366
Weatherization Assistance Program (DOE-WAP) ARRA Federal Allocation **	-	-	-	56,441,771
Emergency Shelter Grant (ESG) ARRA Federal Allocation **	-	-	-	8,360,995
Tax Credit Assistance Program (TCAP) ARRA Federal Allocation	-	-	-	17,121,110
Credit Exchange Program (CEP) "Section 1602" ARRA Federal Allocation	-	-	-	45,098,154
HOME CHDO, FTIHB, ADDI, Homeowner Rehabilitation, and TBRA **	8,649,193	8,258,134	8,369,772	9,201,968
Community Services Block Grant (CSBG) **	5,120,512	5,307,536	5,307,536	5,679,633
Weatherization Assistance Program (DOE-WAP) **	2,264,099	2,518,837	2,518,837	5,001,886
Low-Income Energy Assistance Program (LIEAP) **	2,501,554	2,497,790	2,497,790	6,790,028
Emergency Shelter Grant (ESG) **	888,683	893,258	893,258	896,331
Homeless Management Information System (HMIS) **	133,000	-	133,000	133,000
Section 8 Project-Based Rental Assistance	42,222,427	41,350,000	44,496,108	45,720,000
Operating costs for Administration of the Section 8 Project-Based Rental Assistance Contracts	1,407,942	1,534,162	1,466,737	1,478,080
Operating costs for Administration of Low Income Housing Tax Credit Program	665,186	743,450	831,799	835,073
Program costs from Section 8 Project-Based Rental Assistance Admin.	1,049,231	974,599	1,073,607	1,159,645
Program costs from Low Income Housing Tax Credit Admin.	278,613	222,800	311,617	7,427
Low Income Housing Tax Credit Program (per capita)	57,104,050	57,330,320	57,000,000	57,000,000
TOTAL USES (FUND COMMITMENTS)	\$ 122,284,490	\$ 121,630,886	\$ 124,900,061	\$ 269,086,467
TOTAL FUNDS DISBURSED *	\$ 120,029,725	\$ 117,911,904	\$ 126,197,547	\$ 207,539,352
TOTAL FEDERAL PROGRAMS ADMINISTERED	\$ 122,284,490	\$ 121,630,886	\$ 124,900,061	\$ 269,086,467

HOME and ESG match are not shown above as a source and use for simplicity since no net cash outlay occurred or is expected to occur in FY 2007 through FY 2009.

* - Total Funds Disbursed may exceed Total Uses (Fund Commitments) due to timing differences between when funds were committed and when funds are disbursed.

** - Includes program administration.

State Housing Trust Fund 2010 Financial Plan: SHTF and State Funds Summary

The 2010 SHTF Funds and State Funds Summary provides a summary of State and SHTF program funds administered by KHRC:

<u>PROGRAMS</u>	<u>2008 ACTUAL</u>	<u>* 2009 FINANCIAL PLAN</u>	<u>2009 PROJECTED</u>	<u>2010 FINANCIAL PLAN</u>
<u>SOURCES:</u>				
State Housing Trust Fund	\$ 2,250,000	\$ 1,000,000	\$ 1,000,000	\$ 1,000,000
State of Kansas State Finance Council Disaster Assistance: 2008 Allocation	5,000,000	-	-	-
State of Kansas State Housing Development Grant: 2008 Allocation	4,000,000	-	-	-
State of Kansas State Housing Development Grant: 2009 Allocation	-	4,000,000	4,000,000	-
State of Kansas State Housing Development Grant: 2010 Allocation	-	-	-	2,000,000
TOTAL SOURCES	\$ 11,250,000	\$ 5,000,000	\$ 5,000,000	\$ 3,000,000
<u>USES (FUND COMMITMENTS):</u>				
Kansas Accessibility Modifications Program (KAMP): 2008 Allocation	\$ 500,000	\$ -	\$ -	\$ -
Kansas Accessibility Modifications Program (KAMP): 2009 Allocation	-	500,000	500,000	-
Kansas Accessibility Modifications Program (KAMP): 2010 Allocation	-	-	-	500,000
Emergency Repair Program (ERP): 2008 Allocation	500,000	-	-	-
Emergency Repair Program (ERP): 2009 Allocation	-	500,000	500,000	-
Emergency Repair Program (ERP): 2010 Allocation	-	-	-	500,000
State of Kansas State Finance Council Disaster Assistance: 2008 Allocation	5,000,000	-	-	-
State Housing Trust Fund Disaster Assistance: 2008 Allocation	1,250,000	-	-	-
State of Kansas State Housing Development Grant: 2008 Allocation	4,000,000	-	-	-
State of Kansas State Housing Development Grant: 2009 Allocation	-	4,000,000	4,000,000	-
State of Kansas State Housing Development Grant: 2010 Allocation	-	-	-	2,000,000
TOTAL USES (FUND COMMITMENTS)	\$ 11,250,000	\$ 5,000,000	\$ 5,000,000	\$ 3,000,000
TOTAL FUNDS DISBURSED **	\$ 5,207,339	\$ 9,709,200	\$ 5,985,269	\$ 6,552,162

* -The 2009 Financial Plan amounts have been amended to more accurately be able to view cascade of timing differences across multiple fiscal years comparing year funds committed to year funds disbursed.

** - Total Funds Disbursed may exceed Total Uses (Fund Commitments) due to timing differences between when funds were committed and when funds are disbursed.

APPENDIX

Financial Policies, Guidelines and Practices

KHRC relies on formal policies, State law and established financial principles to guide its financial planning and management. It also has policies established in accordance with generally accepted accounting principles (GAAP) and other best practices. These policies set forth the basic framework for the overall fiscal management of KHRC. The financial policies provide guidelines for evaluating both current activities and proposals and opportunities for future programs. Most policies and procedures represent long-standing principles and practices that guide KHRC to help maintain its financial stability. As KHRC grows and matures, it continues to review, update and establish its financial policies and procedures on an ongoing basis.

Administration

The Administration Department is responsible for the execution of all policies established by KHRC; the overall management and supervision of all programs; the administration of the overall financial plan; and providing information and advice to the Board of Directors and general public. The Department includes the Executive Director, Deputy Director, finance and accounting, legal, human resources, communications, and information technology.

The Administration Department's costs have been allocated to each program's financial plan using the following cost allocation methods: direct application (e.g., travel costs associated with a particular program), relative program activity (e.g., computation based on each program's relative revenue and expense activity), finance and accounting (e.g., number of accounting transactions processed), human resources (e.g., number of personnel), and information technology (e.g., number of telephone and computer connections). During the financial plan preparation process, administrative expense items are evaluated to determine the most appropriate cost allocation method, most notably for salaries and related payroll expenses. As expense items are paid or accrued during the year, they are reviewed from a facts and circumstances perspective, so the most appropriate cost allocation method is used.

Neither Kansas law nor State policies and procedures specifically prescribe the policies or procedures by which KHRC prepares its annual financial plan. However, as KHRC's annual fiscal year begins July 1st, and as KHRC desires to follow sound business practices, KHRC's Board of Directors adopts KHRC's financial plan *before* the commencement of each fiscal year. Financial plan amendments are prepared and submitted to the Board for adoption for material changes on an as needed basis during the fiscal year. The financial plan will itemize anticipated revenues and proposed expenses, detailed by program. As a policy, total financial plan program activity must be balanced so that anticipated total expenses do not exceed anticipated total revenues. Changes from expense category to expense category may be made administratively with the approval of the Executive Director. Revenues and expenses are tracked regularly to ensure adherence to the financial plan and to provide information for effective decision making. Monthly financial statements and reports are prepared and presented to the Board to review adherence to the financial plan and provide an awareness of KHRC's financial position.

K.S.A. 74-8913 requires that on or before the last day of November each year KHRC provides an annual report of its activities for the preceding fiscal year to the governor and to the legislature. As required by Statute, the report contains an audit of the preceding fiscal year, prepared by a firm of nationally recognized certified public accountants. KHRC is financially accountable to the State, and the State exercises oversight responsibility on financial interdependency and accountability for fiscal matters and scope of public service. The audit of KHRC's financial statements is included in the State's financial reporting entity, and KHRC's transactions are reported in the State's Comprehensive Annual Financial Report as a component unit. KHRC's expenditures of federal awards are included in the State's OMB Circular A-133 audit.

Investment Policy

KHRC recognizes that effective cash management is an integral component of good financial management. KHRC has adopted a formal investment policy. The primary objectives of investment activities, in priority order, are safety, liquidity, and yield. KHRC's investment portfolio is designed and managed in accordance with this policy to ensure public trust and to be consistent with Federal and State of Kansas law. Investments are made at the highest rates obtainable at the time of the investment in accordance with the following criteria:

- **Safety** – Safety of principal is the foremost objective of the investment program. Each investment will be made in a manner which ensures the preservation of capital in the portfolio.
- **Liquidity** – KHRC maintains sufficient liquidity so as to meet all operating needs and expenses. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands.
- **Return on Investment** – The investment portfolio is designed to attain a market rate of return throughout financial plan and economic cycles, taking into account the investment risk constraints and the cash flow characteristics of the portfolio. Return on investment is of secondary importance compared to the safety and liquidity objectives.
- **Diversification** – Market risk is minimized by diversification of investment types. KHRC diversifies its investments (where prudent judgment dictates) so that reliance on any one issuer (financial institution) or investment type will not place an undue burden on KHRC.
- **Pooling of Funds** – Except for cash in Federal grant program and other restricted funds, KHRC will consolidate reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income is allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.
- **Collateralization** – Where allowed by State law, full collateralization is required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit.

The investment policy also outlines safeguards, investment procedures, legal authority, and other procedures related to the prudent investment of funds.

Program Information

FEDERAL PROGRAMS (KHRC OPERATIONS):

Rental Housing Program (Tax Credit)

The Housing Tax Credit program (Tax Credit) is designed to secure private equity capital for the development of affordable rental housing through tax incentives rather than direct subsidies. Enacted in the Tax Reform Act of 1986, the Tax Credit is a ten-year federal tax credit against a taxpayer's ordinary income tax liability available to individuals (directly or through partnerships) and corporations, who acquire or develop and own the affordable rental housing properties. The Tax Credit historically provides as much as 55-60 percent of the total development cost, which reduces the amount of debt financing in affordable rental housing developments. This allows lower rents and greater flexibility. KHRC receives application, service, and compliance monitoring fees from developers and owners who participate in the Tax Credit program.

Under the American Recovery and Reinvestment Act (ARRA), KHRC will be allowed to "swap" or exchange all returned tax credits from previous years as well as up to 40 percent of its 2009 per capita authority for cash, to enable developments which have been unable to obtain equity, in the current market, to complete their affordable housing projects under the Credit Exchange Program (CEP) also known as the "Section 1602 Funding Program". The CEP will be funded by the U.S. Treasury and is estimated to be over \$45.1 million. KHRC will utilize the CEP swap option, along with the Tax Credit Assistance Program (TCAP) funds from HUD allocated through the ARRA, to enable developments to be completed. (See section on HOME Investment Partnerships Program.)

Section 8 Contract Administration and Housing Assistance Payments Program/HAP (Asset Management)

KHRC is the Section 8 Contract Administrator for project-based Section 8 properties in Kansas. KHRC receives fees to administer the program and incentive-based administrative fees based on the number of units under contract and KHRC's performance level compared to HUD's acceptable quality levels of administration. The Section 8 Housing Assistance Payments Program provides housing assistance payments to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing for very low-income families at rents they can afford. KHRC receives fees from HUD to administer the program.

HOME Investment Partnerships Program (HOME)

Congress created the HOME program as part of the National Affordable Housing Act of 1990, and it is funded by HUD. The intent of the HOME Program is to provide decent, affordable housing to lower-income households, expand the capacity of non-profit housing providers, strengthen the ability of state and local governments to provide housing, and leverage private-sector participation. KHRC administers the federal and State (KHRC) match required funds to carry out program activities related to down payment assistance, homeowner and rental rehabilitation, multi-family rental housing finance, and tenant based rental assistance. KHRC receives reimbursement of eligible costs associated with administration of the program, and funds the required State match obligation associated with the program.

For FY 2010-2012, HOME will receive \$17.1 million in ARRA funding, titled the Tax Credit Assistance Program (TCAP). These funds will be used as gap funding for Tax Credit projects which, but for this funding, could otherwise not likely be developed in the current market.

Weatherization Assistance Program (DOE-WAP)

DOE-WAP is a long-term grant program funded by the U.S. Department of Energy (DOE). The purpose of the program is to make low-income households in income-eligible, single or multi-family dwellings, including manufactured homes, more energy efficient, thereby reducing the utility bills of these families. Funds may be used for leakage reduction, incidental repairs, health and safety measures, furnace and cooling system repair/replacement, insulation, and replacement of inefficient refrigerators. KHRC receives reimbursement of eligible costs associated with administration of the program.

In addition to doubling DOE funds for FY 2010, the DOE-WAP program also received \$56 million in ARRA funds for a three-year period. In view of the substantially increased funds as well as the existing subgrantee agencies' ability to ramp up operations to the extent necessary, for the short term, KHRC set aside \$16 million and established a multi-family program to be managed with KHRC staff, to focus on weatherizing Tax Credit properties, USDA Rural Development properties, and project-based Section 8 properties that had no direct HUD funds for energy-efficiency improvements. The balance of the \$56 million, or \$40 million, is expected to be used for single-family dwellings.

Low-Income Energy Assistance Program (LIEAP)

KHRC receives and administers up to 15 percent of a portion of the State of Kansas' LIEAP grant funded by Health and Human Services (HHS) for the same purposes as the DOE-WAP Program. KHRC receives reimbursement of eligible costs associated with administration of the program.

Due to a substantially increased 2010 allocation, in combination with the substantial increase in the DOE-WAP program, KHRC set aside \$4.0 million from the LIEAP allocation to fund the Residential Appliance Replacement (RAR) program. The funds were used to replace old, inefficient refrigerators, water heaters, furnaces, and cooling systems for eligible households. Although the funds were fully obligated in FY 2009, the program will continue into FY 2010 until all funds are expended.

Community Services Block Grant (CSBG), Emergency Shelter Grant (ESG), and Homeless Management and Information System (HMIS) Programs

CSBG is funded by Health and Human Services (HHS) and enables local agencies to provide a range of services and activities having a measurable and potentially major impact on causes and effects of poverty in the community. Services include the following areas: employment, education, making better use of available income, housing, emergency services, nutrition, and providing linkages to other community resources. KHRC receives reimbursement of eligible costs associated with administration of the program.

CSBG will receive \$8.3 million in ARRA funding for FY 2010-2012. Those funds will be used to increase community action activities across the state, with a goal of expanding the number of counties served.

ESG is funded by HUD and provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency homeless shelters, help meet the costs of operating emergency shelters, and provide certain essential social services to homeless individuals. KHRC receives partial reimbursement of eligible costs associated with administration of the program.

For FY 2010-2012, ESG will receive \$8.3 million in ARRA Homelessness Prevention and Rapid Re-Housing Program (HPRP) funding. These funds will be used to assist families prevent homelessness and to rapidly re-house those families who, with HPRP assistance, will be able to maintain their housing after the funding is expended.

HMIS is funded by HUD and provides a database management system to gather unduplicated client level data on the extent of homelessness in Kansas to improve the effectiveness of homeless shelters and service delivery systems. KHRC receives partial reimbursement of eligible costs associated with administration of the program.

STATE HOUSING TRUST FUND PROGRAMS:

Kansas Accessibility Modification Program (KAMP) and Emergency Repair Program (ERP)

KAMP provides assistance to individuals with accessibility limitations by modifying their owned or rented housing so they can live more independently, and increases housing stock that is accessible to persons with disabilities.

ERP provides assistance to homeowners with emergency repair of existing owner-occupied properties when no other source of funding is available in the area, and there is need for an emergency home repair, such as an inoperable or faulty furnace, leaking roof, unsafe electrical wiring and plumbing, or hazardous structural conditions.

Governor's State of Kansas WARM Initiatives Programs

The Governor's State of Kansas WARM Initiatives Programs provided \$4 million in 2007: \$2.0 million for weatherization grants; and \$2.0 million for an energy-efficiency revolving loan fund (Kansas Energy Efficiency Program or KEEP). The weatherization grants were used for the same purposes as the DOE-WAP program and were fully expended in 2007. The revolving loan fund provides interest free loans to qualified homeowners to make improvements to their homes to increase energy efficiency (KEEP).

Because the Kansas Corporation Commission established an ARRA-funded program that duplicates KEEP, the \$1.0 million balance of KEEP revolving loan funds were transferred to the State of Kansas State General Fund and the KHRC-administered KEEP program effectively ceased at the end of 2009.

State Housing Trust Fund Disaster Assistance

In FY 2008, KHRC transferred \$1.25 million from KHRC Operations to the State Housing Trust Fund to provide additional disaster relief funding to assist families with rebuilding or repairing their homes.

State Finance Council Disaster Assistance

The State Finance Council provided \$5.0 million in disaster relief funds in 2008 to assist families with rebuilding or repairing their homes and to also assist developers of rental property with new construction or reconstruction of impacted areas.

Housing Development Grant Program

Senate Bill 417 provided \$4.0 million per year for 2008 through 2014 for housing development grants. However, for 2010, funding was amended to be \$2.0 million per year for two years. The program assists local communities with long-term development of both rental and individually-owned affordable housing. The program initially targeted communities that suffered recent disasters, but eligibility will expand in 2010 to include all cities.

Operating Revenue Descriptions

Fees for Services – KHRC Operations receives fees for services to administer the State's Housing Tax Credit Program (Tax Credit), and Section 8 Contract Administration and Housing Assistance Payments Program (Asset Management). KHRC receives application, service, and compliance monitoring fees from developers and owners who participate in the Tax Credit program, and fees and incentive-based administrative fees from HUD for administration of the Section 8 program.

Grant administration income – KHRC Operations receives reimbursement of eligible costs associated with administering various federal programs. As costs are reimbursed or costs are incurred, they are recognized as grant administration income for services provided to administer the programs.

Recognized match income – KHRC Operations incurs match requirements on its HOME and ESG programs in partnership with HUD, which must be satisfied by non-federal sources. Recognized match income represents match revenue (ESG) or unearned match revenue (HOME) recognized to the extent match expense is incurred.

Housing bond fees (MRB/MCC/SF) – The SHTF recognizes housing bond issuance fee income for various housing bond allocations at closing: Mortgage Revenue Bonds (MRB), Mortgage Credit Certificates (MCC), and Single Family Mortgage Revenue Bonds (SF).

PAB multifamily allocation fees – The SHTF recognizes Private Activity Bond (PAB) issuance fee income for PAB authority used for multi-family housing activities at closing.

Interest income – KHRC Operations and the SHTF recognize interest income on various program loans receivable.

Other income – KHRC Operations recognizes in-kind payroll support and reimbursement of select expenses from the Department of Corrections for the Offender Reentry Program positions.

Federal program revenues – Federal program revenues represent subsidy (pass-through) proceeds and other financial assistance received by KHRC and subsequently transferred to or spent on behalf of secondary (subgrantee) recipients. Revenues of the federal pass-through subsidy programs equal expenses of the pass-through subsidy programs resulting in a net effect, on KHRC Operations' financial plan of zero.

State program revenues – State program revenues represent subsidy (pass-through) proceeds and other financial assistance received by KHRC and transferred to or spent on behalf of secondary (subgrantee) recipients. Revenues of the state pass-through subsidy programs generally do not equal expenses of the pass through subsidy programs, since revenue is recognized when received and expenses are recognized when paid.

Operating Expense Descriptions

Salaries and wages – Includes all KHRC staff salaries and wages (includes regular pay, holiday pay, leave pay, etc.).

Employee benefits – Includes all KHRC employee benefits, including group health insurance and employer payroll taxes.

Communications – Includes local, long distance, and cellular telephone charges, plus State central mail and inter-building mail postage.

Advertising and printing – Includes printing and copying charges for the State printer and commercial printers, plus advertising costs for various program notifications and classified advertising for staff.

Rents – Includes rents for the KPERS office building and garage, equipment, software, and other miscellaneous rents.

Equipment and maintenance repairs – Includes computer equipment maintenance contracts and other repairs.

Travel – Includes travel costs for compliance monitoring and customer training, conference registration fees, and conference travel.

Fees - professional and other services – Includes fees for attorneys, auditors, inspections, rent comparability studies, software training, specialized training, and Section 8 voucher processing. Also includes dues, memberships, commercial insurance coverage, and other miscellaneous fees and services.

Office and data processing supplies – Includes stationery, office supplies, and data processing supplies.

Expensed furniture and equipment – Includes expensed office furniture, software, and equipment (items not meeting the fixed asset capitalization policy threshold of \$5,000 per item or bulk purchases deemed material).

Recognized match expense – KHRC Operations incurs match requirements on its HOME and ESG programs in partnership with HUD, which must be satisfied by non-federal sources. Recognized match expense represents the amount of match expense incurred on HOME and ESG program draws.

Program expenses – Includes Kansas Accessibility Modification Program (KAMP) grants, Emergency Repair Program (ERP) grants, and other miscellaneous grants funded by KHRC Operations or SHTF non-state pass-through resources.

Provision for loan losses – Represents an estimate of program loan receivable principal and interest when, in management's opinion, it is probable KHRC will be unable to collect all amounts due according to the contractual terms of the loan agreement.

Depreciation – Represents a systematic and rational allocation of cost over an asset's estimated useful life for those items meeting KHRC's fixed asset capitalization policy (i.e., any single item costing \$5,000 or more, or bulk purchases deemed material).

Non-operating Revenue Description

Non-operating revenues generally include activities that have the characteristics of non-exchange transactions such as investment income.

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Certified Public Accountants

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

AND

INDEPENDENT AUDITORS' REPORT

Attachment 3
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KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

AND

INDEPENDENT AUDITORS' REPORT

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

FINANCIAL STATEMENTS

For the Years Ended June 30, 2009 and 2008

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BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Kansas Housing Resources Corporation
Topeka, Kansas

We have audited the accompanying financial statements of each major fund of the Kansas Housing Resources Corporation (KHRC), a Component Unit of the State of Kansas, as of and for the year ended June 30, 2009 which collectively comprise KHRC's basic financial statements as listed in the table of contents. These financial statements are the responsibility of KHRC's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from KHRC's 2008 financial statements and, in our report dated October 31, 2008 we expressed an unqualified opinion on those financial statements.

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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund of the Kansas Housing Resources Corporation as of June 30, 2009, and the respective changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 20, 2009, on our consideration of Kansas Housing Resources Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information as listed on the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Berberich Trahan & Co., P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2009
Wichita, Kansas

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

This annual financial report of the Kansas Housing Resources Corporation (KHRC) consists of three sections: required supplementary information, basic financial statements, and supplementary information. This section of the report presents management's discussion and analysis (MD&A) of financial position and changes in financial position for the fiscal year ended June 30, 2009. This information is being presented to provide additional information regarding the activities of KHRC and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

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

FINANCIAL HIGHLIGHTS

Effective July 1, 2007 KHRC reported separately *KHRC Operations* and activities of the *State Housing Trust Fund (SHTF)*. This separate reporting provides an increased level of understanding for KHRC Operations and SHTF activities. KHRC Operations are defined as fee for service and federal and state grant administration, while SHTF activities include funding KHRC receives based solely on its designation as the provider of housing services for the State of Kansas. KHRC administers the SHTF on behalf of the State of Kansas.

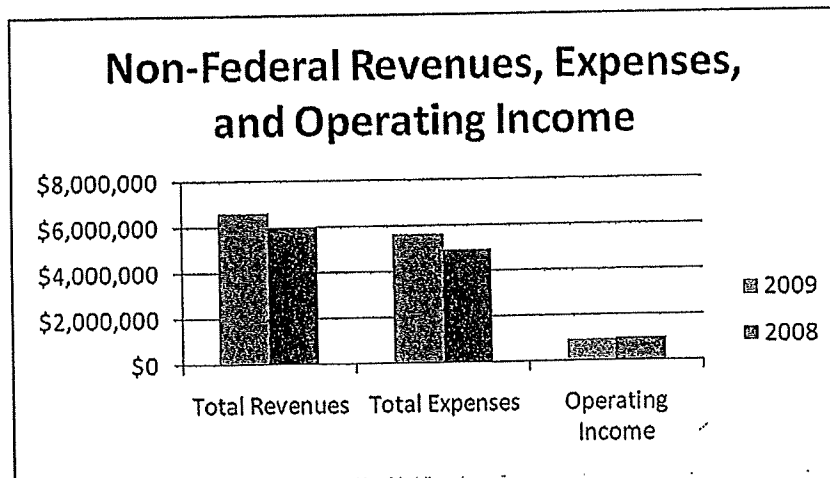
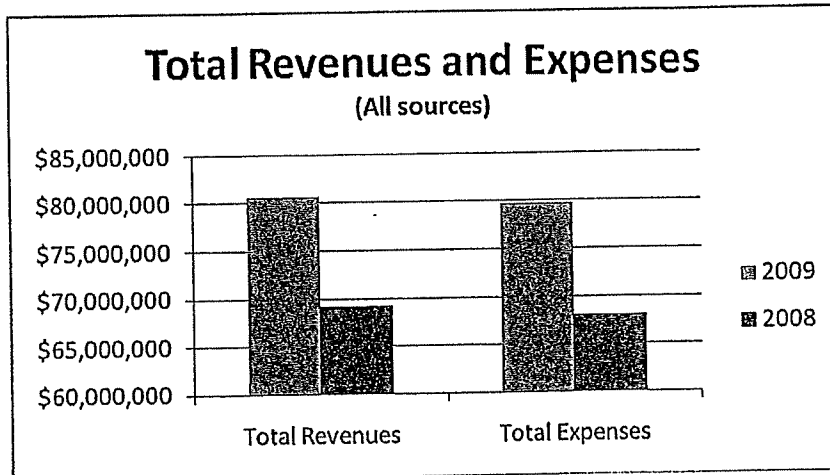
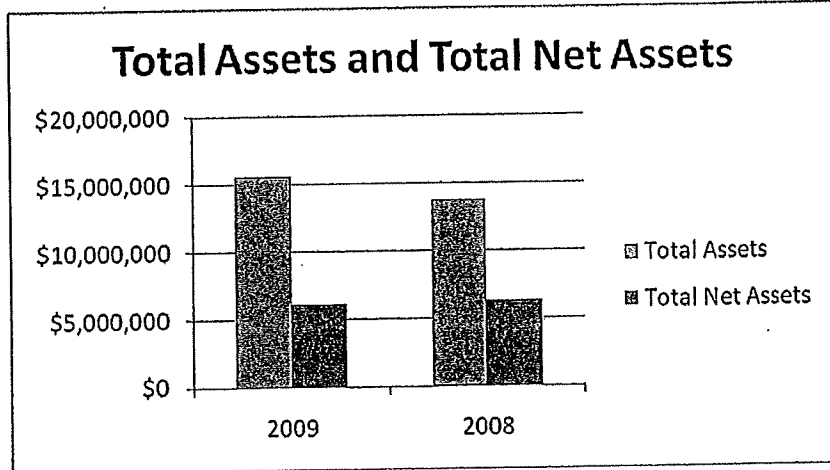
KHRC Operations

- Total assets were \$15.6 million at June 30, 2009, an increase of 12.8 percent from fiscal year 2008.
- Total revenues were \$80.6 million in fiscal year 2009, an increase of 16.4 percent from fiscal year 2008. Excluding federal program revenues, total revenues were \$6.6 million in fiscal year 2009, an increase of 4.6 percent from fiscal year 2008.
- Total expenses were \$79.7 million in fiscal year 2009, an increase of 17.2 percent from fiscal year 2008. Excluding federal program expenses, total expenses were \$5.7 million in fiscal year 2009, an increase of 12.5 percent from fiscal year 2008.
- Operating income was approximately \$893,000 in fiscal year 2009 compared to operating income of \$1.2 million in fiscal year 2008, a decrease of approximately \$346,000.
- Net assets were \$6.2 million at June 30, 2009, a decrease of 2.0 percent from fiscal year 2008.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

KHRC Operations



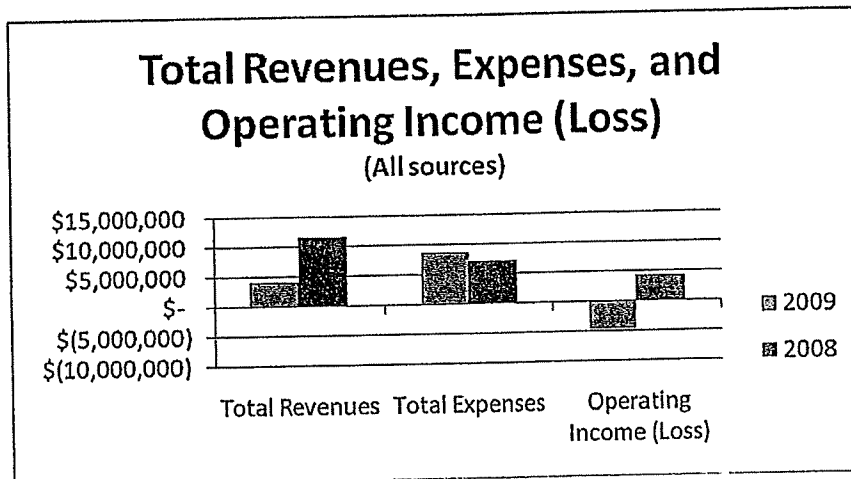
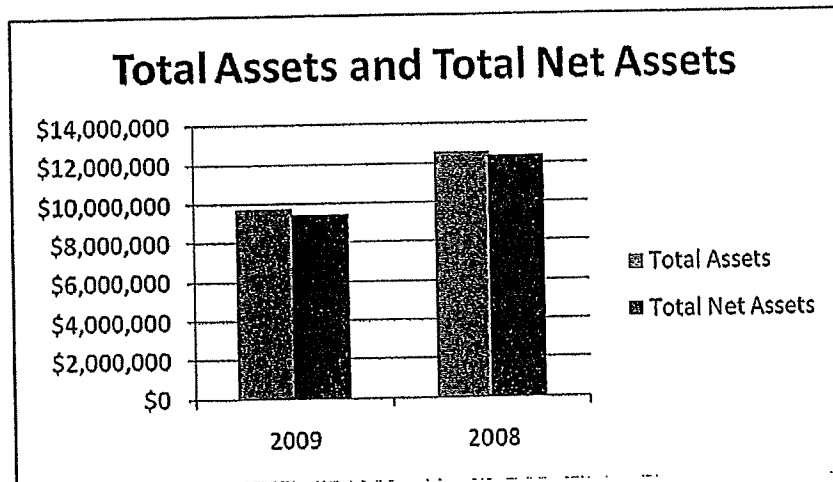
**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

State Housing Trust Fund

- Total assets were \$9.8 million at June 30, 2009, a decrease of 22.3 percent from fiscal year 2008.
- Total revenues were \$4.2 million in fiscal year 2009, a decrease of 63.9 percent from fiscal year 2008. Excluding state program revenues, total revenues were approximately \$170,000 in fiscal year 2009, a decrease of 93.4 percent from fiscal year 2008.
- Total expenses were \$8.7 million in fiscal year 2009, an increase of 21.5 percent from fiscal year 2008. Excluding state program expenses, total expenses were \$4.5 million in fiscal year 2009, a decrease of 6.1 percent from fiscal year 2008.
- Operating income (loss) was \$(4.5) million in fiscal year 2009 compared to operating income of \$4.4 million in fiscal year 2008, a decrease of approximately \$8.9 million.
- Net assets were \$9.4 million at June 30, 2009, a decrease of 23.7 percent from fiscal year 2008.

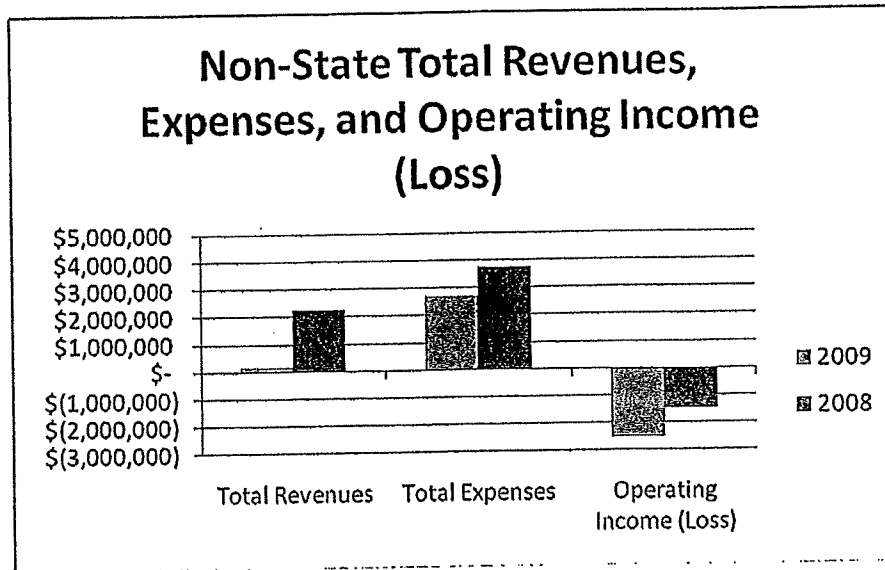
State Housing Trust Fund



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

State Housing Trust Fund



OVERVIEW OF THE FINANCIAL STATEMENTS

The *Balance Sheet* answers the question, "How is our financial health at the end of the year?" This statement includes all assets and liabilities of KHRC, both financial and capital, short-term and long-term, using the accrual basis of accounting and economic resources measurement focus, which is similar to the accounting used by most private-sector companies. The resulting net assets presented in the statement are displayed as restricted or unrestricted. Assets are restricted when their use is subject to external limits such as legal agreements or statutes. Assets falling outside this category are characterized as unrestricted. Over time, changes in net assets may serve as a useful indicator of whether the financial position of KHRC is improving or deteriorating.

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

CONDENSED FINANCIAL INFORMATION

Balance Sheets

The following table presents condensed balance sheets at June 30, 2009 and 2008:

	<u>2009</u>	<u>2008</u>	<u>Increase (Decrease) 2009 vs. 2008</u>
Assets			
Current assets			
Restricted	\$ 7,701,745	\$ 9,884,115	\$ (2,182,370)
Unrestricted	8,975,302	9,535,439	(560,137)
Noncurrent			
Net capital assets	347,248	366,575	(19,327)
Restricted	6,739,259	5,881,594	857,665
Unrestricted	<u>1,569,437</u>	<u>714,153</u>	<u>855,284</u>
Total assets	<u>\$ 25,332,991</u>	<u>\$ 26,381,876</u>	<u>\$ (1,048,885)</u>
Liabilities			
Current liabilities			
Restricted	\$ 2,882,942	\$ 1,906,383	\$ 976,559
Unrestricted	570,065	564,356	5,709
Noncurrent liabilities			
Restricted	6,226,208	5,229,808	996,400
Unrestricted	<u>54,744</u>	<u>28,434</u>	<u>26,310</u>
Total liabilities	<u>9,733,959</u>	<u>7,728,981</u>	<u>2,004,978</u>
Net assets			
Invested in capital assets	347,248	366,575	(19,327)
Restricted	6,229,719	8,629,517	(2,399,798)
Unrestricted	<u>9,022,065</u>	<u>9,656,803</u>	<u>(634,738)</u>
Total net assets	<u>15,599,032</u>	<u>18,652,895</u>	<u>(3,053,863)</u>
Total liabilities and net assets			
	<u>\$ 25,332,991</u>	<u>\$ 26,381,876</u>	<u>\$ (1,048,885)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

Total assets, liabilities, and net assets: The \$2,182,370 decrease in restricted current assets is due to reduced restricted cash and investment balances for State Finance Council (SFC) disaster assistance and the KEEP loan program. The SFC disaster funds decreased \$427,004, while the KEEP loan program funds decreased \$1,760,161 due to loans issued during the year plus state refund for the balance of the KEEP loan program. Due to the Kansas Corporation Commission establishing an ARRA-funded program that duplicates KEEP, the KHRC-administered KEEP program ceased at the end of 2009, and the balance of the KEEP revolving loan program funds were remitted to the State of Kansas State General Fund. KEEP loan repayments going forward will be used for other SHTF loans and grants.

The \$560,137 net decrease in unrestricted current assets is due primarily to a \$1.7 million decrease in cash and investments primarily for Kansas Accessibility Modification and Emergency Repair Program grant payments and a \$1.2 million increase in accounts receivable primarily for the federal Residential Appliance Replacement Program.

The \$857,665 increase in restricted noncurrent assets is primarily due to increases in HOME match credits, while the \$996,400 increase in restricted noncurrent liabilities is due to increases in HOME match unearned revenue.

The \$855,284 increase in unrestricted noncurrent assets is due to classification of the Kansas Energy Efficiency Program (KEEP) loans from restricted loans in 2008 to unrestricted loans in 2009 due to closure of the KEEP program at the end of 2009 with KEEP loan repayments going forward to be used for other loans and grants.

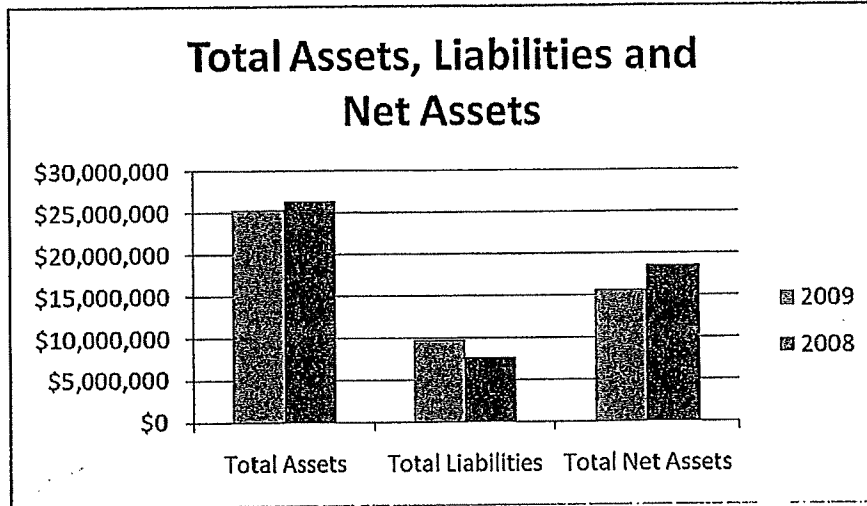
The \$976,559 increase in restricted current liabilities is primarily due to increased grants payable for the Residential Appliance Replacement Program.

Net assets decreased by \$3,053,863, or 16.4 percent from fiscal year 2008, primarily due to payment of program expenses for disaster assistance and the Kansas Accessibility Modification and Emergency Repair Programs and state refund for the balance of the KEEP loan program funds.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

KHRC Operations and State Housing Trust Fund (Combined)



For the next three fiscal years, KHRC will manage over \$135 million in federal ARRA allocations that provide financial assistance for Tax Credit developments, improve residential energy efficiency, help prevent homelessness, and expand community action activities across the State of Kansas. While KHRC will be focused to maximize the impact of these time-sensitive funds, KHRC's challenge will continue to be identifying longer term funding opportunities to meet Kansans' housing needs.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

Statements of Revenues, Expenses, and Changes in Net Assets

The following table presents condensed statements of revenues, expenses, and changes in net assets for the years ended June 30, 2009 and 2008:

	2009	2008	Increase (Decrease) 2009 vs.2008
Revenues			
Operating revenues			
Fees for services	\$ 3,499,355	\$ 3,396,346	\$ 103,009
Grant administration	1,638,259	1,431,041	207,218
Recognized match income	1,320,018	991,392	328,626
MRB/MCC bond fees	45,098	1,210,648	(1,165,550)
Contributions and donations	-	909,489	(909,489)
Other income	290,366	320,971	(30,605)
Federal program revenues	73,988,144	62,925,675	11,062,469
Federal loan proceeds	-	349,500	(349,500)
State program revenues	4,000,000	9,000,000	(5,000,000)
State loan proceeds	-	285,000	(285,000)
Investment income	600,052	593,502	6,550
Total revenues	<u>85,381,292</u>	<u>81,413,564</u>	<u>3,967,728</u>
Expenses			
Operating expenses			
Salaries, general and administrative	4,445,597	3,897,729	547,868
Provision for bad debts	237,354	-	237,354
Provision for loan losses	1,180,233	2,809,454	(1,629,221)
Program expenses	2,023,047	2,079,754	(56,707)
Recognized match expense	1,320,018	991,392	328,626
Federal program expenses	74,053,657	63,075,625	10,978,032
State program expenses	4,175,249	2,340,095	1,835,154
State refunds	1,000,000	-	1,000,000
Total expenses	<u>88,435,155</u>	<u>75,194,049</u>	<u>13,241,106</u>
Transfers in	1,401,653	1,600,734	(199,081)
Transfers out	<u>(1,401,653)</u>	<u>(1,600,734)</u>	<u>199,081</u>
Excess of revenues over expenses	<u>(3,053,863)</u>	<u>6,219,515</u>	<u>(9,273,378)</u>
Total net assets, beginning of year	<u>18,652,895</u>	<u>12,433,380</u>	<u>6,219,515</u>
Total net assets, end of year	<u>\$ 15,599,032</u>	<u>\$ 18,652,895</u>	<u>\$ (3,053,863)</u>

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

Revenues, Expenses, and Changes in Net Assets: The majority of KHRC's revenue is from federal and state program revenues, fees for services, and grant administration, which produce approximately 98 percent of KHRC's revenues.

From 2008 to 2009, fees for services increased from \$3,396,346 to \$3,499,355, or \$103,009. This increase is due to an increase in Asset Management fees.

The \$1,165,550 decrease in MRB/MCC bond fees is due to the collapse of the financial market. During this period, the Sedgwick and Shawnee County MRB programs effectively ceased operations.

The \$909,489 decrease in contributions and donations income is the result of HUD Restructured loans/donations donated to KHRC through the Office of Affordable Housing Preservation per Section 517 (a)(5) of the Multifamily Assisted Housing Restructuring Act of 1997 in 2008.

Federal program revenues and expenses increased by \$10,978,032 due to increased grant payments for several ongoing programs and approximately \$3,000,000 from the Federal American Recovery and Reinvestment Act (ARRA). Federal program revenues and expenses represent subsidy (pass-through) proceeds and other financial assistance received by KHRC and transferred to or spent on behalf of secondary recipients. Revenues of the pass-through subsidy programs equal expenses of the pass-through subsidy programs resulting in a net effect, on KHRC's financial statements, of zero. The federal programs, along with the Housing Tax Credit program, are an integral part of achieving the objectives of KHRC. KHRC continues to take advantage of federal government programs that serve its mission by utilizing those that provide resources that leverage its net assets and other resources to finance affordable rental and owner-occupied housing for Kansans.

The \$5,000,000 decrease in state program revenues is due to receipt of \$5,000,000 from the State of Kansas State Finance Council in 2008. These state program funds represent subsidy (pass-through) grant proceeds received by KHRC and transferred to or spent on behalf of secondary recipients. The funds are recognized as revenue upon receipt from the State and are recognized as expense when transferred to or spent on behalf of secondary recipients.

The \$1,629,221 decrease in provision for loan losses is due to receipt of the donated HUD restructured loans of \$909,489, in 2008 and issuance of fewer disaster and other housing assistance loans in 2009. Loan amounts are included in the provision when it is probable KHRC will be unable to collect all amounts due per contractual agreement.

The \$1,835,154 net increase in state program expenses is due primarily to an increase in Housing Development Grant Program assistance of \$4,036,963 and reduced disaster assistance of \$2,201,809 in 2009.

The \$1,000,000 increase in state refunds is due to remittance of the balance of the KEEP revolving loan program funds to the State of Kansas State General Fund as the KHRC-administered KEEP program ceased at the end of 2009 due to the Kansas Corporation Commission establishing an ARRA-funded program that duplicates KEEP.

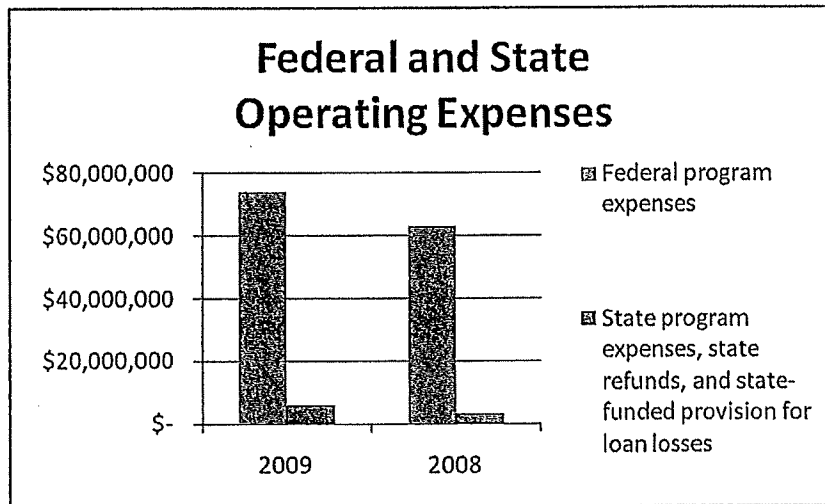
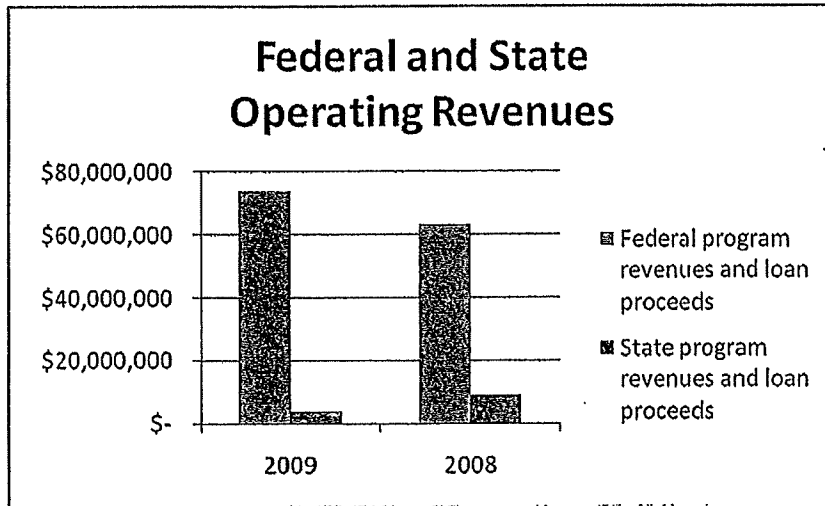
**KANSAS HOUSING RESOURCES CORPORATION
(A COMPONENT UNIT OF THE STATE OF KANSAS)**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

Transfers in and Transfers out totaling \$1,401,653 represent transfers between KHRC Operations and the State Housing Trust Fund (SHTF) as follows: \$1,250,000 from KHRC Operations to the SHTF for discretionary funding, \$54,297 from KHRC Operations to the SHTF for state program administration, \$57,654 from the SHTF to KHRC Operations for HOME match loans, \$17,600 from KHRC Operations to the SHTF and \$22,102 from the SHTF to KHRC Operations for other miscellaneous transfers.

KHRC's net assets decreased \$3,053,863, or 16.4 percent, from 2008 to 2009 primarily due to payment of program expenses for disaster assistance and the Kansas Accessibility Modification and Emergency Repair Programs, and state refund for the balance of the KEEP revolving loan program funds.

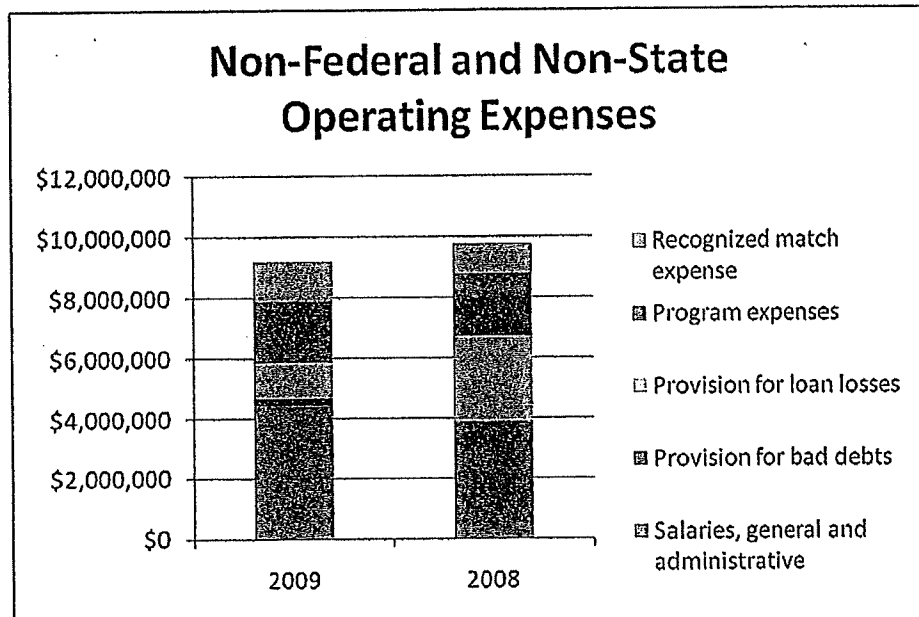
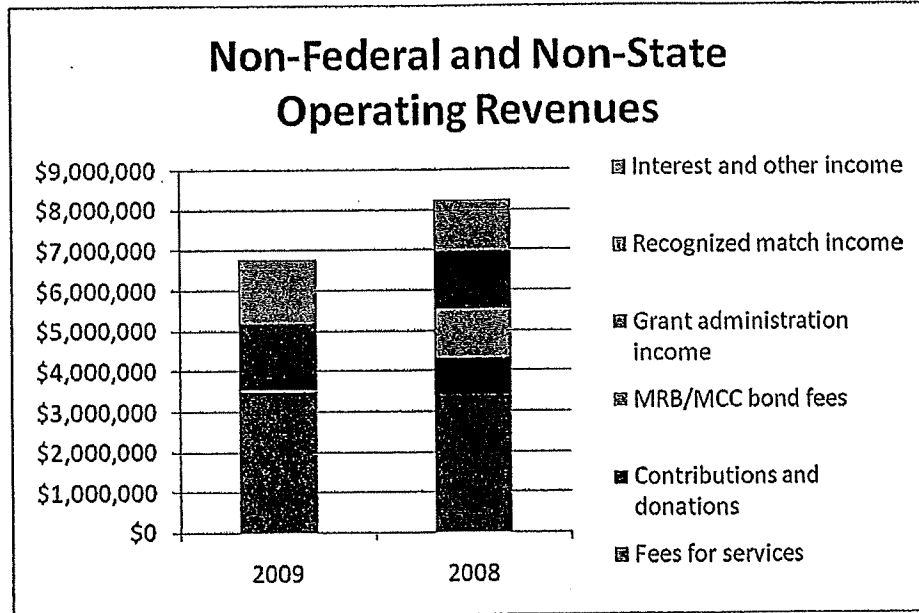
KHRC Operations and State Housing Trust Fund (Combined)



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009

KHRC Operations and State Housing Trust Fund (Combined)



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended June 30, 2009**

ECONOMIC FACTORS

If federal funding were to decrease significantly, it would seriously affect KHRC's ability to administer programs and deliver services.

CONTACTING KHRC'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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

BALANCE SHEETS
June 30, 2009 and 2008

ASSETS

	2009			2008
	KHRC Operations	State Housing Trust Fund	Total	Total
Current assets				
Cash and cash equivalents				
Restricted cash	\$ 40,195	\$ -	\$ 40,195	\$ 4,316,517
Unrestricted cash	1,204,422	-	1,204,422	1,319,374
Total cash and cash equivalents	1,244,617	-	1,244,617	5,635,891
Investments				
Restricted investments	-	5,820,797	5,820,797	3,679,336
Unrestricted investments	3,227,514	2,158,938	5,386,452	6,995,076
Total investments	3,227,514	7,979,735	11,207,249	10,674,412
Accounts receivable	2,155,039	2,217	2,157,256	995,851
Other accrued interest receivable	64	143	207	10,410
Prepays	13,959	318	14,277	41,211
Program loans accrued interest receivable	-	15,064	15,064	28,725
Program loans receivable	-	197,624	197,624	144,792
Restricted current assets:				
Program loans accrued interest receivable	5,499	-	5,499	9,995
Program loans receivable	35,254	-	35,254	269,737
HOME match credits	1,800,000	-	1,800,000	1,608,530
Total current assets	8,481,946	8,195,101	16,677,047	19,419,554
Noncurrent assets				
Restricted noncurrent assets:				
HOME match credits	6,226,208	-	6,226,208	5,229,808
Security deposit	12,635	-	12,635	12,635
Program loans accrued interest receivable	-	-	-	5,774
Program loans receivable				
Restricted	490,436	22,615	513,051	701,786
Unrestricted	-	1,556,802	1,556,802	645,744
Property and equipment				
Furniture and equipment	660,059	-	660,059	549,166
Vehicles	12,428	-	12,428	12,428
Leasehold improvements	48,515	-	48,515	48,515
Less accumulated depreciation	(373,754)	-	(373,754)	(243,534)
Net property and equipment	347,248	-	347,248	366,575
Total noncurrent assets	7,076,527	1,579,417	8,655,944	6,962,322
Total assets	\$ 15,558,473	\$ 9,774,518	\$ 25,332,991	\$ 26,381,876

LIABILITIES AND NET ASSETS

Current liabilities				
Accounts payable	\$ 82,370	\$ 11,983	\$ 94,353	\$ 102,338
Accrued salaries and wages	149,092	5,375	154,467	120,090
Grants payable	-	172,145	172,145	200,585
Compensated absences	142,222	6,878	149,100	141,343
Current liabilities payable from restricted assets:				
Housing conference liability	-	27,627	27,627	-
HOME match unearned revenue	1,800,000	-	1,800,000	1,608,530
Grants payable	953,348	101,967	1,055,315	297,853
Total current liabilities	3,127,032	325,975	3,453,007	2,470,739
Noncurrent liabilities				
Net OPEB Obligation	52,597	2,147	54,744	28,434
HOME match unearned revenue				
Restricted	6,226,208	-	6,226,208	5,229,808
Total noncurrent liabilities	6,278,805	2,147	6,280,952	5,258,242
Total liabilities	9,405,837	328,122	9,733,959	7,728,981
Net assets				
Invested in capital assets	347,248	-	347,248	366,575
Restricted	488,275	5,741,444	6,229,719	8,629,517
Unrestricted	5,317,113	3,704,952	9,022,065	9,656,803
Total net assets	6,152,636	9,446,396	15,599,032	18,652,895
Total liabilities and net assets	\$ 15,558,473	\$ 9,774,518	\$ 25,332,991	\$ 26,381,876

The accompanying notes are an integral part of the financial statements.

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

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended June 30, 2009 and 2008

	2009			2008
	KHRC Operations	State Housing Trust Fund	Total	Total
Operating revenues:				
Fees for services	\$ 3,499,355	\$ -	\$ 3,499,355	\$ 3,396,346
Grant administration income	1,638,259	-	1,638,259	1,431,041
Recognized match income	1,320,018	-	1,320,018	991,392
MRB/MCC bond fees	-	45,098	45,098	1,210,648
PAB multifamily allocation fees	-	-	-	52,400
Program loan and other interest	63,491	100,170	163,661	150,657
Contributions and donations	-	-	-	909,489
Other income	101,897	24,808	126,705	117,914
Federal program revenues	73,988,144	-	73,988,144	62,925,675
Federal loan proceeds	-	-	-	349,500
State program revenues	-	4,000,000	4,000,000	9,000,000
State loan proceeds	-	-	-	285,000
Total operating revenues	80,611,164	4,170,076	84,781,240	80,820,062
Operating expenses:				
Salaries and related payroll expenses	2,766,119	171,159	2,937,278	2,650,433
Communication	45,269	2,634	47,903	42,746
Printing and advertising	35,243	1,558	36,801	24,112
Rents and parking fees	210,813	12,464	223,277	225,484
Repairs and maintenance	35,948	1,738	37,686	22,055
Travel	185,136	8,752	193,888	175,029
Fees - professional and other services	504,601	160,673	665,274	523,604
Insurance	13,102	548	13,650	13,348
Office and data processing supplies	65,264	4,460	69,724	85,611
Expensed furniture and equipment	86,899	2,997	89,896	37,828
Provision for bad debts	237,354	-	237,354	-
Provision for loan losses	28,735	1,151,498	1,180,233	2,809,454
Depreciation	130,220	-	130,220	97,478
Program expenses	-	2,023,047	2,023,047	2,079,754
Recognized match expense	1,320,018	-	1,320,018	991,392
Federal program expenses	73,988,144	-	73,988,144	62,925,675
Federal program income grant expenses	65,513	-	65,513	149,950
State program expenses	-	4,175,249	4,175,249	2,340,096
State refunds	-	1,000,000	1,000,000	-
Total operating expenses	79,718,378	8,716,777	88,435,155	75,194,049
Operating Income (loss)	892,786	(4,546,701)	(3,653,915)	5,626,013
Nonoperating revenues and expenses:				
Investment income	221,606	378,446	600,052	593,502
Total nonoperating revenues	221,606	378,446	600,052	593,502
Transfers in	79,756	1,321,897	1,401,653	1,600,734
Transfers out	(1,321,897)	(79,756)	(1,401,653)	(1,600,734)
Excess (deficiency) of revenues over (under) expenses	(127,749)	(2,926,114)	(3,053,863)	6,219,515
Net assets, beginning of year	6,280,385	12,372,510	18,652,895	12,433,380
Net assets, end of year	\$ 6,152,636	\$ 9,446,396	\$ 15,599,032	\$ 18,652,895

The accompanying notes are an integral part of the financial statements.

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

STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2009 and 2008

	2009			2008
	KHRC Operations	State Housing Trust Fund	Total	Total
Cash flows from operating activities:				
Cash received from others	\$ 78,118,087	\$ 3,702,128	\$ 81,820,215	\$ 80,097,022
Cash paid to others	(77,564,161)	(8,603,650)	(86,167,811)	(73,044,012)
Net cash from operating activities	553,926	(4,901,522)	(4,347,596)	7,053,010
Cash flows from noncapital and related financing activities:				
Transfers in from other funds	79,756	1,321,897	1,401,653	1,600,734
Transfers out to other funds	(1,321,897)	(79,756)	(1,401,653)	(1,600,734)
Net cash from noncapital and related financing activities	(1,242,141)	1,242,141	-	-
Cash flows from capital and related financing activities:				
Purchase of property and equipment	(110,893)	-	(110,893)	(97,019)
Net cash from capital and related financing activities	(110,893)	-	(110,893)	(97,019)
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	5,000,000	8,359,465	13,359,465	5,193,141
Purchase of investments	(4,797,725)	(9,220,675)	(14,018,400)	(13,401,100)
Investment income	221,605	504,545	726,150	569,816
Net cash from investing activities	423,880	(356,665)	67,215	(7,638,143)
Net change in cash	(375,228)	(4,016,046)	(4,391,274)	(682,152)
Cash and cash equivalents at beginning of year	1,619,845	4,016,046	5,635,891	6,318,043
Cash and cash equivalents at end of year	\$ 1,244,617	\$ -	\$ 1,244,617	\$ 5,635,891
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 892,786	\$ (4,546,701)	\$ (3,653,915)	\$ 5,626,013
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation	130,220	-	130,220	97,478
Provision for bad debts	237,354	-	237,354	-
Provision for loan losses	28,735	1,151,498	1,180,233	2,809,454
Changes in assets and liabilities:				
Accounts receivable	(1,397,355)	(1,404)	(1,398,759)	1,394,823
Interest receivable	(26,020)	(55,121)	(81,141)	(86,772)
Prepays	12,570	14,365	26,935	(3,985)
Program loans receivable	(28,344)	(1,577,286)	(1,605,630)	(2,935,678)
Accounts payable	(15,930)	7,944	(7,986)	(72,643)
Accrued salaries and wages	32,742	1,635	34,377	16,683
Housing conference liability	-	27,627	27,627	-
Grants payable	655,495	73,527	729,022	195,008
Unearned revenue	-	-	-	(42,460)
Compensated absences	6,941	816	7,757	26,655
Net OPEB obligation	24,732	1,578	26,310	28,434
Net cash from operating activities	\$ 553,926	\$ (4,901,522)	\$ (4,347,596)	\$ 7,053,010

The accompanying notes are an integral part of the financial statements.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING

POLICIES

Reporting Entity

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

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

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

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

KHRC does not have any component units as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units, an Amendment of GASB Statement No. 14*.

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

NOTES TO THE FINANCIAL STATEMENTS

Financial Statement Presentation

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

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with KHRC's financial statements for the year ended June 30, 2008, from which the summarized information was derived.

Basis of Accounting

KHRC's activities meet the definition of an enterprise fund because it is the intent of KHRC to recover, primarily through user charges and grant reimbursement, the cost of providing goods or services to the general public.

Transactions are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the Balance Sheet. The operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is utilized. Under this basis of accounting, revenues are recognized when earned and expenses are recognized when the liability is incurred.

KHRC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As required by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, KHRC has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless FASB and/or APB pronouncements conflict with or contradict GASB pronouncements.

KHRC Operations

KHRC defines *KHRC Operations* as fee for service, federal and state grant administration, and other activities that have the characteristics of an exchange transaction.

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

NOTES TO THE FINANCIAL STATEMENTS

State Housing Trust Fund

The *State Housing Trust Fund* (SHTF) was established by House Bill No. 2517 as a vehicle to deposit housing funds and provide necessary match for the HOME program. Now codified at KSA 74-8959, the SHTF legislation contains few requirements and funding sources and essentially created a discretionary, interest-bearing trust account for the purpose of housing programs and services. These include repair and rehabilitation of existing housing, accessibility modification, and assistance to low-income or disabled persons. The Statute also allows KHRC to maintain and invest funds outside of the State Treasury and apply for and receive grants, gifts, and donations.

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

Pending Governmental Accounting Standards Board Statements

At June 30, 2009, the Governmental Accounting Standards Board (GASB) had issued a statement not yet implemented by KHRC that might impact KHRC as follows:

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* was issued in June 2007. This statement provides guidance on how to identify, account for, and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature, and has an initial useful life extending beyond a single reporting period. Examples of intangible assets include easements, computer software, water rights, timber rights, patents, and trademarks. The statement provides that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). Relevant authoritative guidance for capital assets should be applied to these intangible assets. The provisions of this statement are effective for periods beginning after June 15, 2009, and for the most part require retroactive application.

Use of Estimates

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

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

NOTES TO THE FINANCIAL STATEMENTS

Related Parties

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

Programs

The following is a brief description of significant programs financed by Federal, State and KHRC-funded grants over which KHRC exercises fiscal and administrative control:

- Rental Housing Program (Tax Credit) – The Rental Housing Program is designed to secure private equity capital for the development of affordable rental housing through tax incentives rather than direct subsidies. Enacted in the Tax Reform Act of 1986, the tax credit is a ten-year federal tax credit against a taxpayer's ordinary income tax liability available to individuals (directly or through partnerships) and corporations who acquire or develop and own the affordable rental housing properties. The tax credit historically provides as much as 55-60 percent of the total development cost, which reduces the amount of debt financing in affordable rental housing developments. This allows lower rents and greater flexibility. KHRC receives application, service, and compliance monitoring fees from developers and owners who participate in the Tax Credit program.

Federal Grant-Funded Programs:

- Credit Exchange Program (CEP) – Under the American Recovery and Reinvestment Act (ARRA), KHRC will be allowed to "swap" or exchange all returned tax credits from previous years as well as up to 40 percent of its 2009 per capita authority for cash, to enable developments which have been unable to obtain equity, in the current market, to complete their affordable housing projects under CEP also known as the "Section 1602 Funding Program" funded by the U.S. Treasury. KHRC will utilize the CEP swap option to enable developments to be completed. KHRC receives asset management service fees from owners who participate in the program.
- Section 8 Contract Administration Program (Asset Management) – KHRC is the Section 8 Contract Administrator for project-based Section 8 properties in Kansas. The program also provides the Section 8 housing assistance payment to participating owners on behalf of eligible tenants to provide decent, safe, and sanitary housing at rents they can afford. KHRC receives fees from HUD to administer the program and incentive-based administrative fees based on the number of units under contract and KHRC's performance level compared to HUD's acceptable quality levels of administration.

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

NOTES TO THE FINANCIAL STATEMENTS

- Home Investment Partnership Program (HOME) – Congress created the HOME program as part of the National Affordable Housing Act of 1990 and is funded by HUD. The intent of the HOME Program is to provide decent, affordable housing to lower-income households, expand the capacity of non-profit housing providers, strengthen the ability of state and local governments to provide housing, and leverage private-sector participation. KHRC administers the federal and State (KHRC) match required funds to carry out program activities related to down payment assistance, homeowner rehabilitation, multi-family rental housing finance and tenant based rental assistance. KHRC receives reimbursement of eligible costs associated with administration of the program, and funds the required State match obligation associated with the program.
- Weatherization Assistance Program (DOE-WAP) – DOE-WAP is a long-term formula grant program funded by the U.S. Department of Energy. The purpose of the program is to make low-income households in income-eligible, single or multi-family dwellings, including manufactured homes, more energy efficient, thereby reducing the utility bills of these families. Funds may be used for leakage reduction, incidental repairs, health and safety measures, furnace repair/replacement, and insulation. The DOE-WAP program received additional funding from the ARRA for a three-year period. These funds supplement the current single family program with the multi-family program focusing on weatherizing tax credit properties, USDA Rural Development properties, and project-based Section 8 properties that had no direct HUD funds for energy-efficiency improvements. KHRC receives reimbursement of eligible costs associated with administration of the program.
- Low-Income Energy Assistance Program (LIEAP) – KHRC receives and administers up to 15 percent of a portion of the State of Kansas' LIEAP grant funded by Health and Human Services (HHS) for the same purposes as the DOE-WAP program. KHRC receives reimbursement of eligible costs associated with administration of the program.
- Residential Appliance Replacement Program (RAR) – Due to substantially increased DOE-WAP funding from ARRA, KHRC utilizes LIEAP funding funded by HHS for the new RAR program, which replaces old inefficient refrigerators, water heaters, furnaces and cooling systems for eligible households under a voucher system with participating retailers. KHRC receives reimbursement of eligible costs associated with administration of the program.
- Community Services Block Grant (CSBG) – CSBG is a formula grant funded by HHS and enables local agencies to provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the community. Services include the following areas: employment, education, making better use of available income, housing, emergency services, nutrition, and providing linkages to other community resources. The CSBG program received additional funding from the ARRA for a three year period. These funds will be used to increase community action activities across the state, with a goal of expanding the number of counties served. KHRC receives reimbursement of eligible costs associated with administration of the program.

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

NOTES TO THE FINANCIAL STATEMENTS

- Emergency Shelter Grants Program (ESG) – ESG is a formula grant funded by HUD and provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency shelters, to help meet the costs of operating emergency shelters, and to provide certain essential social services to homeless individuals. KHRC receives partial reimbursement of eligible costs associated with administration of the program.
- Homeless Management Information Systems (HMIS) Program – HMIS is funded by HUD and provides a database management system to gather unduplicated client-level data on the extent of homelessness in Kansas to improve the effectiveness of homeless shelters and service delivery systems. KHRC receives partial reimbursement of eligible costs associated with administration of the program.

State Housing Trust Fund Programs:

- Kansas Accessibility Modification Program (KAMP) – KAMP provides assistance to individuals with accessibility limitations by modifying their owned or rented housing so they can live more independently, and increases housing stock that is accessible to persons with disabilities. KAMP is funded solely by State Housing Trust Fund resources.
- Emergency Repair Program (ERP) – ERP provides assistance to homeowners with emergency repair of existing owner-occupied properties when no other source of funding is available in the area, and there is need for an emergency home repair, such as an inoperable or faulty furnace, leaking roof, unsafe electrical wiring and plumbing, or hazardous structural conditions. ERP is funded solely by State Housing Trust Fund resources.
- State of Kansas Governor's WARM Initiatives Program (Governor's WARM Initiatives) – With the rapid increase in energy prices, the Governor's WARM Initiatives Program provides interim assistance to low-income citizens in the form of an emergency home winterization kit, provides expanded weatherization funds for the same purposes as the DOE-WAP program, and provides interest free loans to qualified homeowners to make improvements to their homes to increase energy efficiency (Kansas Energy Efficiency Program loans, or KEEP loans). KHRC partnered with the State's Energy Efficiency Office to provide funding for the kits. The weatherization funds and the KEEP revolving loan funds are funded by the State of Kansas. The KEEP loan program ceased at the end of 2009 as the Kansas Corporation Commission established an ARRA-funded program that duplicates KEEP.
- Disaster Assistance (Disaster) – Disaster relief funds provide assistance to families with rebuilding or repairing their homes and to also assist developers of rental property with new construction or reconstruction of impacted areas in the form of loans or grants. Disaster assistance was funded as follows in 2008: \$5 million from the State of Kansas State Finance Council (SFC) and a \$1.25 million transfer from KHRC Operations to the State Housing Trust Fund.

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- Housing Development Grant Program (HDGP) – The Housing Development Grant Program assists local communities with development of affordable housing and housing-related infrastructure. The program provides funding for fiscal years 2008 through 2014 for housing development grants. The program initially targets communities that suffered recent disasters, but later expands eligibility in 2010 to include all cities and rural counties. HDGP is funded by the State of Kansas.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, KHRC cash equivalents are defined as short-term highly liquid investments that are readily convertible to cash with an original maturity of three months or less.

Restricted cash and cash equivalents include cash held under Federal grant programs, all valued at fair value, cash held under the Governor's WARM Initiatives' revolving loan program (KEEP loans) for loans approved as of June 30, 2009, state disaster and Housing Development Grant funds and Kansas Department of Corrections re-entry grant funds, all valued at fair value. Various government programs dictate how these restricted funds may be used.

Investments

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

Accounts Receivable

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

Program Loans Receivable

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

Restricted program loans receivable consist of HOME loans funded by the HOME program or reported as HOME match contributions, and FAF loans. Since HOME match contributions are permanent contributions to the HOME program, subsequent repayment of the loans are restricted to a HOME project or to HOME-eligible housing. Subsequent repayment of the FAF loans is subject to a ten-year compliance period from the date of receipt of the FAF funds for McKinney Homeless Assistance Act of 1988 uses.

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Allowance for Program Loans Receivable Losses

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

Management believes the allowance for program loans receivable losses is adequate. While management uses available information to recognize losses on program loans receivable, future additions to the allowance may be necessary based on changes in economic or other conditions.

Interest on Program Loans Receivables

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

Capital Assets

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

HOME Match Credits and Unearned Revenue

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

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Grants Payable

Grants payable represent amounts received for various Federal government program grant awards unpaid to grant recipients as of year end, and KAMP, ERP and other grant expenses incurred but unpaid as of year end.

Compensated Absences

Under terms of the State's Active State Employee Benefits Guide, KHRC employees accrue vacation and sick leave at a rate based upon the number of years employed. Upon retirement or termination, KHRC employees are paid for accrued vacation leave up to their maximum accumulation plus any accrued compensatory time.

Net Assets

Net assets are classified as follows:

Invested in capital assets – represent KHRC's total investment in capital assets.

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

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

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

Revenues and Expenses

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

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

Nonoperating revenues – include activities that have the characteristics of non-exchange transactions such as investment income which is defined as non-operating revenue by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34.

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

Operating Expenses – include activities that have the characteristics of an exchange transaction such as a) employee salaries, benefits, and related expenses; b) supplies and other services; c) professional fees; and d) depreciation expenses related to capital assets. Operating expenses also include federal and state program expenses associated with grant administration.

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

Income Taxes

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

NOTE 2 – CASH AND INVESTMENTS

A summary of cash and investments as of June 30, 2009 consisted of the following:

	2009	
	<u>Cost</u>	<u>Fair Value</u>
Cash		
Financial Institution	\$ 125,583	\$ 125,583
Money market funds	673,034	673,034
Securities purchased under agreements to resell	446,000	446,000
US Treasury Bond and Agency obligations	<u>11,305,842</u>	<u>11,207,249</u>
Total	<u>\$ 12,550,459</u>	<u>\$ 12,451,866</u>

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A summary of investments and maturities as of June 30, 2009 consisted of the following:

Investment Type	Fair Value	Investment Maturities (In Years)	
		Less than 1	1-5
U.S. Agency securities	\$ 8,866,040	\$ 1,505,959	\$ 7,360,081
Mortgage backed securities	2,341,209	-	2,341,209
Total	<u>\$ 11,207,249</u>	<u>\$ 1,505,959</u>	<u>\$ 9,701,290</u>

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

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

Credit Risk. The risk that an issuer or other counterparty to an investment will not fulfill its obligation is called credit risk. Per the investment policy, KHRC will minimize credit risk through pre-qualifying institutions, diversifying its portfolios, and maintaining a standard of quality of authorized eligible investments. As of June 30, 2009, KHRC's investments were rated A+ to AAA by Standard & Poor's.

Custodial Credit Risk. Custodial credit risk is the risk that, in the event of the failure of the counterparty, KHRC will not be able to recover the value of its deposits or investments that are in the possession of an outside party. KHRC's investment policy requires collateralization on all demand deposit accounts, and to secure investments in Certificates of Deposits and Repurchase Agreements. KHRC also minimizes custodial credit risk by pre-qualifying the custodial or depository institutions, broker/dealers, intermediaries, and advisors with which KHRC will do business. Investments held at June 30, 2009, including the underlying securities on the repurchase agreement, are held by the investment's counterparty. The repurchase agreement and deposits held with a financial institution were fully collateralized at June 30, 2009.

Concentration of Credit Risk. KHRC's investments are diversified to minimize the risk of loss resulting from over concentration of assets in specific maturity, specific issuer, or specific class of securities. The maximum percentage of portfolio by investment type ranges from 100% for U.S. Treasury securities, U.S. Government Instrumentality Obligations and the State of Kansas Pooled Money Investment Board to 15% for banker's acceptances and commercial paper. All of KHRC's investments are in U.S. Government Instrumentality Obligations, which include investments in the Federal National Mortgage Association (17.43%), Freddie Mac (49.18%), and the Federal Home Loan Bank (33.39%) as of June 30, 2009.

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

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2009 consisted of the following:

	2009
Rental Housing Program Tax Credit program fees receivable, net	\$ 173,158
Rental Housing Program Tax Credit compliance monitoring fees receivable	169,860
Section 8 Asset Management fees receivable	698,379
Federal LIEAP RAR grant receivable	870,239
Federal grant administration receivable	238,858
Other receivables	6,762
 Total accounts receivable	 \$ 2,157,256

KHRC is responsible for the administration and allocation of the Rental Housing Tax Credit Program for the State of Kansas. Tax Credit program fees are recognized as revenue as projects progress through the tax credit application process from initial application to final allocation. The allowance for uncollectibles and related provision for bad debts represent an estimate of tax credit fees that will not be paid due to developers not being able to bring projects to completion. Tax credits for these properties are returned to KHRC and reissued in future application rounds. Rental Housing Program Tax Credit program fees receivable are shown net of allowance for uncollectible fees of \$147,255 at June 30, 2009.

Since compliance monitoring reports and related fees are reported on a calendar year basis, the Rental Housing Program Tax Credit compliance monitoring fees receivable generally represent an estimate of compliance monitoring fees due for the periods January 2009 through June 2009 for 2009.

Amounts billed to and collected from government agencies are subject to adjustment as a result of government audits. Thus, Section 8 Asset Management fees receivable are subject to adjustment. HUD audited KHRC's Section 8 Contract Administration performance-based operations in December 2007 and September 2008. There were no adjustments as a result of these audits.

The Federal LIEAP RAR grant receivable represents RAR grant funds due from HHS for RAR grants payable at June 30, 2009.

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NOTES TO THE FINANCIAL STATEMENTS

NOTE 4 – PROGRAM LOANS RECEIVABLE

Program loans receivable as of June 30, 2009 consisted of the following:

	2009		
	Program Loans Receivable Balance	Allowance for Program Loans Receivable Losses	Net Program Loans Receivable Balance
HOME loans, bearing interest at 3.0%-5.02%, collateralized by mortgages	\$ 1,350,190	\$ (824,500)	\$ 525,690
State Housing Trust Fund loans, bearing interest at 0%-5.1%, collateralized by mortgages	2,154,495	(1,395,875)	758,620
HUD Restructured loans, bearing interest at 1.0%, collateralized by mortgages	2,600,234	(2,600,234)	-
Financing Adjustment Factor loans, non-interest bearing, collateralized by mortgages	289,211	(266,596)	22,615
Disaster loans, bearing interest at 0%-5%, collateralized by mortgages	1,963,083	(1,913,083)	50,000
Kansas Energy Efficiency Program loans, non-interest bearing, collateralized by mortgages	945,806	-	945,806
Total program loans receivable	\$ 9,303,019	\$ (7,000,288)	\$ 2,302,731

Program loans accrued interest receivable as of June 30, 2009, consisted of the following:

	2009		
	Program Loans Accrued Interest Receivable	Allowance for Program Loans Receivable Losses	Net Program Loans Accrued Interest Balance
HOME loans	\$ 109,156	\$ (103,657)	\$ 5,499
State Housing Trust Fund loans	233,769	(218,705)	15,064
HUD Restructured loans	92,540	(92,540)	-
Financing Adjustment Factor loans	-	-	-
Disaster loans	15,094	(15,094)	-
Kansas Energy Efficiency Program loans	-	-	-
Total program loans receivable	\$ 450,559	\$ (429,996)	\$ 20,563

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STATE HOUSING TRUST FUND LOANS

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

HOME loans provide loans for housing programs and services, which include programs for the repair, rehabilitation, and improvement of existing residential housing, accessibility modifications, rental subsidies and the provision of housing services and assistance to disabled persons and persons having low or moderate income. Most loans are secured by subordinated mortgages that run concurrent with the first mortgage. Loan repayment is generally based on a percentage of excess cash flow when the debt coverage ratio reaches or exceeds 1.15 to 1.25 or on an amortized schedule. First mortgages on tax credit properties are generally based on a 30-year amortization with a 15-year balloon payment. First mortgages on Section 8 properties are generally 40-year terms. Maturity dates vary from 2013-2047. HOME loans are restricted to a HOME project or to HOME eligible housing.

State Housing Trust Fund loans provide loans for housing programs and services, which include programs for the repair, rehabilitation, and improvement of existing residential housing, accessibility modifications, rental subsidies and the provision of housing services and assistance to disabled persons and persons having low or moderate income. Most loans are secured by subordinated mortgages that run concurrent with the first mortgage. Loan repayment is generally based on a percentage of excess cash flow when the debt coverage ratio reaches or exceeds 1.15 to 1.25 or on an amortized schedule. First mortgages on tax credit properties are generally based on a 30-year amortization with a 15-year balloon payment. First mortgages on Section 8 properties are generally 40-year terms. Maturity dates vary from December 2009-2032. Interim loans provide developers with loans for difficult-to-develop properties in Kansas. Loans may be leveraged with financing from conventional markets, and can be used for start-up organization costs, preliminary engineering fees, market studies, construction financing fees, and other costs. The loans are generally due by either a specific date or two years from the first draw request or when the final syndication payment is received, whichever is later. Maturity dates vary from July 2009 to December 2009. All loans are secured by a mortgage, which is generally subordinated to the first mortgage. Delinquent loans are generally the result of either a delay in payment of deferred developer's fees, or a property not meeting sufficient occupancy to satisfy release of the final syndication payment.

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

Financing Adjustment Factor (FAF) loans are available per Section 1012(a) of the Stewart B. McKinney Homeless Assistance Act of 1988, as amended, which provided 50 percent of the amounts recaptured from the refinancing of certain bond-financed projects shall be made

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available to KHRC for loans and grants. These funds are to be used in the State of Kansas to provide decent, safe, and sanitary housing affordable to very low-income families or persons. Loan repayment is generally based on 25 to 75 percent of surplus cash per HUD definition. Most of the properties receiving FAF loans are Section 8 – FHA insured and have 40-year first mortgages expiring in 2021-2035. Subsequent repayment of FAF loans is subject to a ten-year compliance period from the date of receipt of the FAF funds for McKinney Homeless Assistance Act of 1988 uses.

Disaster loans provide loans for new construction or reconstruction of disaster affected communities. Disaster loans were funded by the State of Kansas State Finance Council. Loan repayment is generally based on a 20-year balloon payment. Maturity dates vary from 2011-2028.

Kansas Energy Efficiency Program (KEEP) loans provide interest free loans to qualified Kansas homeowners to make improvements to their homes to increase energy efficiency. KEEP loans were funded by the State of Kansas Governor's WARM Initiatives Program. Loan repayment is made on a monthly basis. Maturity dates vary from 2010-2024. Subsequent repayment of KEEP loans is restricted to KEEP revolving loan fund uses.

A summary of the allowance for program loans receivable losses activity for the period ending June 30, 2009 is as follows:

	Allowance for Program Loans Receivable Losses		
	Program Loans Receivable	Program Loans Accrued Interest Receivable	Total
Ending balance June 30, 2008	\$ 6,285,528	\$ 363,342	\$ 6,648,870
Provision for loan losses	1,064,959	115,274	1,180,233
Loans written off, net of recoveries	(350,199)	(48,620)	(398,819)
Ending balance June 30, 2009	\$7,000,288	\$ 429,996	\$ 7,430,284

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NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009 is as follows:

Category	Beginning Balance	Increase	Decreases	Ending Balance
Furniture and equipment	\$ 549,166	\$ 110,893	\$ -	\$ 660,059
Vehicles	12,428	-	-	12,428
Building improvements	48,515	-	-	48,515
 Total capital assets	 610,109	 110,893	 -	 721,002
 Less accumulated depreciation				
Furniture and equipment	(200,600)	(115,648)	-	(316,248)
Vehicles	(11,392)	(1,036)	-	(12,428)
Building improvements	(31,542)	(13,536)	-	(45,078)
 Total accumulated depreciation	 (243,534)	 (130,220)	 -	 (373,754)
 Capital assets, net	 \$ 366,575	 \$ (19,327)	 \$ -	 \$ 347,248

NOTE 6 – PROGRAM OBLIGATIONS

At June 30, 2009, the State Housing Trust Fund has cash and investment balances of \$7,979,735. Of that amount, \$5,891,832 was earmarked or awarded for specific program purposes on or before June 30, 2009 for which disbursements will be made in the subsequent or future fiscal years.

NOTE 7 – HOME MATCH CREDITS AND HOME MATCH, UNEARNED REVENUE

At June 30, 2009, KHRC had received excess match contributions of \$8,026,208, which may be carried forward and applied to next year's obligation.

NOTE 8 – COMPENSATED ABSENCES

Compensated absences represent accrued vacation and compensatory time earned. Upon retirement or termination, KHRC employees are paid for accrued vacation and discretionary day leave up to their maximum accumulation and accrued compensatory time.

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NOTE 9 – OTHER POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description. Kansas statute provides that postemployment healthcare benefits be extended to retired employees who have met age and/or service eligibility requirements until the individuals become eligible for Medicare coverage at age 65. The health insurance benefit provides the same coverage for retirees and their dependents as for active employees and their dependents. The health insurance benefit plan is a single-employer defined benefit plan administered by the Kansas Health Policy Authority (KHPA). The benefit is available for selection at retirement and is extended to retirees and their dependents until the individuals become eligible for Medicare at age 65. The accounting for the health insurance for retirees was performed in accordance with the KHPA's interpretation of the provisions of GASB 45. As the annual OPEB cost was provided and disclosed to each agency/entity, OPEB amounts noted below are for KHRC employees only.

Funding Policy. KHRC provides health insurance benefits to retirees and their dependents in accordance with Kansas law (K.S.A. 12-5040). Kansas statute, which may be amended by the state legislature, establishes that participating retirees may be required to contribute to the employee group health benefits plan, including administrative costs at an amount not to exceed 125 percent of the premium cost for other similarly situated employees. KHRC requires participating retirees to contribute 100 percent of the blended premium cost of active employees up to age 60 (including the employers and employee share). Participating retirees between the ages of 60 and 65 are required to contribute 75 percent of the blended premium cost of active employees (including the employer and employee share).

GASB Statement 45 does not require the funding of OPEB liability, and the State has chosen not to fund it. However, KHRC and the State accrue the annual required contribution on its financial statements beginning in the period ended June 30, 2009 for the costs associated with this retirement benefit and provides funding for the expenditures on a pay-as-you-go basis through the KHPA. The State funds on a cash basis as benefits are paid. In 2009, active and retired plan members receiving benefits contributed \$0 to the plan and KHRC contributed \$0 to the plan.

Annual OPEB Cost and Net OPEB Obligation. The State and KHRC's annual OPEB (other postemployment benefit) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period of not to exceed 30 years. The following table presents the components of KHRC's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in KHRC's net OPEB obligation:

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Annual OPEB Cost for Fiscal 2009

Amortization of UAAL	\$ 8,352
Normal Cost (with interest)	18,096
Interest on Amortization of UAAL	<u>322</u>
Annual Required Contribution (ARC)	26,770
Interest on Net OPEB Obligation	1,095
Adjustment to the ARC	<u>(1,555)</u>
Annual OPEB Cost	<u>\$ 26,310</u>

Employer Contributions for Fiscal 2009

Claims + Admin Paid on Behalf of Retirees	\$ --
Retiree Contributions	<u>--</u>
Net Employer Contributions	<u>\$ --</u>

Net OPEB Obligation

Net Obligation at July 1, 2008	\$ 28,434
Annual OPEB Cost	26,310
Net Employer Contributions	<u>-</u>
Net Obligation at June 30, 2009	<u>\$ 54,744</u>

Schedule of Employer Contributions (for fiscal year ended June 30)

Fiscal Year	Annual OPEB Cost	Net Employer Contributions	Percentage Contributed	End of Year Net OPEB Obligation
2008	\$ 28,434	\$0	0%	\$ 28,434
2009	\$ 26,310	\$0	0%	\$ 54,744

Funded Status and Funding Progress. As of June 30, 2009, the most recent actuarial valuation date, the plan was not funded. The unfunded actuarial accrued liability for benefits (UAAL) was \$176,734. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$2.3 million, and the ratio of the UAAL to the covered payroll was 8 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern

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of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the June 30, 2009 actuarial valuation, the projected unit credit method was used. The actuarial assumptions include a 3.85 percent investment rate of return, which is a blended rate of the expected long-term investment returns on the State's own investments, an annual health care cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after eighteen years. The UAAL is being amortized over a 30 year open period, in level dollar amounts.

NOTE 10 – EMPLOYEES RETIREMENT SYSTEM

Employees of KHRC are eligible under certain conditions to participate in the Kansas Public Employees Retirement System (KPERs), a cost-sharing multiple-employer public employee retirement system and a defined benefit pension plan. The salaries for KHRC employees covered by KPERs for the years ended June 30, 2009 and 2008 were \$1,971,969 and \$1,725,130 and the total salaries were \$2,368,321 and \$2,090,426, respectively.

Eligible employees of KHRC are required to participate in KPERs after one year of service; however, appointed or elected officials may choose not to participate in KPERs. Benefits fully vest on reaching ten years of service. Vested employees may choose from several retirement options. KPERs also provides death and disability benefits. Benefits are established by State statute. Covered employees are currently required by State statute to contribute 4 percent of gross salary to KPERs. The employer is required by the same statute to contribute the remaining amounts necessary to pay benefits when due. The contribution requirements for employers were 6.97 percent, 6.37 percent, and 5.77 percent, for the years ended June 30, 2009, 2008 and 2007, respectively. Total contributions to KPERs for KHRC employees for the years ended June 30, 2009, 2008 and 2007 were \$216,325, \$178,896, and \$152,255, which consisted of \$137,447, \$109,891, and \$89,920 from KHRC and \$78,878, \$69,005, and \$62,335 from employees, respectively, equal to the statutory required contributions for each year.

NOTE 11 – DEFERRED COMPENSATION PLAN

The State offers a Deferred Compensation Plan (Plan), a voluntary defined contribution retirement plan, as authorized by Internal Revenue Service (IRS) Code Section 457. Salary reduction agreements are made with eligible employees whereby prescribed amounts are withheld from the employees' pay and remitted to the Trustee, ING Financial Advisers, LLC, which invests the withholdings in eligible annuity products in accordance with the investment instructions of the employees. These monies are not available to employees until termination or retirement from employment, death, or unforeseeable emergency. Any classified or unclassified employees, except those employed on an emergency, temporary, or intermittent basis, are eligible on their first day of employment to participate in the Plan. During the 2009 fiscal year, 15 KHRC employees participated in the Plan.

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

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 12 – LEASES

KHRC has a non-cancelable operating lease in two commercial buildings for office and parking garage space from October 1, 2004 through September 30, 2009. KHRC amended the non-cancelable lease to include additional office space in the office building plus existing space in the two commercial buildings from October 1, 2009 through September 30, 2014.

Rent expense for office space for the year ended June 30, 2009 was \$174,385, and rent expense for parking space was \$13,060.

Rent expense for equipment operating leases for the year ended June 30, 2009 was \$14,114.

Future minimum lease payments due under the non-cancelable office and parking garage space as of June 30, 2009 are as follows:

<u>Fiscal Year End</u>	
2010	\$ 231,191
2011	247,667
2012	251,964
2013	259,484
2014	268,077
2015	<u>67,556</u>
Total future minimum lease payments	<u>\$ 1,325,939</u>

NOTE 13 – MATCH EXPENSE

HOME Match Expense - The HOME program requires a 25 percent matching obligation when HOME funds subject to matching requirements are drawn from its U.S. Treasury account. HOME match income and expense amounts represent match contributions provided by KHRC and non-KHRC (e.g., subgrantee) resources, which reduce KHRC's HOME match obligation.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Match expense for the period ending June 30, 2009 is as follows:

	2009
Recognized match income - HOME	\$ 582,385
Recognized match income - ESG	708,030
Recognized match income - HMIS	29,603
Total recognized match income	1,320,018
Recognized match expense - HOME	582,385
Recognized match expense - ESG	708,030
Recognized match expense - HMIS	29,603
Total recognized match expense	1,320,018
Net recognized match expense	\$ -

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

NOTE 14 – INTERFUND TRANSFERS

A summary of interfund transfers by fund for the year ended June 30, 2009 is as follows:

	Transfers In	Transfers Out
KHRC Operations	\$ 79,756	\$ 1,321,897
State Housing		
Trust Fund	1,321,897	79,756
	\$ 1,401,653	\$ 1,401,653

The most significant interfund transfers included: a) a \$1.25 million discretionary transfer from KHRC Operations to the State Housing Trust Fund to fund loans and grants, b) a \$54,297 transfer from KHRC operations to the State Housing Trust Fund to fund state program administration, and c) a \$57,654 transfer from the State Housing Trust Fund to KHRC Operations to fund program loans that qualified for HOME projects or HOME eligible housing.

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 15 – RISK MANAGEMENT

KHRC is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Claims expenses and liabilities are reported when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. KHRC has not made a claim against any of the insurance policies. KHRC has commercial insurance coverage related to miscellaneous professional liability with a limit of liability of \$2,000,000 and retention of \$10,000 deductible. KHRC also has commercial insurance coverage on personal property with a limit of \$650,000 and a \$1,000 deductible, which includes coverage on electronic data processing equipment, media, and data. This policy also provides general liability coverage with a \$1,000,000 per occurrence/\$2,000,000 aggregate limit. In addition, there is a Public Officials and Employees Liability Insurance Policy including Employment Practices Liability with an aggregate limit of \$2,000,000 and a deductible of \$10,000, and Business Auto coverage including hired and non-owned auto liability with a limit of \$1,000,000 combined single limit for Bodily Injury and Property Damage. KHRC also participates in the State's employee health benefit plan. Insurance settlements have not exceeded insurance coverage for the fiscal year ending June 30, 2009.

NOTE 16 – CONTINGENCIES AND COMMITMENTS

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

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

NOTE 17 – JOINT POWERS AGREEMENTS

KHRC entered into a joint powers agreement with the State of Kansas' Department of Social and Rehabilitation Services (SRS) on March 25, 2004. The purpose of the agreement is to transfer 15 percent of a portion of the Low Income Energy Assistance (LIEAP) regular block grant to supplement KHRC's Department of Energy Weatherization Assistance Program funds. The percentage represents the maximum amount that may be used for Weatherization, according to federal limitations. The agreement is continual, but is subject to federal funding availability.

NOTE 18 – FEDERAL GRANTS AUDIT UNDER OMB CIRCULAR A-133

The U.S. Office of Management and Budget (OMB) *Circular A-133 and Government Auditing Standards* require audits of KHRC's expenditures of federal awards, since KHRC's expenditures were \$500,000 or more in the fiscal year ended June 30, 2009. Such expenditures are included in the June 30, 2009 OMB *Circular A-133* audit for the State of Kansas.

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

**REQUIRED SUPPLEMENTARY INFORMATION
As of June 30, 2009**

Schedule of Funding Progress for OPEB

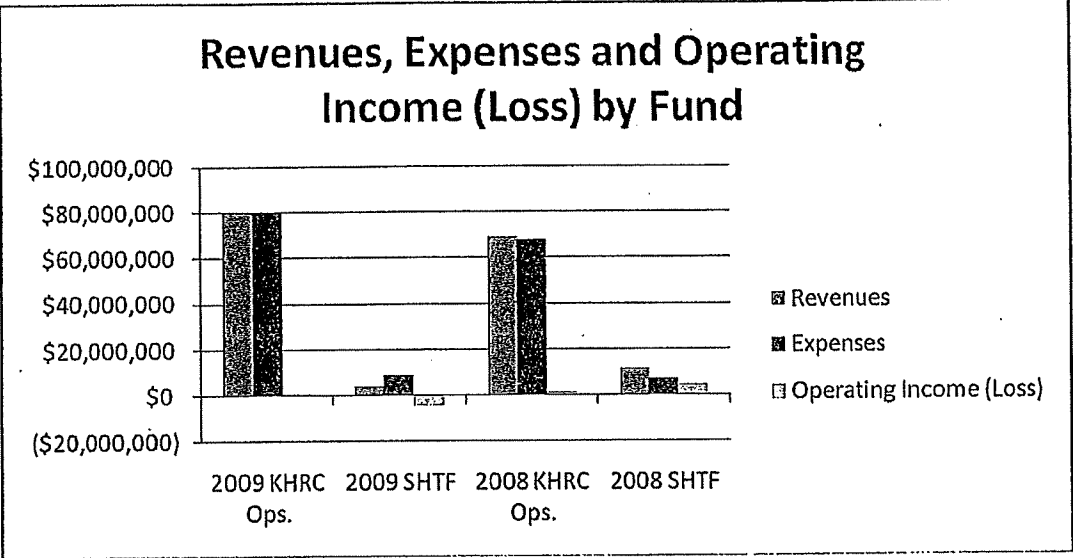
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/2008	\$0	\$184,000	\$184,000	0%	\$2,051,451	9%
6/30/2009	\$0	\$176,734	\$176,734	0%	\$2,335,711	8%

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SUPPLEMENTARY INFORMATION

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

Year Ended June 30, 2009



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KHRC Operations

**Kansas Housing Resources Corporation
KHRC Operations Statement of Revenues, Expenses, and Changes in Net Assets by Program
For the Year Ended June 30, 2009**

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	Tax Credit and CEP	Asset Management	HOME	DOE - WAP	LIEAP and RAR	CSBG	ESG	HMIS	KHRC Corporate	Eliminate KHRC Ops, Intrafund Transfers	Total
Operating Revenues:											
Fees for Services	\$ 914,937	\$ 2,569,378	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,040	\$ -	\$ 3,499,355
Grant Administration Income	-	-	703,536	392,498	224,781	269,410	20,867	4,370	22,797	-	1,638,259
Recognized Match Income	-	-	582,385	-	-	-	708,030	29,603	-	-	1,320,018
MRB/MCC Bond Fees	-	-	-	-	-	-	-	-	-	-	-
PAB Multifamily Allocation Fees	-	-	-	-	-	-	-	-	-	-	-
Program Loan and Other Interest	10,239	-	53,252	-	-	-	-	-	-	-	63,491
Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	91,597	-	-	10,300	-	101,897
Federal Program Revenues	2,443,375	44,997,285	10,100,556	4,051,490	5,281,834	6,109,748	854,914	148,942	-	-	73,988,144
Federal Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-
State Program Revenues	-	-	-	-	-	-	-	-	-	-	-
State Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	\$ 3,368,551	\$ 47,566,663	\$ 11,438,729	\$ 4,443,988	\$ 5,506,815	\$ 6,470,765	\$ 1,583,811	\$ 182,915	\$ 48,187	\$ -	\$ 80,611,164
Operating Expenses:											
Salaries and Related Payroll Expenses	\$ 494,245	\$ 1,011,168	\$ 514,794	\$ 267,295	\$ 93,526	\$ 330,398	\$ 25,689	\$ 696	\$ 28,308	\$ -	\$ 2,766,119
Communication	7,362	15,342	12,515	4,028	1,313	4,631	-	78	-	-	45,269
Printing and Advertising	14,050	1,795	1,543	4,472	12,811	495	-	-	77	-	35,243
Rents and Parking Fees	50,472	73,858	41,795	13,582	6,615	23,918	-	-	575	-	210,813
Repairs and Maintenance	2,830	18,948	7,447	3,996	675	2,052	-	-	-	-	35,948
Travel	55,780	47,828	22,100	22,847	1,645	31,152	-	995	2,789	-	185,136
Fees - Professional and Other Services	37,199	258,189	99,971	38,727	11,409	45,087	-	4	14,015	-	504,601
Insurance	2,342	4,922	2,043	2,177	149	1,469	-	-	-	-	13,102
Office and Data Processing Supplies	21,264	17,411	10,293	4,984	5,806	5,500	-	6	-	-	65,264
Expensed Furniture and Equipment	8,535	24,897	7,448	34,318	1,958	7,152	-	2,591	-	-	86,899
Provision for Bad Debts	237,354	-	-	-	-	-	-	-	-	-	237,354
Provision for Loan Losses	-	-	28,735	-	-	-	-	-	-	-	28,735
Depreciation	13,954	30,612	38,863	9,202	30,084	7,505	-	-	-	-	130,220
Program Expenses	-	-	-	-	-	-	-	-	-	-	-
Recognized Match Expense	-	-	582,385	-	-	-	708,030	29,603	-	-	1,320,018
Federal Program Expenses	2,443,375	44,997,285	10,100,556	4,051,490	5,281,834	6,109,748	854,914	148,942	-	-	73,988,144
Federal Program Income Grant Expenses	-	-	65,513	-	-	-	-	-	-	-	65,513
State Program Expenses	-	-	-	-	-	-	-	-	-	-	-
State Refunds	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 3,388,762	\$ 46,502,255	\$ 11,536,001	\$ 4,457,118	\$ 5,447,826	\$ 6,569,105	\$ 1,588,633	\$ 182,915	\$ 45,764	\$ -	\$ 79,718,378
Operating Income (Loss)	\$ (20,211)	\$ 1,064,408	\$ (96,272)	\$ (13,130)	\$ 58,790	\$ (98,350)	\$ (4,822)	\$ -	\$ 2,373	\$ -	\$ 892,786
Non-Operating Revenues & Expenses:											
Investment Income	-	-	567	-	-	-	-	-	221,039	-	221,606
Total Non-Operating Income (Expenses)	\$ -	\$ -	\$ 567	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 221,039	\$ -	\$ 221,606
Transfers In	\$ -	\$ -	\$ 57,654	\$ 12,483	\$ -	\$ 77,444	\$ 2,376	\$ -	\$ -	\$ (70,201)	\$ 79,756
Transfers Out	(17,600)	-	-	-	-	-	-	-	(1,374,498)	70,201	(1,321,897)
Excess of Revenues Over (Under) Expenses	\$ (37,811)	\$ 1,064,408	\$ (38,051)	\$ (647)	\$ 58,790	\$ (20,906)	\$ (2,446)	\$ -	\$ (1,151,086)	\$ -	\$ (127,749)

Net assets, beginning of year 6,280,385

Net assets, end of year \$ 6,152,636

Please see Note 1, Programs, on pages 21-24 of the Notes to the Financial Statements for explanation of the above programs.

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State Housing Trust Fund

**Kansas Housing Resources Corporation
State Housing Trust Fund Statement of Revenues, Expenses, and Changes in Net Assets by Program
For the Year Ended June 30, 2009**

	General	Governor's WARM Initiatives	KAMP and ERP	Housing Development Grant Program	SHTF \$1.25 Million Disaster Assistance	SFC \$5 Million Disaster Assistance	Total
Operating Revenues:							
Fees for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Administration Income	-	-	-	-	-	-	-
Recognized Match Income	-	-	-	-	-	-	45,098
MRB/MCC Bond Fees	45,098	-	-	-	-	-	-
PAB Multifamily Allocation Fees	-	-	-	-	-	-	-
Program Loan and Other Interest	85,870	-	-	-	-	14,300	100,170
Contributions and Donations	-	-	-	-	-	-	24,808
Other Income	24,808	-	-	-	-	-	-
Federal Program Revenues	-	-	-	-	-	-	-
Federal Loan Proceeds	-	-	-	4,000,000	-	-	4,000,000
State Program Revenues	-	-	-	-	-	-	-
State Loan Proceeds	-	-	-	-	-	-	-
Total Operating Revenues	\$ 155,776	\$ -	\$ -	\$ 4,000,000	\$ -	\$ 14,300	\$ 4,170,076
Operating Expenses:							
Salaries and Related Payroll Expenses	\$ 7,744	\$ 22,707	\$ 87,832	\$ 42,833	\$ 10,043	\$ -	\$ 171,159
Communication	750	140	1,080	640	17	7	2,634
Printing and Advertising	1,190	33	70	265	-	-	1,558
Rents and Parking Fees	849	1,321	6,713	3,359	222	-	12,464
Repairs and Maintenance	22	151	1,166	399	-	-	1,738
Travel	3,073	1,068	2,339	2,272	-	-	8,752
Fees - Professional and Other Services	150,478	1,580	6,510	2,101	4	-	160,673
Insurance	-	-	324	224	-	-	548
Office and Data Processing Supplies	2,114	136	1,230	980	-	-	4,460
Expensed Furniture and Equipment	31	324	1,424	1,218	-	-	2,997
Provision for Bad Debts	-	-	-	-	-	-	-
Provision for Loan Losses	310,115	-	-	-	-	841,383	1,151,498
Depreciation	-	-	1,358,555	-	577,431	-	2,023,047
Program Expenses	87,061	-	-	-	-	-	-
Recognized Match Expense	-	-	-	-	-	-	-
Federal Program Expenses	-	-	-	-	-	-	-
Federal Program Income Grant Expenses	-	-	-	-	-	-	-
State Program Expenses	-	-	-	4,036,963	-	138,286	4,175,249
State Refunds	-	1,000,000	-	-	-	-	1,000,000
Total Operating Expenses	\$ 563,427	\$ 1,027,460	\$ 1,467,243	\$ 4,091,254	\$ 587,717	\$ 979,676	\$ 8,716,777
Operating Income (Loss)	\$ (407,651)	\$ (1,027,460)	\$ (1,467,243)	\$ (91,254)	\$ (587,717)	\$ (965,376)	\$ (4,546,701)
Non-Operating Revenues & Expenses:							
Investment Income	111,084	39,312	-	202,156	-	25,894	378,446
Total Non-Operating Income (Expenses)	\$ 111,084	\$ 39,312	\$ -	\$ 202,156	\$ -	\$ 25,894	\$ 378,446
Transfers In	\$ 1,267,600	\$ -	\$ -	\$ 54,290	\$ -	\$ 7	\$ 1,321,897
Transfers Out	(79,756)	-	-	-	-	-	(79,756)
Excess (Deficiency) of Revenues Over (Under) Expenses	\$ 891,277	\$ (988,148)	\$ (1,467,243)	\$ 165,192	\$ (687,717)	\$ (939,475)	\$ (2,006,134)

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Please see Note 1, Programs, on pages 21-24 of the Notes to the Financial Statements for explanation of the above programs.

Net assets, beginning of year	12,372,510
Net assets, end of year	9,446,396

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KHRC Operations

**Kansas Housing Resources Corporation
KHRC Operations Statement of Revenues, Expenses, and Changes in Net Assets by Program
For the Year Ended June 30, 2008**

	Tax Credit	Asset Management	HOME	DOE - WAP	LIEAP	CSBG	ESG	HMIS	KHRC Corporate	Eliminate KHRC Ops. Intrafund Transfers	Total
Operating Revenues:											
Fees for Services	\$ 939,173	\$ 2,457,173	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,396,346
Grant Administration Income	-	-	721,579	258,171	144,984	283,603	22,704	-	-	-	1,431,041
Recognized Match Income	-	-	181,317	-	-	-	778,663	31,412	-	-	991,392
MRB/MCC Bond Fees	-	-	-	-	-	-	-	-	-	-	-
PAB Multifamily Allocation Fees	-	-	-	-	-	-	-	-	-	-	-
Program Loan and Other Interest	4,626	-	43,721	-	-	-	-	-	-	-	48,347
Contributions and Donations	-	-	-	-	-	-	-	-	-	-	-
Other Income	-	-	-	-	-	113,502	-	-	1,912	-	115,414
Federal Program Revenues	-	42,222,427	10,051,323	2,462,504	2,952,236	4,353,334	758,878	124,973	-	-	62,925,675
Federal Loan Proceeds	-	-	349,500	-	-	-	-	-	-	-	349,500
State Program Revenues	-	-	-	-	-	-	-	-	-	-	-
State Loan Proceeds	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenues	\$ 943,799	\$ 44,679,600	\$ 11,347,440	\$ 2,720,675	\$ 3,097,220	\$ 4,750,439	\$ 1,560,245	\$ 156,385	\$ 1,912	\$ -	\$ 69,257,715
Operating Expenses:											
Salaries and Related Payroll Expenses	\$ 488,241	\$ 941,261	\$ 454,560	\$ 218,990	\$ 60,104	\$ 347,733	\$ 23,803	\$ -	\$ -	\$ -	\$ 2,534,692
Communication	7,909	13,700	12,010	2,509	1,004	4,211	-	-	22	-	41,365
Printing and Advertising	7,345	4,525	4,051	1,111	291	2,506	-	-	-	-	19,829
Rents and Parking Fees	53,999	63,651	54,481	15,550	5,764	25,727	-	-	-	-	219,172
Repairs and Maintenance	1,268	13,404	3,611	1,189	556	1,170	-	-	-	-	21,198
Travel	36,146	36,249	23,879	24,230	1,386	28,193	-	-	67	-	150,150
Fees - Professional and Other Services	26,375	257,823	106,881	36,793	8,231	17,464	-	-	1,709	-	455,276
Insurance	2,332	5,219	2,071	2,213	104	1,114	-	-	-	-	13,053
Office and Data Processing Supplies	19,168	32,640	15,414	7,524	684	6,946	-	-	44	-	82,420
Expensed Furniture and Equipment	9,182	10,152	13,028	1,476	438	2,693	-	-	-	-	36,969
Provision for Loan Losses	-	-	250,151	-	-	-	-	-	-	-	250,151
Depreciation	13,221	29,318	36,000	9,908	1,936	7,095	-	-	-	-	97,478
Program Expenses	-	-	30,000	-	-	-	-	-	-	-	30,000
Recognized Match Expense	-	-	181,317	-	-	-	778,663	31,412	-	-	991,392
Federal Program Expenses	-	42,222,427	10,051,323	2,462,504	2,952,236	4,353,334	758,878	124,973	-	-	62,925,675
Federal Program Income Grant Expenses	-	-	149,950	-	-	-	-	-	-	-	149,950
State Program Expenses	-	-	-	-	-	-	-	-	-	-	-
Total Operating Expenses	\$ 665,186	\$ 43,630,369	\$ 11,388,727	\$ 2,783,997	\$ 3,032,734	\$ 4,798,186	\$ 1,661,344	\$ 166,385	\$ 1,842	\$ -	\$ 68,018,770
Operating Income	\$ 278,613	\$ 1,049,231	\$ (41,287)	\$ (63,322)	\$ 64,486	\$ (47,747)	\$ (1,099)	\$ -	\$ 70	\$ -	\$ 1,238,945
Non-Operating Revenues & Expenses:											
Investment Income	-	-	-	-	-	-	-	-	208,164	-	208,164
Total Non-Operating Income (Expenses)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 208,164	\$ -	\$ 208,164
Transfers In	\$ -	\$ -	\$ 333,700	\$ 54,163	\$ -	\$ 41,533	\$ 1,099	\$ -	\$ -	\$ (96,795)	\$ 333,700
Transfers Out	-	-	-	-	-	-	-	-	(1,363,829)	96,795	(1,267,034)
Excess of Revenues Over (Under) Expenses	\$ 278,613	\$ 1,049,231	\$ 292,413	\$ (9,159)	\$ 64,486	\$ (6,214)	\$ -	\$ -	\$ (1,155,695)	\$ -	\$ 513,775
										Net assets, beginning of year	5,766,610
										Net assets, end of year	<u>\$ 6,280,385</u>

Please see Note 1, Programs, on pages 21-24 of the Notes to the Financial Statements for explanation of the above programs.

State Housing Trust Fund

**Kansas Housing Resources Corporation
State Housing Trust Fund Statement of Revenues, Expenses, and Changes in Net Assets by Program
For the Year Ended June 30, 2008**

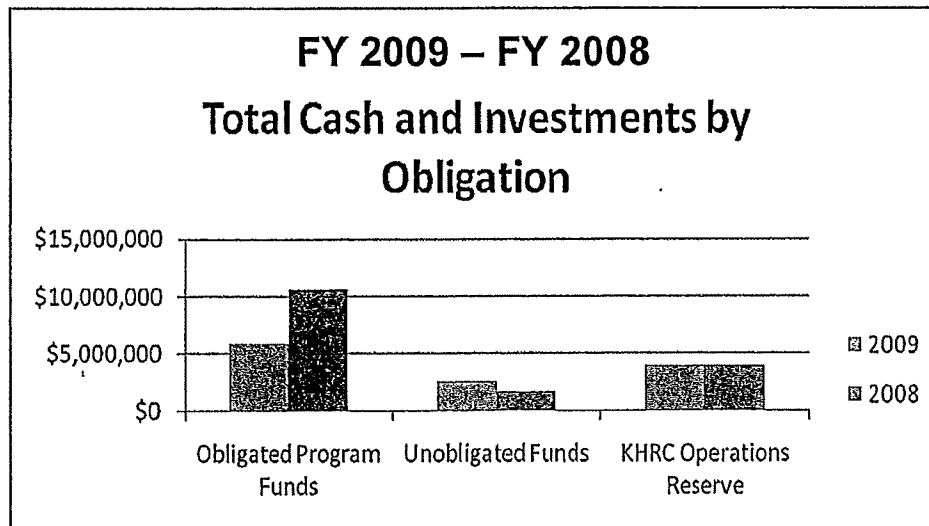
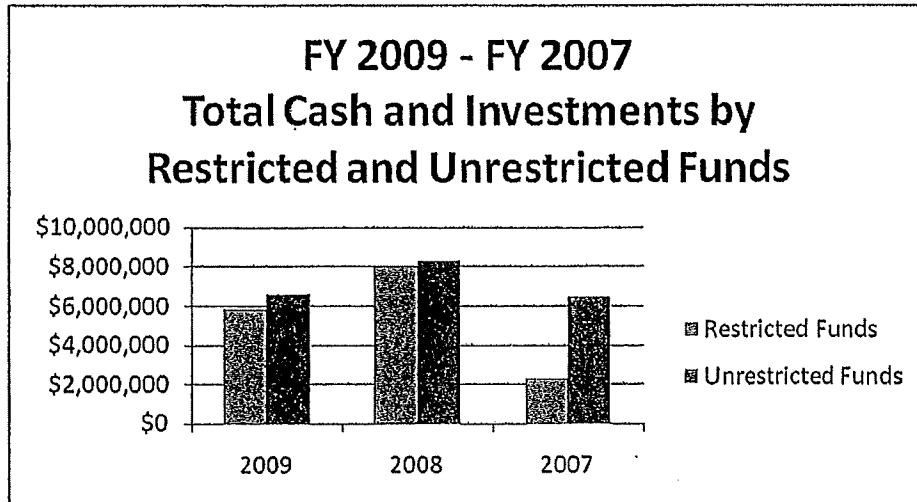
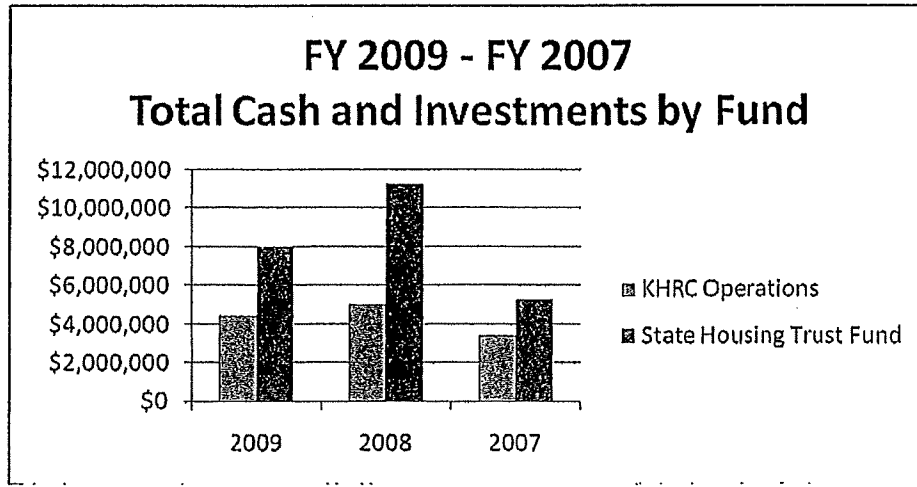
	General	Governor's WARM Initiatives	KAMP and ERP	Housing Development Grant Program	SHTF \$1.25 Million Disaster Assistance	SFC \$5 Million Disaster Assistance	Total
Operating Revenues:							
Fees for Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant Administration Income	-	-	-	-	-	-	-
Recognized Match Income	-	-	-	-	-	-	-
MRB/MCC Bond Fees	1,210,648	-	-	-	-	-	1,210,648
PAB Multifamily Allocation Fees	52,400	-	-	-	-	-	52,400
Program Loan and Other Interest	101,516	-	-	-	-	794	102,310
Contributions and Donations	909,489	-	-	-	-	-	909,489
Other Income	-	2,500	-	-	-	-	2,500
Federal Program Revenues	-	-	-	-	-	-	-
State Program Revenues	-	-	-	4,000,000	-	5,000,000	9,000,000
State Loan Proceeds	285,000	-	-	-	-	-	285,000
Total Operating Revenues	\$ 2,659,053	\$ 2,500	\$ -	\$ 4,000,000	\$ -	\$ 5,000,794	\$ 11,562,347
Operating Expenses:							
Salaries and Related Payroll Expenses	\$ -	\$ 10,744	\$ 64,925	\$ 3,730	\$ 36,342	\$ -	\$ 115,741
Communication	163	76	750	-	392	-	1,381
Printing and Advertising	1,283	1,329	509	-	1,163	-	4,284
Rents and Parking Fees	-	486	5,826	-	-	-	6,312
Repairs and Maintenance	-	-	858	-	-	-	858
Travel	185	196	3,031	-	21,467	-	24,879
Fees - Professional and Other Services	58,617	376	9,335	-	-	-	68,328
Insurance	-	-	295	-	-	-	295
Office and Data Processing Supplies	267	5	1,558	92	1,269	-	3,191
Expensed Furniture and Equipment	-	-	712	-	148	-	860
Provision for Loan Losses	1,472,508	-	-	-	-	1,086,795	2,559,303
Depreciation	-	-	-	-	-	-	-
Program Expenses	268,512	-	951,126	-	830,116	-	2,049,754
Recognized Match Expense	-	-	-	-	-	-	-
Federal Program Expenses	-	-	-	-	-	-	-
Federal Program Income Grant Expenses	-	-	-	-	-	-	-
State Program Expenses	-	-	-	-	-	2,340,095	2,340,095
Total Operating Expenses	\$ 1,801,535	\$ 13,212	\$ 1,038,925	\$ 3,822	\$ 890,897	\$ 3,426,890	\$ 7,175,279
Operating Income	\$ 757,518	\$ (10,712)	\$ (1,038,925)	\$ 3,996,178	\$ (890,897)	\$ 1,573,904	\$ 4,387,068
Non-Operating Revenues & Expenses:							
Investment Income	182,458	81,408	-	15,475	-	105,997	385,338
Total Non-Operating Income (Expenses)	\$ 182,458	\$ 81,408	\$ -	\$ 15,475	\$ -	\$ 105,997	\$ 385,338
Transfers In	\$ -	\$ 13,212	\$ -	\$ 3,822	\$ 1,250,000	\$ -	\$ 1,267,034
Transfers Out	(333,700)	-	-	-	-	-	(333,700)
Excess of Revenues Over (Under) Expenses	\$ 606,276	\$ 83,908	\$ (1,038,925)	\$ 4,015,475	\$ 359,103	\$ 1,679,901	\$ 5,705,740

Please see Note 1, Programs, on pages 21-24 of the Notes to the Financial Statements for explanation of the above programs.

Net assets, beginning of year	6,666,770
Net assets, end of year	\$ 12,372,510

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KHRC Operations and State Housing Trust Fund (Combined)





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Certified Public Accountants

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 Directors
Kansas Housing Resources Corporation
Topeka, Kansas

We have audited the financial statements of each major fund of the Kansas Housing Resources Corporation (KHRC), a Component Unit of the State of Kansas, as of and for the year ended June 30, 2009, which collectively comprise KHRC's basic financial statements and have issued our report thereon dated October 20, 2009. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered KHRC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of KHRC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of KHRC's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether KHRC's financial statements are free of 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*.

This report is intended solely for the information and use of the Board Directors and management and not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.
CERTIFIED PUBLIC ACCOUNTANTS

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

October 20, 2009
Wichita, Kansas



SUMMARY OF PROGRAM ACTIVITY UNDER AMERICAN RECOVERY AND REINVESTMENT ACT

Kansas Housing Resources Corporation (KHRC) currently administers six programs that were either impacted or created by the American Recovery and Reinvestment Act of 2009 (ARRA). These programs include the following: State Energy Efficient Appliance Replacement Program, Kansas Weatherization Assistance Program, Housing Credit Exchange Program, Tax Credit Assistance Program, Homelessness Prevention and Rapid Re-Housing Program, and Community Services Block Grant Program. This report contains a summary of each program, the impact of ARRA, and the current status of program expenditures. We will begin with the launch of KHRC's newest initiative, the appliance replacement program.

STATE ENERGY EFFICIENT APPLIANCE REPLACEMENT PROGRAM (SEEARP)

ARRA provided \$296 million nationwide to implement Section 124 of the Energy Policy Act of 2005 establishing Department of Energy support for State rebate programs involving residential ENERGY STAR appliance products. States receive formula-based funding to establish or supplement established ENERGY STAR appliance rebate programs. The program is called the State Energy Efficient Appliance Rebate Program or SEEARP.

One of the first states to launch the program, Kansas has already received nearly \$2.7 million for SEEARP. The Kansas plan provides rebates to low-income consumers who purchase ENERGY STAR® refrigerators, clothes washers, freezers, dishwashers and window air conditioners. KHRC expects to issue approximately 4800 appliance rebate vouchers to consumers. Rebates for the high-efficiency appliances will range from \$200 to \$800. New appliances will qualify only if they have earned the ENERGY STAR® label. Old appliances to be recycled must be at least ten-years-old. Point-of-sale rebates will be made directly to

participating retailers.

SEEARP is designed after the successful energy-efficiency initiative launched by KHRC earlier this year called the Residential Appliance Replacement (RAR) Program. This initiative (explained in more detail below) was funded by the Low Income Energy Assistance Program. RAR converted a \$4 million dollar investment into nearly \$19 million in lifetime energy savings for participating families. The SEEARP program has once again been a great success. The program has already received applications in excess of available funding.

RESIDENTIAL APPLIANCE REPLACEMENT PROGRAM (RAR)

As mentioned previously, KHRC launched the Residential Appliance Replacement Program last summer. While not technically an ARRA program, the large increase in 2009 stimulus funds provided an opportunity to utilize \$4 million in funding from the Low Income Energy Assistance Program for the Appliance Replacement Program. This program allowed income-eligible homeowners and renters to replace old, energy-hungry and unsafe appliances with new, energy-efficient and environmentally-friendly models. Appliances eligible for replacement include refrigerators, water heaters, heating and cooling systems and window air units.

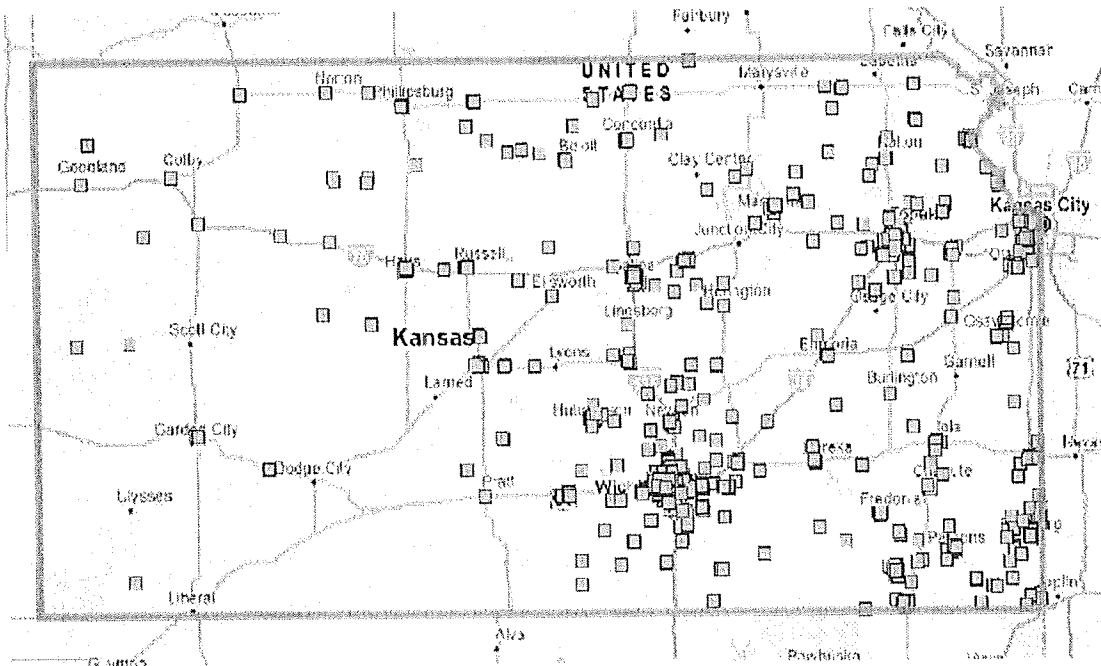
Demonstrating the exceptional popularity of this program, KHRC had to close the application process after only two weeks. In addition to the \$4 million expended in the program, additional applications totaling \$7 million remain unfunded. This program served 1,021 homes across the state and \$3,989,842.50 in program funds has been expended.

The following table and map demonstrates the distribution of homes served across the state.

Residential Appliance Replacement Program (Appliances Replaced)	
Furnaces	573
Window Air Conditioners	127
Central Air Units	533
Tankless Water Heaters	155
Refrigerators	712

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Residential Appliance Replacement Program (Distribution Map)



RESIDENTIAL APPLIANCE REPLACEMENT PROGRAM II

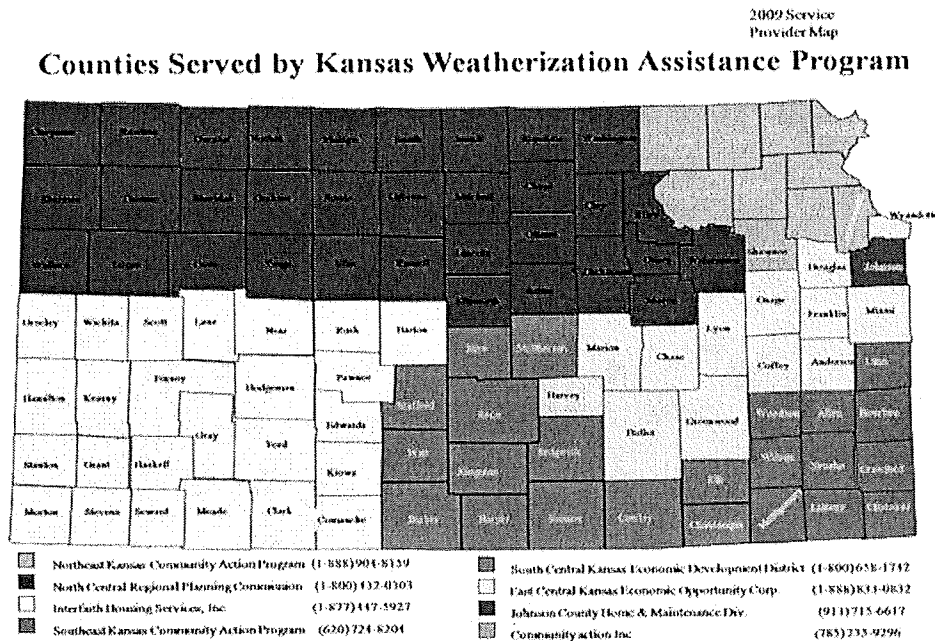
KHRC is pleased to announce that new funding has been secured to offer the Residential Appliance Replacement Program on an annual basis starting in 2010. The Kansas Department of Social and Rehabilitation Services, the agency which allocates funding from the Low Income Home Energy Assistance Program, agreed to increase the allocation to KHRC's energy efficiency program from 15 percent to 20 percent. With this additional funding, KHRC will direct one half of the funds to an annual RAR program with the balance used to leverage the weatherization program. Funding will fluctuate from year to year, however KHRC estimates \$3 million will be available for RAR 2 in 2010. KHRC is still evaluating how the new rebate program will be structured.

KANSAS WEATHERIZATION ASSISTANCE PROGRAM (KWAP)

K-WAP is a U.S. Department of Energy (DOE) funded program that KHRC initially began administering in 1974. The purpose of the program is to make low-income households in single or multi-family dwellings more energy efficient, thereby reducing the household's monthly heating and cooling bills.

Funds may be used for leakage reduction, incidental repairs, health and safety measures, furnace and cooling system repair/replacement, insulation, and replacement of inefficient refrigerators. DOE regulations limit the eligibility to those with incomes at or below 200% of the poverty level (\$20,800 annually for a single person or \$42,400 annually for a family of 4 in Kansas). The new regulations also include an increase in the per-home average cost of repair and improvements from \$2,500 to \$6,500.

The weatherization program is operated through a network of eight local service providers. Each agency provides weatherization for their region of the state. The following map identifies each service provider and the region in which they operate.



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The following chart shows a five year history of funding for the Weatherization Program. Funding is based on a program year which begins each April 1 and ends the following March 31.

WEATHERIZATION FUNDING (5 YEAR HISTORY)			
Year	DOE	LIEAP	Total
2009	\$ 5,001,866	\$ 2,856,708	\$ 7,858,574
2008	\$ 2,518,837	\$ 2,497,970	\$ 5,016,807
2007	\$ 2,264,099	\$ 2,501,390	\$ 4,765,489
2006	\$ 2,706,214	\$ 4,415,873	\$ 7,122,087
2005	\$ 2,262,771	\$ 2,149,146	\$ 4,411,917
2004	\$ 2,390,904	\$ 2,548,024	\$ 4,938,928
Average	\$ 2,857,499	\$ 2,828,213	\$ 6,018,994

Impact of ARRA: In addition to doubling DOE funds for FY 2009, the K-WAP program also received \$56 million in ARRA funds for a three-year period. In view of the substantially increased funds as well as the existing sub grantee agencies' ability to ramp up operations to the extent necessary, for the short term, KHRC set aside \$16 million and established a multi-family program to be managed with KHRC staff, to focus on weatherizing multi-family homes, including: Tax Credit properties, USDA Rural Development properties, and project-based Section 8 properties that had no direct HUD funds for energy-efficiency improvements. The balance of the \$56 million, or \$40 million, is expected to be used for single-family dwellings.

Recent Activity: The network agencies have performed weatherization in homes through both the "traditional" DOE funding and the ARRA funding this past year and KHRC's multi-family program is now fully underway with nearly 1,200 homes complete and an additional 4,573 in progress.

Overview	Traditional DOE / LIEAP	ARRA Weatherization	TOTAL
Homes Completed	844	418	1,301
Homes in Progress	173	4,400	4,573
Homes on Waiting List	na	3,633	3,633
Funds Expended	\$6,980,001	\$7,026,733	\$14,006,734

Status of ARRA Expenditures: To date, the state's network of weatherization providers have expended \$7,026,733 in ARRA funds and completed 418 homes. ARRA funds have been

utilized to increase provider capacity including vehicles, equipment, salaries, and perhaps most importantly training and technical assistance. In addition, KHRC has expended \$723,225 for similar capacity enhancement for both multi-family activities and compliance monitoring. In all, a total of over 4,400 homes are now in progress with a waiting list of over 3,600 pending.

Status of 2009 DOE and LIEAP Expenditures: Kansas received a total of \$7,858,574 in 2009 funding (an increase of nearly 60% over 2008) from both the Department of Energy and Federal Low Income Energy Assistance Program (LIEAP). To date, WAP providers in Kansas have weatherized 883 homes and expended nearly \$7 million (including some cost for homes that have not yet been reported as completed).

Issues: Utilization of the ARRA funds has lagged somewhat primarily due to new requirements that the program comply with Davis Bacon regulations. Prior to the ARRA funds, the DOE weatherization program was exempt from complying with these regulations. In order to implement the Davis Bacon regulations, the Departments of Energy and Labor had to work together to establish residential weatherization positions and prevailing wage rates. This process was not completed until November and weatherization agencies have begun utilizing the ARRA funds. Seven of our weatherization agencies have completed their ramp-up and are making good progress with this program. The last agency continues to struggle. KHRC is working closely with this agency to develop and implement a plan to accelerate their production.

HOUSING CREDIT EXCHANGE PROGRAM

Program Summary: Under ARRA, KHRC is allowed to exchange all returned Low Income Housing Tax Credits from previous years as well as up to 40 percent of its 2009 Tax Credit authority for cash, to enable developments which have been unable to obtain equity, in the current market, to complete their affordable housing projects under CEP. KHRC will receive \$45.1 million in CEP funds from the U.S. Treasury and Congress is currently considering renewing CEP for 2010.

Impact of ARRA: KHRC estimates CEP funds will help build an estimated 620 affordable housing units in Kansas. These units likely would not have been developed under the traditional Tax Credit program due to market conditions.

Status of ARRA Expenditures: KHRC is proud to be the very first housing finance agency in the nation to close a housing development deal using CEP funds. On July 30th, KHRC along with the Governor's office and the U.S. Treasury, celebrated Woodland Hills Estates grand opening in Osawatomie, followed by a press conference at the State Capitol. Both events received positive media attention promoting the Recovery Act and the results of the Housing Credit Exchange Program in Kansas.

To date, KHRC has committed virtually all of the CEP funds, and disbursed over 25% (approximately \$10 million) funding 20 housing developments. A list of development locations and units created follows:

- 24 senior units in Osawatomie
- 24 multi-family units in Clyde
- 46 units for the elderly in Atchison
- 48 family units in Haysville
- 30 new construction multi-family units in Iola
- 26 senior housing units in Kansas City, Kansas
- 49 multi-family units in Topeka
- 32 family units in Liberal
- 42 family units in Chanute
- 18 single family homes in Coffeyville
- 36 multi-family units in Park City
- 36 multi-family units in Holton
- 16 multi-family units in Topeka
- 20 multi-family units in Newton
- 46 multi-family units in Pittsburg
- 58 multi-family units in Emporia
- 30 multi-family units in Wichita
- 32 multi-family units in Coffeyville
- 24 multi-family units in Clay Center

TAX CREDIT ASSISTANCE PROGRAM (TCAP)

Program Summary: KHRC will receive \$17.1 million in ARRA funding for TCAP, a sister program to the HOME Program. These funds may only be used as gap funding for Tax Credit projects which, but for this funding, could otherwise not likely be developed in the current market.

Impact of ARRA: KHRC estimates TCAP funds will help build an estimated 165 affordable housing units in Kansas. These units likely would not have been developed under the traditional Tax Credit program due to market conditions.

Status of ARRA Expenditures: KHRC has now closed eight TCAP developments. To date, these developments include:

- 2 single family homes and 2 duplexes in Bird City
- 32 Senior Units in Wamego
- 20 single family homes in Kansas City
- 20 family units in Topeka
- 28 family units in Independence
- 36 rehabbed units for families in Holton
- 24 rehabbed units for families in Wichita
- 24 rehabbed units for families in Clay Center

HOMELESSNESS PREVENTION AND RAPID REHOUSING (HPRP)

Program Summary: KHRC has administered the Emergency Shelter Grant Program (ESG) for many years, which is funded by the Department of Housing and Urban Development (HUD) and provides assistance to units of local government or nonprofit organizations to improve the quality of existing emergency homeless shelters, help meet the costs of operating emergency shelters, and provide certain essential social services to homeless individuals. For FY 2010-2012, ESG will receive \$8.3 million in ARRA funding for the Homelessness Prevention and Rapid Rehousing Program or HPRP. These funds will be used to assist families prevent homelessness and to rapidly re-house those families who, with HPRP assistance, will be able to maintain their housing after the funding is expended.

Impact of ARRA: HPRP will provide funding for homeless prevention and rapid re-housing for three years with 60 percent of the \$8.3 million being expended within the first two years. This will help ease Emergency Shelter Grant (ESG) funded agencies and service providers. Although the ESG program and HPRP both provide funding for homelessness prevention, HPRP will focus only on housing and services that either assist with obtaining housing or maintain housing.

Examples include utility payments and arrears, short and medium term rental assistance, moving costs, credit repair, housing search and case management. The targeted population is individuals or families that are either homeless or at or below 50% area median income, and in imminent danger of becoming homeless. HPRP will be used to divert individuals and families from entering into emergency shelters whenever possible. In October 2009, KHRC announced the following awards.

HOMELESSNESS PREVENTION AND RAPID REHOUSING 2009 AWARDS	
Organization	Funding Amount
City of Wamego	\$78,000
City of Hutchinson	\$191,000
City of Salina	\$163,000
City of Manhattan	\$495,000
City of Lawrence	\$648,000
Johnson County	\$843,000
Prairie View	\$1,660,000
Area Mental Health Center	\$1,660,500
Wyandotte Center Community Behavioral H.	\$2,160,000
MAAClink- HMIS Data Collection and Reporting	\$120,000
United Way of the Plains- 211 (Referral) Administration	\$133,471
	\$209,024
Total	\$8,360,995

COMMUNITY SERVICES BLOCK GRANT PROGRAM (CSBG)

Program Summary: CSBG is funded by the Department of Health and Human Services (HHS) and enables local agencies to provide a range of services and activities having a measurable and potentially major impact on causes and effects of poverty in the community. Services include the following areas: employment, education, making better use of available income, housing, emergency services, nutrition, and providing linkages to other community resources.

KHRC will administer \$8.1 million in ARRA funding for FFY 2009-2010. Ninety-nine percent of the Kansas ARRA CSBG funds must be passed-through to community action agencies within the state. The agencies, with guidance from their boards of directors, will use the funds to support locally designed strategies consistent with the requirements of both ARRA and CSBG legislation.

Impact of ARRA – ARRA funds will help community action agencies fund a wide range of activities, such as the hiring of additional case management, planning, fiscal and information technology staff. ARRA funds will be used to enhance emergency shelters, support area food pantries and offer appliance replacement programs. Dental assistance to children from low-income families will be possible because of ARRA funds. In addition, stimulus money will provide housing and credit counseling services to low-income families, enlarge the collection of books and educational materials in libraries which serve low-income areas and provide job training for laid off workers.

Status of ARRA Expenditures

To date, \$8,161,336 of CSBG ARRA funds have been allocated, \$3,025,595 have been disbursed and \$5,135,741 remain.

2010 Housing Resources Guide



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Attachment 5
GEFD 2-10-10



Housing Resources Guide

The Housing Resources Guide offers information to simplify the initial process of addressing housing needs. The programs included herein are presented in an overview format which will assist you with determining the basic applicability of each program as it relates to housing issues and potential solutions.

In 2003, Kansas Housing Resources Corporation (KHRC) was formed pursuant to K.S.A. 74-8904(v) per the Governor's Executive Reorganization Order (ERO) # 30. KHRC was created as a subsidiary corporation of the Kansas Development Finance Agency, establishing KHRC as a "one stop shop for housing in Kansas." KHRC now serves as the Housing Finance Agency for the State of Kansas. With this in mind, KHRC has four primary areas of emphasis: Homeownership, Rental Housing, Housing with Supportive Services, and Asset Management.

The goal of KHRC's activities in all of these areas is to enhance Kansas communities with housing opportunities. This goal is achieved through a variety of strategies and approaches, including increasing homeownership opportunities, leveraging the construction of more affordable rental housing, promoting energy efficiency improvements for owner-occupied and rental housing, providing affordable housing through rent assistance to low-income families and senior citizens, and creating housing opportunities for previously underserved persons and communities.

The ability to achieve our goals is dependent upon our partnerships with State agencies, local governments, public housing authorities, private developers, lenders, and non-profit organizations.

KANSAS DEVELOPMENT GRANT PROGRAM

Funded by the Kansas Legislature in 2008 in response to the 2007 disasters in Southeast and South-Central Kansas, the Kansas Development Grant Program provides funds for infrastructure and for housing construction and rehabilitation.

THE PURPOSE of the Kansas Development Grant Program is to increase housing and related economic development in Kansas communities.

ELIGIBILITY CRITERIA limit the program prior to July 1, 2010, to an eligible city or county, defined as a city or county located within the boundaries of a major disaster area designed by either (1) the U.S. Federal Emergency Management Agency (FEMA) under major disaster declarations FEMA-1711-DR (2007 Southeast Kansas flooding) or FEMA-1699 (2007 Kiowa County tornado), or (2) by the Governor of Kansas upon the finding that the disaster resulted in the destruction of a significant amount of residential housing. After July 1, 2010, an eligible city is defined as any city incorporated in Kansas and an eligible county is defined as any county with a population of less than 60,000.

ELIGIBLE ACTIVITIES include (1) the construction or rehabilitation of infrastructure necessary to support construction of new residential dwellings; and (2) the actual construction of new residential dwellings by a county or city housing authority created pursuant to municipal housing law at K.S.A. 17-2334 *et al.* Applicant cities, counties, and housing authorities may partner or contract with outside entities or individuals, so long as the applicant abides by all program terms and conditions. No more than \$25,000 in grant funds may be used for the construction of a single-family residential dwelling by a housing authority, excluding infrastructure costs.

MATCHING FUNDS are required as follows: At least 10 percent of the total grant if the funds are used for construction or rehabilitation of infrastructure; or at least 50 percent of the total grant if the funds are used by a housing authority for construction of residential dwellings. Match may include:

- Actual contribution of funds
- In-kind labor and services, calculated at an hourly rate of \$10 for unskilled labor and \$25 for professional or trade services
- Assumption of debt or liabilities
- Contributions of funds or in-kind labor and services.

KHRC will also consider surplus match generated from one of an applicant's proposed housing development activities toward the applicant's other match requirements within the same program year. Match contributions made with or derived from State resources or funds, including low income housing tax credit equity or State administered HOME Investment

THE APPLICATION PROCESS is a competitive selection process based on need, the specific planned use of the funds, community support, and match. Applicants are evaluated and ranked based on the organizations' experience and capacity and the characteristics of the development.

PROGRAM STATUS: Recent action by the Kansas Legislature to rescind HDGP funding has resulted in suspension of the program.

FIRST TIME HOMEBUYERS PROGRAM

The First Time Homebuyers Program provides downpayment assistance and is funded with the federal HOME Investment Partnerships Program. It provides funds to assist qualified buyers with the purchase of their first home. Income eligible homebuyers may apply for a loan in an amount up to 20 percent of the purchase price of a home. The assistance is to be used for down payments, closing costs, and legal fees associated with a purchase. Buyers are expected to make a minimum investment of \$500, or two percent of the sales price, whichever is greater. Private lenders will leverage the funds by providing first mortgage loans.

THE PURPOSE of the First Time Homebuyers Downpayment Assistance program is to increase the opportunity for Kansans to own their own home.

ELIGIBILITY CRITERIA require that the proposed homeowner must be a first time homebuyer and household income must be at or below 80 percent of the area median income.

A FIRST TIME HOMEBUYER, for this program, is defined as an individual or family who has not owned a home during the three-year period immediately prior to the purchase of a home. There are three exceptions: (1) any individual who is an adult, displaced homemaker who has not worked full-time in the labor force for a number of years, but has during such years worked primarily without remuneration to care for the home and family and is unemployed or underemployed and is experiencing difficulty obtaining or upgrading employment. (2) Any individual who is a divorced single parent, or an individual who is legally separated from a spouse and is pregnant, or has one or more minor children for whom the individual has custody or joint custody. To qualify as a first time homebuyer in this situation, an individual cannot have received ownership of the home in the divorce settlement. (3) Any individual who owns a mobile home that is not on a permanent foundation.

ELIGIBLE PROPERTY must be intended to be occupied as the qualified buyer's principal residence upon purchase, and must be outside the legal limits of Kansas City, Lawrence, Topeka, Wichita, or Johnson County. The property must meet state-prescribed Housing Quality Standards at the time of purchase, and be priced at \$150,000 or less. It cannot have been rental property in the last three months unless the renter (at application) is the first time homebuyer. Eligible property types include single-family detached properties, condominiums, two to four unit properties, manufactured homes on permanent foundations, cooperatives, or new speculative site-built (non-custom) construction.

FIRST MORTGAGE LOAN may be a fixed rate not to exceed Freddie Mac's Primary Mortgage Market Survey Rate plus one-half percent. The first mortgage must be provided by a participating lender.

THE APPLICATION PROCESS requires that the proposed buyer contact a participating lender, apply for a first mortgage loan with the participating lender, identify a qualified property, and direct the local lender to initiate the HOME application process.

FOR MORE INFORMATION or to request technical assistance, contact Christine Reimler, Manager, Homeownership, at (785) 296-4818 or creimler@kshousingcorp.org.

HOMEOWNER REHABILITATION

The Homeowner Rehabilitation Program, funded with the federal HOME Investment Partnerships Program, assists communities with repair and rehabilitation of owner-occupied housing in their areas. Priority is given to communities that target elderly homeowners, persons with disabilities, and families with school-age children. Kansas communities (cities and counties) outside HUD entitlement areas may apply for up to \$300,000 in funds. Local homeowners apply to the local communities for a loan.

THE PURPOSE of the Homeowner Rehabilitation Program is to enable local communities to improve the condition of existing owner-occupied housing in their communities and to assist income-eligible homeowners with these improvements.

ELIGIBLE APPLICANTS are local units of government (cities and counties), outside HUD entitlement areas, that demonstrate an organizational capacity to comply with all federal and state regulations and other technical requirements. Non-profit or for-profit consulting organizations are encouraged to be retained by smaller local governments that require staff assistance with grant administration, field construction management and code inspection services.

ELIGIBLE ACTIVITIES are those necessary to rehabilitate a housing unit so that building codes and Section 8 Housing Quality Standards are met. Some eligible hard costs include major structural repairs, repair or replacement of major housing systems, costs to meet rehabilitation standards and local codes, reduction of lead-based paint hazards, accessibility modifications, and necessary site improvements. Soft costs are eligible, such as architectural, engineering, or related professional services; credit and title costs; recording fees, building permits, and appraisals. Housing rehabilitated with Homeowner Rehabilitation funds must be owned and occupied by income-eligible occupants whose income does not exceed 80 percent of the area median income.

THE APPLICATION PROCESS is a competitive selection process based on need and a demonstrated organizational capacity to perform and maintain construction. Applicants are evaluated and ranked based on the organization's experience and capacity, knowledge of technical and regulatory requirements, and staffing. KHRC will approve applications that achieve an equitable geographic distribution of funds and are consistent with the overall plan of KHRC, within limitations of available funds. The federal government requires participating jurisdictions to provide 25 percent match. Applicants that contribute full matching funds are rated higher than those that do not. A pre-application conference with KHRC is required.

FOR MORE INFORMATION or to request technical assistance, contact Trish McAllister, HOME Program Director, at (785) 296-3649 or tmcallister@kshousingcorp.org.

EMERGENCY REPAIR PROGRAM

The Emergency Repair Program, funded with KHRC funds, assists nonprofit service providers to facilitate emergency repairs for homeowners.

THE PURPOSE of the Emergency Repair Program is to assist homeowners with emergency repair of existing owner-occupied properties to enable residents to live in a safe environment. Examples of emergencies include, but are not limited to, an inoperable or faulty furnace, leaking roof, unsafe electrical wiring or plumbing, or hazardous structural conditions.

ELIGIBLE APPLICANTS are for-profit and non-profit organizations with a demonstrated history of providing construction repairs to low-income households. Low-income homeowners whose income does not exceed 60 percent of the county median income apply directly to the Service Providers for assistance.

SERVICE PROVIDERS are permitted an administrative fee of 10 percent of each completed application. The maximum one-time allowable amount per application for home repair is \$7,500. Weatherization agencies, Community Housing Development Organizations, and other approved non-profit organizations are encouraged to become Service Providers of this program.

THE APPLICATION PROCESS is a competitive selection process based on need and a demonstrated organizational capacity to perform or contract construction. Applicants are evaluated and ranked based on the organization's experience and capacity, with points added for its ability to leverage the funds with other funding sources.

FOR MORE INFORMATION or to request technical assistance, contact Todd Smith, KAMP/ERP Program Manager, at (785) 296-4814 or tsmith@kshousingcorp.org.

PROGRAM STATUS: Due to recent action by the Legislature to withdraw \$2 million in SHTF dollars means the program will likely be suspended.

The Low Income Housing Tax Credit (Housing Tax Credit) is a feature of the 1986 Tax Reform Act. The credit is designed to stimulate private investment into the development of affordable rental housing. It replaced virtually all of the real estate related deductions and credits that existed in the tax code prior to 1986.

THE PURPOSE of the Housing Tax Credit program is to secure private equity capital to develop and maintain affordable rental housing. This influx of equity reduces the cost of debt financing which, in turn, lowers the rents.

BASIC PROGRAM FEATURES include an annual tax credit allocation for ten years. The amount of the credit is based upon a percentage of the eligible basis for a qualified development. Acquisitions utilizing a minimum of \$4,000 per unit for rehabilitation are also qualified uses. Up to nine percent of the project basis per year can be allocated to rental housing projects, which have no other source of federal financing. Some types of federal financing may reduce the credits available to four percent.

THE PROGRAM REQUIRES that at least 40 percent of the units must be set aside for residents who earn 60 percent or less of the area median gross income, or that 20 percent of the units must be set aside for residents who earn 50 percent or less of the area median gross income. The gross rents may not exceed 30 percent of the area median income adjusted for family size. Developments must meet income and rent guidelines for 30 years. Sales may occur during this period under certain conditions.

ALLOCATION PROCEDURES REQUIRE that the owner incurs at least 10 percent of the eligible project cost and has ownership of the land by the end of the first year in order to receive an allocation of credits. When the development is placed in service, a final cost evaluation is conducted by KHRC, a restricted use covenant is recorded against the land, and an IRS FORM 8609 is given to the owner for each building for the purpose of claiming the tax credits.

COMPLIANCE REPORTS must be submitted on an annual basis to KHRC. These records are used to certify and verify resident income and other requirements.

PROGRAM BENEFITS are varied. Developers obtain funding to supplement a primary loan for the development. Investors receive a return on their investment in the development. Renters have access to affordable housing. Communities achieve added housing stock with an enhanced tax base to further their economic and community development efforts.

THE APPLICATION PROCESS is competitive and is administered by KHRC. In 2006, approximately \$5,532,068 of annual credits is available for allocation. There is an application fee of \$10 per unit, not to exceed \$500. Developments receiving Housing Tax Credits must pay a reservation fee of seven percent of the annual credit.

FOR MORE INFORMATION or to request technical assistance, contact Fred Bentley, Rental Housing Director, at (785) 296-3724 or fbentley@kshousingcorp.org.

Private Activity Tax-Exempt Bond financing is available through the State's Private Activity Bond (PAB) allocation. The federal government empowers the State to authorize the issuance of \$232 million per year in PABs.

THE PURPOSE of the PAB is to provide units of government the ability to issue tax-exempt bonds for a number of purposes including, but not limited to, the financing of residential rental developments.

ELIGIBILITY CRITERIA require that at least 95 percent of the net proceeds from the bonds must be used to finance a "qualified development." If 50 percent or more of a development's aggregate basis of buildings and land is financed with the bonds, a four percent annual Housing Tax Credit may be received on the qualified basis of the development. This tax credit is similar to the nine percent Housing Tax Credit described previously.

Regardless of whether or not Housing Tax Credits are used with the tax-exempt financing, at least 20 percent of the units must be set aside for residents who earn 50 percent or less of the area median gross income; or 40 percent of the units must be set aside for residents who earn 60 percent or less of the area median gross income.

The PAB can be utilized for the acquisition of an existing building if rehabilitation expenses equal or exceed 15 percent of the acquisition cost.

THE APPLICATION PROCESS requires that applicants provide KHRC with a bond inducement resolution and an application for the PAB allocation. Applications are processed by the Kansas Department of Commerce's Business Development Division and require action by the Secretary of the Kansas Department of Commerce. All rental housing finance applications are submitted to KHRC using the tax credit application form. The PAB allocation request and the tax credit application are reviewed simultaneously with the threshold requirements and the selection criteria of the Housing Tax Credit program.

The application fee ranges between \$250 and \$1,000 and must accompany the PAB application. A fee of \$10 per unit, up to a maximum of \$500, must accompany the application for the tax credits. Applications may be submitted at any time and will be acted upon at least every 60 days until the bond allocation authority is completely used.

THE PAB ALLOCATION is provided via a certificate of approval from the Secretary of the Kansas Department of Commerce. Housing Tax Credits accompanying the bonds are allocated through a determination letter issued by KHRC. An allocation fee of five percent of the annual Housing Tax Credit is charged. An issuance fee ranging from five to ten basis points, depending upon the size of the issuance, is collected at bond issuance.

FOR MORE INFORMATION or to request technical assistance, contact Fred Bentley, Rental Housing Director, at (785) 296-3724 or fbentley@kshousingcorp.org.

The HOME Rental Development (HOME Rental) program, funded through the federal HOME Investment Partnerships Program, assists communities and developers with increasing the supply of affordable rental housing. Housing developers may apply for a loan in an amount up to \$300,000.

To meet HOME Program requirements, at least 15 percent of the State's annual HOME Investment Partnership Program funding is set aside for Community Housing Development Organizations (CHDO) for HOME Rental Development. Non-profit organizations must meet HOME regulation criteria to be considered a CHDO.

THE PURPOSE of the program is to help communities, via housing developers, respond to housing issues and needs that the private sector has failed to address. CHDOs and other housing developers obtain funding to supplement a primary loan for the development and, in the process, strengthen the capacity of the organization. Communities achieve added housing stock with an enhanced tax base to further their economic and community development efforts. The HOME Rental Development Program is effective in addressing some of the most difficult rental housing development needs that communities have.

ELIGIBLE ACTIVITIES are acquisition and rehabilitation of existing rental housing, rehabilitation of existing rental housing owned by another entity, and new construction of rental housing. The loan allows the owner/developer to lessen the amount of debt required to finance a development, thus allowing rents to be lowered. Ninety percent of the units developed through HOME Rental must be occupied by residents who earn no more than 60 percent of the area median gross income. The rent on these units cannot exceed the lesser of the fair market rent or 30 percent of the imputed income limitations for a family making no more than 65 percent of area median gross income.

THE APPLICATION PROCESS is competitive. KHRC will approve applications that achieve an equitable geographic distribution of funds and that are consistent with the Kansas Consolidated Plan, within limitations of the funds that are available and the applications received. Applications for loans will be evaluated and ranked based on the organization's experience and capacity and the characteristics of the development. Applicants that provide HOME-eligible match will receive preference.

A COMMUNITY HOUSING DEVELOPMENT ORGANIZATION (CHDO) is a non-profit, community-based service organization that has staff with the capacity to develop affordable housing for the community it serves. The certification process is outlined in written form and is available upon request.

FOR MORE INFORMATION or to request technical assistance, contact Bradley Reiff, HOME Program Director, at (785) 296-3649 or breiff@kshousingcorp.org.

The Real Estate Management Section, housed within the Division of Rental Housing, provides regulatory oversight of the Low Income Housing Tax Credit (Housing Tax Credit), Private Activity Bond and HOME Rental Development Programs. In addition, staff oversees the servicing of contracts and covenants between private developers and the Kansas Housing Resources Corporation. This section also reviews events and measures developed to promote equal and fair housing opportunities undertaken by participating organizations of the Kansas Fair Housing Task Force.

THE PURPOSE of the Real Estate Management Section (REMS) is to assure quality housing is built and maintained for a determined period of time, and to promote and protect KHRC's interest in these developments. The Housing Tax Credit, Private Activity Bond and HOME Rental Development programs all have federal rules and regulations that govern their use. It is the responsibility of the REMS to oversee and report on compliance activities with regard to these three programs. Further, private developers who receive an allocation of housing tax credits or are selected for funding through the Private Activity Bond or HOME Rental Development programs sign contractual agreements or covenants in exchange for funding. These contracts carry certain commitments that fall in line with state housing needs identified and outlined in Qualified Allocation Plans. The REMS assures these commitments are honored. The Section also seeks to inform housing providers and consumers about fair housing rights and responsibilities, encourage State-funded housing providers to promote fair housing choice, and enlist decision-makers to advance the cause of fair housing.

PROGRAM ACTIVITIES include 1) the development of instructional manuals and training aides to promote educational opportunities; 2) onsite monitoring to check for owner due diligence, tenant eligibility, financial viability and the physical integrity of properties; 3) handling reporting requirements to the Internal Revenue Service, Department of Housing and Urban Development and Kansas Housing Resources Corporation; and 4) follow up activities including corrective actions, workout plans and recovery plans. The Section also conducts a series of training sessions each year that includes federal and state program compliance and fair housing training on code compliance, the Americans with Disabilities Act and tenant/landlord laws. Staff network and cross train with Asset Management, HOME and Rural Development staff concerning properties that have been refurbished using Housing Tax Credits.

ASSISTED HOUSING for which the Real Estate Management Section currently provides oversight includes 25,000+ units of rental housing. This number increases each year as new developments come on line. The housing is scattered across the state in both rural and metropolitan areas. It includes both single family homes and multi family apartment complexes and can be designed to serve the elderly, disabled, homeless or general family occupancy. The housing can be new construction or rehabilitation with or without an acquisition component and may use one or more federal funding sources. Most of the housing has a 30 year commitment period.

FOR MORE INFORMATION or to request technical assistance, contact Sheila Robles at (785) 296-1134 or srobles@kshousingcorp.org.

TENANT BASED RENTAL ASSISTANCE

The Tenant Based Rental Assistance (TBRA) program, funded with the federal HOME Investment Partnerships Program, assists individuals and families with their rental expenses. Public Housing Authorities (PHAs) and nonprofit agencies may apply for grants in an amount up to \$300,000.

THE PURPOSE of Tenant Based Rental Assistance is to provide individuals and families with security deposits, utility deposits, and/or a portion of monthly rent payments.

THE TBRA PROGRAM provides the difference between 30 percent of the family's adjusted monthly income and the lesser of the established payment standard or federal Fair Market Rent (FMR). The FMRs are published annually by HUD.

PROGRAM BENEFITS include enabling individuals and families to afford their monthly rent payment, thus preventing homelessness, and aligning the resident contribution toward rent in proportion to income so eligible beneficiaries can afford other necessary, life-sustaining expenses.

PROGRAM GUIDELINES require that organizations allocated funds enter into an agreement with KHRC to ensure compliance with all requirements of the HOME program and that all state and local codes are met. Some of the guidelines that grantees must observe are to use the Section 8 definition of "family" as described by the HOME program, to meet Section 8 Housing Quality Standards and federal lead-based paint requirements, to pay rent to landlords rather than residents, to meet minimum resident payment procedures, to observe HUD's Fair Market Rent and Rent Reasonableness for the area, to limit subsidy contracts to two years, to annually re-certify each resident's income, and to protect persons currently on the PHA waiting list by ensuring no one will be harmed through the use of these HOME funds.

THE APPLICATION PROCESS is competitive. KHRC will strive to approve applications that achieve an equitable geographic distribution of funds and are consistent with the overall plan of KHRC within limitations of the funds that are available and the applications received. Applications will be evaluated and ranked based on area need, organizational capacity, and an approved administration plan.

FOR MORE INFORMATION or to request technical assistance, contact Carolyn Rebek, Tenant Based Rental Assistance Program Manager, at (785) 296-0090 or crebek@kshousingcorp.org.

EMERGENCY SHELTER GRANT

The Emergency Shelter Grant (ESG) program was originally established by the Homeless Housing Act of 1986, in response to the growing issue of homelessness among men, women, and children in the United States.

THE PURPOSE of the Emergency Shelter Grant program is to create a continuum of assistance to prevent homelessness and to enable homeless individuals and families to move toward independent living.

ELIGIBLE ACTIVITIES include rehabilitation of emergency shelters, shelter operational costs, essential services, homeless prevention activities, and administrative costs.

ELIGIBLE APPLICANTS are cities and counties that fund emergency shelter activities within a specified area. Grantees are required to match ESG funding dollar for dollar.

ELIGIBLE PARTICIPANTS are families or individuals who lack a fixed, regular and adequate nighttime residence, or whose primary nighttime residence is a shelter designed to provide temporary living accommodations; persons living in a temporary residence for individuals intended to be institutionalized; or persons living in a place not designed for, or ordinarily used as, a regular sleeping accommodation for human beings.

ELIGIBLE SERVICES include assistance with, or provision of, emergency shelter, transitional housing, or permanent housing; essential services such as assistance with employment, health services, drug/substance abuse counseling, education, permanent housing referral, transportation for clients, etc.; and prevention activities such as payment of rent, utilities, mortgage, security deposits, or assistance with landlord disputes.

THE APPLICATION PROCESS is competitive. KHRC will accept applications each year when annual allocations are announced by the federal funding source.

FOR MORE INFORMATION or to request technical assistance, contact James Chiselom, Emergency Shelter Grant Program Manager, at (785) 296-7236 or jchiselom@kshousingcorp.org.

KANSAS ACCESSIBILITY MODIFICATIONS PROGRAM

The Kansas Accessibility Modifications Program (KAMP), funded with KHRC funds, assists non-profit service providers to remove barriers to housing accessibility. Funds will be made available by KHRC through the Service Providers to modify owner and tenant occupied residences.

THE PURPOSE of KAMP is to provide accessibility modifications to residences to allow individuals to better use their homes and to gather information, for future planning, regarding the need in Kansas for such modifications.

ELIGIBLE ACTIVITIES are costs necessary to make accessibility modifications based on individual need, up to \$7,500 for owner-occupied residences and \$4,000 for tenant-occupied residences. These accessibility modifications may include, but are not limited to, installation of a ramp, widening doorways, grab bar installation, bathroom modifications, kitchen modifications, and/or placement of light switches. Modifications to rental units will require the owner's prior written approval. Service Providers are permitted an administrative fee of 10 percent of each completed accessibility modification application.

ELIGIBLE PARTICIPANTS are individuals with disabilities who request funds to assist with modifications of their primary residence. Total household income must not exceed 80 percent of the area median income for the county of residence, as established by HUD. In some cases, where verifiable medical expenses may justifiably be deducted from household income, consideration will be given to individuals with total household income of up to 115 percent of the area median income for the county.

ELIGIBLE APPLICANTS are non-profit organizations with a demonstrated history of providing services to persons with disabilities, including accessibility modifications.

THE APPLICATION PROCESS is a competitive selection process based on need and a demonstrated organizational capacity to perform or contract accessibility modifications. Applicants are evaluated and ranked based on the organization's experience and capacity.

FOR MORE INFORMATION or to request technical assistance, contact Todd Smith, KAMP/ERP Program Manager, at (785) 296-4814 or tsmith@kshousingcorp.org.

PROGRAM STATUS: Due to recent action by the Legislature to withdraw \$2 million in SHTF dollars means the program will likely be suspended.

COMMUNITY SERVICES BLOCK GRANT

The Community Services Block Grant (CSBG) program funds Community Action Agencies throughout Kansas. Community Action Agencies are organizations designed to develop and implement community-wide solutions to the causes and conditions of poverty in their communities.

THE PURPOSE of the Community Services Block Grant program is to enable local agencies to provide a range of services and activities having a measurable and potentially major impact on causes of poverty in the community.

ELIGIBLE ACTIVITIES include services in the areas of employment, education, making better use of available income, income counseling, housing, emergency services, transportation assistance, nutrition, and providing linkages to other community resources. Agencies may use CSBG funds to provide direct services as well as to pay administrative costs.

ELIGIBLE APPLICANTS are Community Action Agencies and migrant and seasonal farm worker organizations, as defined in the federal Community Services Block Grant Act. These organizations must have a governing board structure that meets the requirements of the CSBG Act. Community Action Agency boards must have at least one-third of their seats reserved for elected representatives of the low-income population, one-third reserved for public officials or their designees, and the remainder for representatives of community organizations or businesses with an interest in poverty issues.

ELIGIBLE PARTICIPANTS are households at or below 125 percent of the federal poverty level who live in areas served by community action agencies.

FOR MORE INFORMATION or to request technical assistance, contact Jennifer Sexson, Community Services Block Grant Program Manager, at (785) 296-0089 or jsexson@kshousingcorp.org.

WEATHERIZATION ASSISTANCE PROGRAM

The Weatherization Assistance Program is financed by a federal allocation from the U.S. Department of Energy and by 15 percent of the State's Low-Income Energy Assistance Program Block Grant.

THE PURPOSE of the program is to provide housing improvements that increase energy efficiency in eligible single- or multi-family dwellings, including manufactured homes.

ELIGIBLE COSTS AND ACTIVITIES include materials, labor, program operations support, liability insurance, automated energy audits, training and technical assistance, and reimbursement for program administration. Services include an automated energy audit by a State-certified inspector; furnace inspection and necessary repair on owner occupied units, or replacement of unsafe units, upper plane and building envelope air leakage; ceiling, sidewall, floor, and perimeter insulation; reduction of air infiltration; incidental repairs for the protection or enhancement of the installed weatherization materials; and a post-weatherization inspection to assure the work has been completed in a correct and professional manner.

ELIGIBLE APPLICANTS are public or private nonprofit organizations that provide services. Due to the high technical investment and expertise required to operate these grants, the grants to weatherization providers are generally continued from year to year.

ELIGIBLE PARTICIPANTS are residents of households with income at or below the greater of 150 percent of the federal poverty guidelines or 60 percent of the state median income. Landlords may be required to contribute to the cost of labor and materials used to weatherize rental units. In addition, households which contain a member who has received cash assistance payments under Title IV or XVI of the Social Security Act or applicable state or local law during the 12-month period preceding the determination of eligibility for weatherization assistance shall be eligible for weatherization assistance.

APPLICATION FORMS are provided annually by KHRC when allocations are announced by the federal funding sources.

FOR MORE INFORMATION or to request technical assistance, contact Larry Bentley, Weatherization Assistance Program Manager, at (785) 296-4990 or lbentley@kshousingcorp.org.

KANSAS ENERGY EFFICIENCY PROGRAM

The Kansas Energy Efficiency Program provides interest free loans to qualified Kansas homeowners to make improvements to their homes to increase energy efficiency. The interest free rate on KHRC funds translates into a lower blended rate than obtained through a normal second mortgage loan.

THE PURPOSE of the Kansas Energy Efficiency Program (KEEP) is to allow homeowners to obtain low interest loans to purchase energy efficient heating systems and to make other energy conservation home improvements.

KHRC Funds half of the loan amounts, up to a maximum of \$10,000. Total loan amounts could be higher as determined by Sunflower Bank. The zero interest rate on KHRC funds translates into a lower blended rate than obtained through a normal second mortgage loan.

ELIGIBILITY CRITERIA requires borrowers to be Kansas homeowners.

ELIGIBLE IMPROVEMENTS allowed under KEEP include: installing specified ENERGY STAR furnaces, central air conditioners, heat pumps, water heaters, ventilation systems, installing wall & floor insulation, new doors and windows and weather-stripping, air sealing, duct work and the purchase of certain ENERGY STAR appliances such as refrigerators, washers, dryers, dish washers and programmable thermostats.

THE APPLICATION PROCESS requires interested applicants to apply directly to Sunflower Bank. Please call your local Sunflower Bank or their customer service line at 1-888-827-5564. Visit their website at www.sunflowerbank.com. Sunflower Bank underwrites, monitors the construction phase, and services the loans.

FOR MORE INFORMATION or to request technical assistance, contact Christine Reimler, Manager, Homeownership, at (785) 296-4818 or creimler@kshousingcorp.org

The Asset Management Division exists to ensure the affordability, safety, and durability of housing units assisted by HUD's Section 8 project-based Housing Assistance Payments program. The staff provides technical assistance and monitoring services to ensure that property owners and management companies comply with federal housing regulations.

THE PURPOSE of the Asset Management Division is to assist in maintaining the financial and physical integrity of the HUD-assisted housing properties throughout their useful life.

PROGRAM ACTIVITIES include monitoring properties that provide HUD's Section 8 assistance to qualified residents. Technical assistance includes, but is not limited to, assurance of non-discrimination, quality control, and safety of the occupants.

ASSISTED HOUSING for which the Asset Management division currently provides oversight and technical assistance includes over 11,000 rental units in the State of Kansas. The Asset Management staff monitors affordable living accommodations for households that qualify under Section 8 guidelines. In some cases, property owners may provide dwelling units to serve one particular group of individuals, such as the elderly or persons with disabilities, or mentally challenged individuals.

FOR MORE INFORMATION or to request technical assistance, contact Barbara Porter, Acting Asset Management Director, at (785) 296-1932 or bporter@kshousingcorp.org.

The Kansas Reentry Program is a partnership between Kansas Department of Corrections and Kansas Housing Resources Corporation which works with public and private sector organizations to help ex-offenders become law-abiding citizens, gain long-term employment and maintain safe and affordable housing. Providing housing opportunities to people with criminal histories helps stabilize their living situation and contributes to public safety. Without the basic necessities of life, individuals are more likely to engage in drug use and commit other criminal acts that will send them back to the criminal justice system.

THE PURPOSE:

The Kansas Reentry Team works with offenders, parole supervisors and property managers in advance of the inmate's release to develop a comprehensive reintegration strategy and identify appropriate housing options available.

REENTRY SPECIALISTS work to 1) Determine the offender's basic needs, such as food, shelter and clothing, 2) Identify education, employment, mental health, substance abuse and legal issues, 3) Help the inmate find safe and affordable housing, 4) Educate a returning offender about their rights and responsibilities as tenants, 5) Teach parole supervisors how to work effectively with property managers, 6) Supervise tenants through case management meetings.

REFERRALS:

The Reentry Team will assist landlords with referrals to ensure safe placements. Landlords will be given information about tenants such as rehabilitation, education, training and areas of risk.

HOME VISITS:

Parole Officers will do random home visits to ensure the tenant is following lease agreements and is a successful tenant.

CRIMINAL HISTORY REPORTS:

Criminal information is available at no cost on KDOC's website: www.dc.state.ks.us/kasper2/default.asp. Contact the KBI for a full official criminal history report.

FOR MORE INFORMATION, contact Carrie Harris at (785) 296-3528 or charris@kshousingcorp.org or Valori Sanders at (785) 296-296-5467 or vsanders@kshousingcorp.org.

HOMELESSNESS PREVENTION AND RAPID-REHOUSING PROGRAM

When eviction cannot be prevented, it's important to ensure that lower income families have the assistance they need to transition successfully to a new living arrangement. To assist families who face experiencing homelessness, Congress, through the American Recovery and Reinvestment Act of 2009, created a \$1.5 billion Homeless Prevention and Rapid Rehousing Program. Kansas received \$8.3 million in HPRP funds. The complete HPRP can be viewed at <http://www.hudhre.info/hprp>

ACTIVITIES: HPRP funds, which are allocated under the Emergency Shelter Grant program formula, must be used to provide short-term or medium-term rental assistance; housing relocation and stabilization services including housing search, mediation or outreach to property owners, credit repair, security or utility deposits, utility payments, rental assistance for a final month at a location, moving cost assistance, and case management; or other appropriate activities for homelessness prevention and rapid re-housing of persons who have become homeless. These funds cannot be used for mortgage assistance.

ELIGIBILITY: Individuals who are homeless or at-risk of becoming homeless are advised to contact their local HPRP service provider directly to determine eligibility for services and schedule an initial consultation with a case manager.

FOR MORE INFORMATION: Please call the United Way Referral Line at 211 or 888-413-4327. You may also contact James Chiselom, Emergency Shelter Grant Program Manager at (785) 296-7236, jchiselom@kshousingcorp.org.

KANSAS MANUFACTURED HOUSING PROGRAM

The Kansas Manufactured Housing Act, located at K.S.A. 58-4216 et seq., gave the Kansas Housing Resources Corporation (KHRC) authority to adopt installation standards for manufactured housing in Kansas, as well as, administer a dispute resolution program for the installation of manufactured homes in the State.

Certified by HUD the Kansas Manufactured Housing Program was established to protect the health and safety of the owners of manufactured (mobile) homes. This protection is enforced by federal manufactured home construction and safety standards and provides for administration of dispute resolution.

FOR MORE INFORMATION: Please contact Todd Smith, Program Manager at (785) 296-4814, tsmith@kshousingcorp.org

STATE ENERGY EFFICIENT APPLIANCE REPLACEMENT PROGRAM

The State Energy Efficient Appliance Replacement Program (SEEARP) is a new program that rewards low-income households for replacing old, electricity-guzzling household appliances with new energy efficient models. SEEARP provides rebates to consumers who purchase ENERGY STAR® refrigerators, clothes washers, freezers, dishwashers and window air conditioners. Funded by the American Recovery and Reinvestment Act (ARRA) of 2009, SEEARP will provide \$2.6 million for the replacement of an estimated 4800 appliances.

HOW THE PROGRAM WORKS: Rebates for the high-efficiency appliances will range from \$200 to \$800. New appliances will qualify only if they have earned the ENERGY STAR® label. Old appliances to be recycled must be at least ten-years-old. For each appliance replaced, an appliance must be surrendered for recycle. Point-of-sale rebates will be made directly to participating retailers.

ELIGIBILITY: Program eligibility will be determined by a first-come, first-served basis. KHRC will mail rebate vouchers to qualifying consumers, who may take the vouchers to participating retailers. Retailers honor the voucher as cash for the new appliance. After the retailer has delivered the new appliance and properly disposed of the old unit, they may then submit the rebate for reimbursement. KHRC will review all submitted documents to ensure program requirements have been met. Once approved, KHRC will make payment directly to the retailer.

NOTE TO RETAILERS: SEEARP rebate vouchers may cover appliance and delivery costs. However, SEEARP does not provide payment for installation charges.

FOR MORE INFORMATION: Please contact our recorded information line: 785-296-8440, or email SEEARP@kshousingcorp.org.

DISABLED ACCESS CREDIT

The Kansas Department of Revenue administers the Disabled Access Credit. Kansas residents with disabilities may claim state income tax credits up to \$9,000 for housing accessibility modifications. The housing must be used as the principal residence of a person with disabilities, including the taxpayer, a parent, and/or child thereof. For more information, contact the Income Tax Section, Kansas Department of Revenue, at (785) 368-8222.

FEDERAL HOME LOAN BANK OF TOPEKA

The Federal Home Loan Bank (FHLB) of Topeka offers grants for rental and owner-occupied affordable housing, economical sources of credit for community-based banks and lenders for financing housing and community development projects, downpayment assistance grants for first time homebuyers in rural areas, funding for rural home ownership counseling and technical assistance for rural communities interested in addressing housing needs. For more information, contact the Bank's Community Investment Department at (785) 438-6035.

HOUSING OR NEIGHBORHOOD DEVELOPMENT

HUD's Community Development Division administers the U.S. Small Cities Community Development Block Grant Program (CDBG). Housing grants are awarded for rehabilitation of owner- and renter-occupied residences within target areas. Under Neighborhood Development, public infrastructure may be addressed along with housing rehabilitation. For more information, contact Carole Jordan, with the Kansas Community Development Block Grant Program, Kansas Department of Commerce, at (785) 296-3084 or cjordan@kansascommerce.com.

NEIGHBORHOOD REVITALIZATION

The Kansas Neighborhood Revitalization Act enables cities to designate neighborhood revitalization areas, and therein, to provide tax rebates to property owners. The rebates equal the amount of incremental increase in property taxes resulting from improvements made to a property. A neighborhood revitalization area is defined by: (1) buildings which, by reason of age, history, architecture or significance should be preserved or restored; (2) deteriorating structures, inadequate streets, or incompatible land uses which impair growth of the city; and (3) dilapidated structures outside the area. A non-profit organization may rehabilitate abandoned properties in the area. For more information, contact Carole Jordan, Community Development Block Grant Program at the Kansas Department of Commerce, (785) 296-3084 or cjordan@kansascommerce.com.

RURAL DEVELOPMENT

The Rural Housing Service (RHS) of USDA Rural Development operates programs to support affordable housing in rural areas. The RHS assists very low to moderate income rural residents to build, purchase, or remodel their homes. The RHS constructs family residences and also provides group housing for persons with disabilities. For more information, contact Tim Rogers, Rural Housing Programs Director, at (785) 271-2718.

RURAL HOUSING INCENTIVE DISTRICT

The Kansas Rural Housing Incentive District Act encourages housing development in rural cities and counties, where housing shortages exist, by authorizing tax increment financing for public improvements. Before utilizing this incentive, however, the governing body of the city or county must conduct a housing needs analysis. KHRC must certify that the findings of the housing needs analysis justify the use of this incentive. For more information, contact Fred Bentley, Rental Housing Director, at (785) 296-3724 or fbentley@kshousingcorp.org.

Neither Kansas Housing Resources Corporation, nor any of its employees, makes any warranty, expressed or implied, or assumes any legal liability or responsibility for the accuracy, completeness, or usefulness of the information contained herein. The listing for any company, organization, or individual in this directory does not reflect an endorsement of the company, organization, or individual by the State of Kansas or Kansas Housing Resources Corporation.



Kansas Housing Resources Corporation | 2008 Annual Report

Because Home Means Everything

Attachment 6
GEFO 2-10-10

To the Governor, Legislators and Citizens of Kansas

Over the last year, our nation has endured record numbers of foreclosures, increasing unemployment, and the near collapse of the housing and financial markets. Not immune from these national concerns, Kansas communities are still recovering from natural disasters that devastated their homes in 2007. With this backdrop in mind, Kansas Housing Resources Corporation (KHRC) remains a vital resource in helping individuals and families secure safe, quality and affordable housing opportunities, while remaining financially viable, self-sufficient and flexible.

A self-supporting entity, KHRC serves two administrative roles for the State of Kansas: Federal Housing Program Administrator and State Housing Trust Fund Administrator. KHRC administered housing programs encompass numerous services including homeownership opportunities, weatherization, emergency repairs, accessibility modifications, rental housing development, Section 8 contract administration, tenant based rental assistance, emergency shelter grant and homeless prevention assistance.

By providing down payment assistance totaling over \$3.6 million, KHRC's First Time Homebuyer Program helped 270 Kansas families realize their dream of owning a home in 2008. We provided \$8 million in Housing Development Grants to ten disaster-affected communities to help finance housing related infrastructure improvements and construction of 82 new residential dwellings.

Over the past year, KHRC's multi-family division continued to create and strengthen community partnerships working to bring affordable rental housing to those with special needs. KHRC allocated \$57 million in ten-year tax credits that helped finance the construction of 23 rental properties and 804 rental units.

In 2008, the Weatherization Assistance Program made thousands of homes safer and more energy efficient. Our weatherization providers completed energy efficient upgrades to nearly 1900 homes, replaced 477 dangerous furnaces and made 122 homes more accessible to people living with disabilities.

While the following pages of this annual report celebrate KHRC staff and program achievements, we know the corporation's success would not be possible without the hard work and unwavering dedication of our housing partners. We wish to thank all the individuals and organizations working with KHRC – the homebuilders, lenders, developers, investors, public officials and community-based organizations - for their support in creating safe, quality and affordable housing for all Kansans.

Steve Weatherford
President, KHRC



Gary Allsup
Executive Director





Photo: First Time Homebuyer Melissa Kucyk, along with daughter Fallon and niece Lilly.

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Habitat for Humanity, DuPont & Kansas Housing Partner to Rebuild Greensburg

Two Greensburg families who lost everything in 2007's massive EF5 tornado are proud homeowners thanks to a unique partnership between Wichita Habitat for Humanity, DuPont and Kansas Housing Resources Corporation.

DuPont donated energy efficient building materials, plus \$130,000 to help construct the two homes. Kansas Housing provided approximately \$40,000 in down payment assistance to the new homeowners.

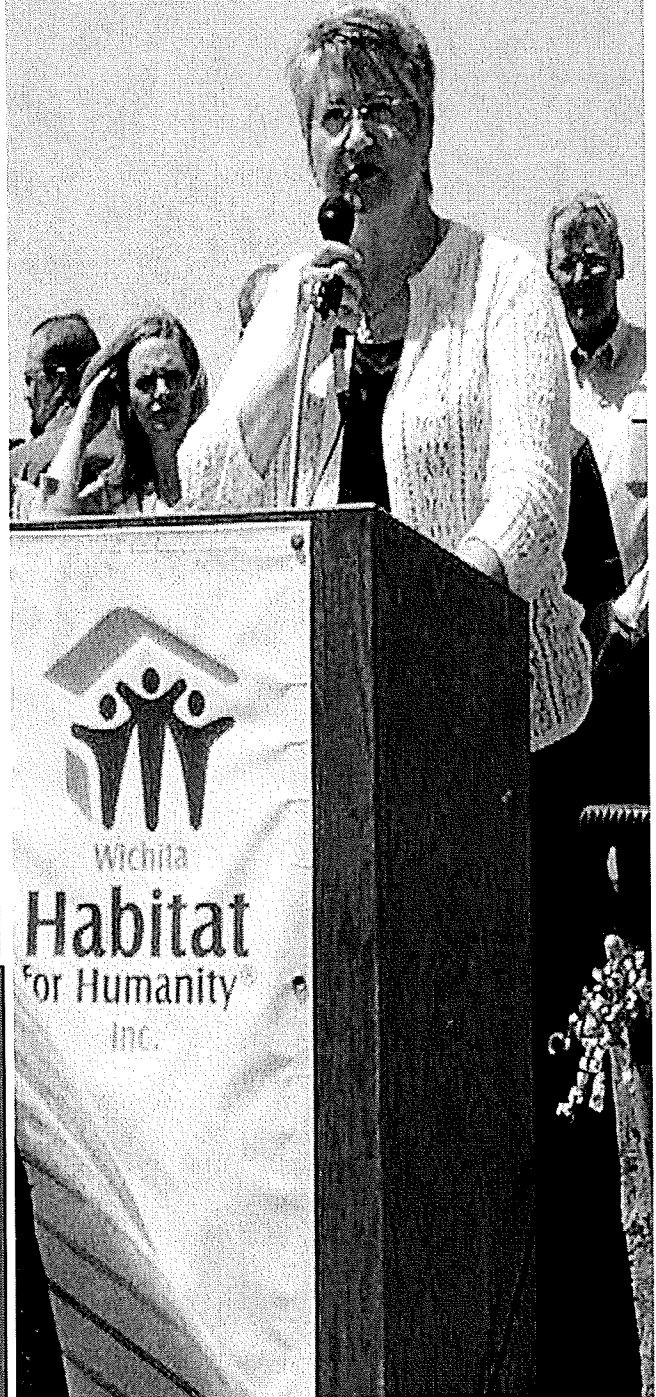


"Our service can only be fulfilled by our partner's generous contributions and the hard work of our volunteers. We're grateful for DuPont's innovative leadership, Kansas Housing's down payment assistance and everyone else who made this effort a success."

**Linda Stewart, Executive Director
Wichita Habitat for Humanity**

Page 4

Photo: Linda Stewart, executive Director of Wichita Habitat for Humanity welcomes the crowd at the Greensburg groundbreaking event. Below left: Habitat officials introduce you to the new homeowners, Dave Torrey and Blonda Hammonds.





Rebuilding Better and Stronger | Greensburg

Because Home Means Everything



Hands Up Solution

In only 19 1/2 days, Habitat for Humanity volunteers, including employees from DuPont Inc. and Kansas Housing Resources Corporation, built two new energy efficient, affordable homes for tornado survivors Diana Torres and Rhonda Hammond.

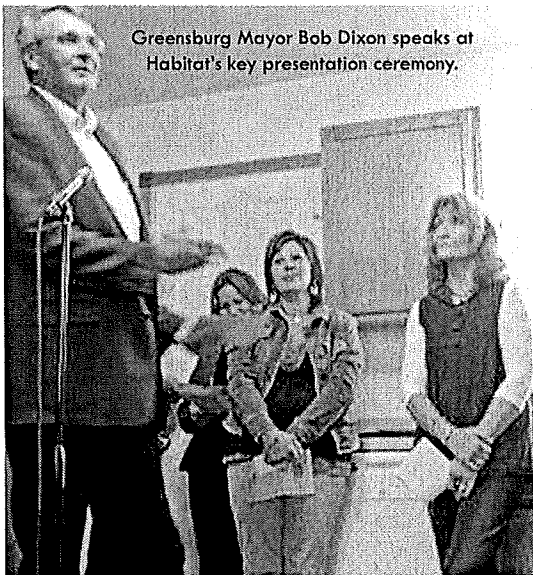


Torres, her 16-year-old daughter Denae and 10-year-old son Erik, considered leaving Kansas after the tornado demolished their rental home, but thanks to Habitat's efforts and KHRC's down payment assistance, they could now stay. "I was going to move to Texas, but my daughter was going to be a junior in high school and wanted to graduate with her class," said Torres.

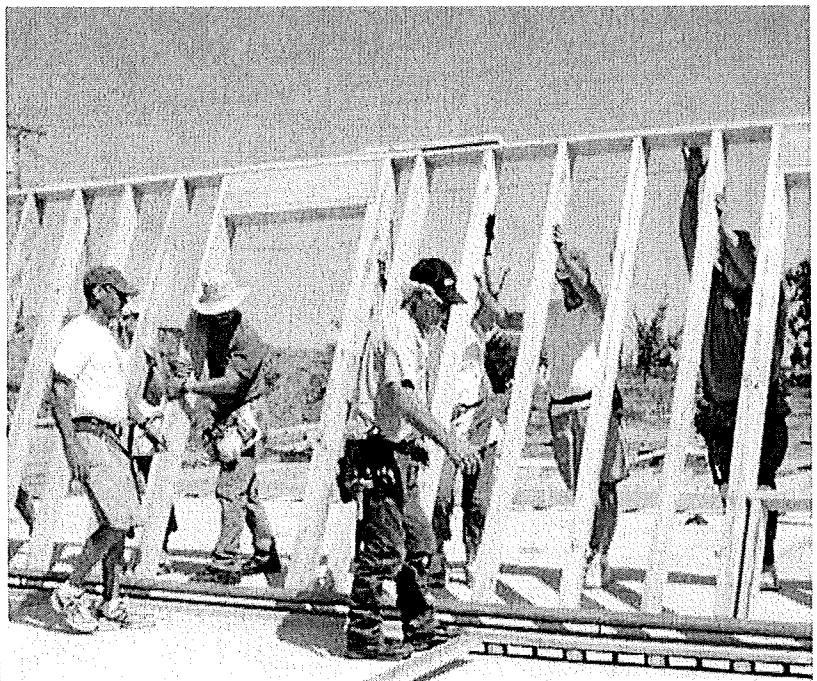


Hammond, also left homeless after the storm, said the Habitat home was the only way she could remain in Greensburg. "When you're a single mother with a limited income, your options are limited. I'm grateful to Habitat, the donors and the volunteers for making this happen."

Greensburg Mayor Bob Dixon speaks at Habitat's key presentation ceremony.



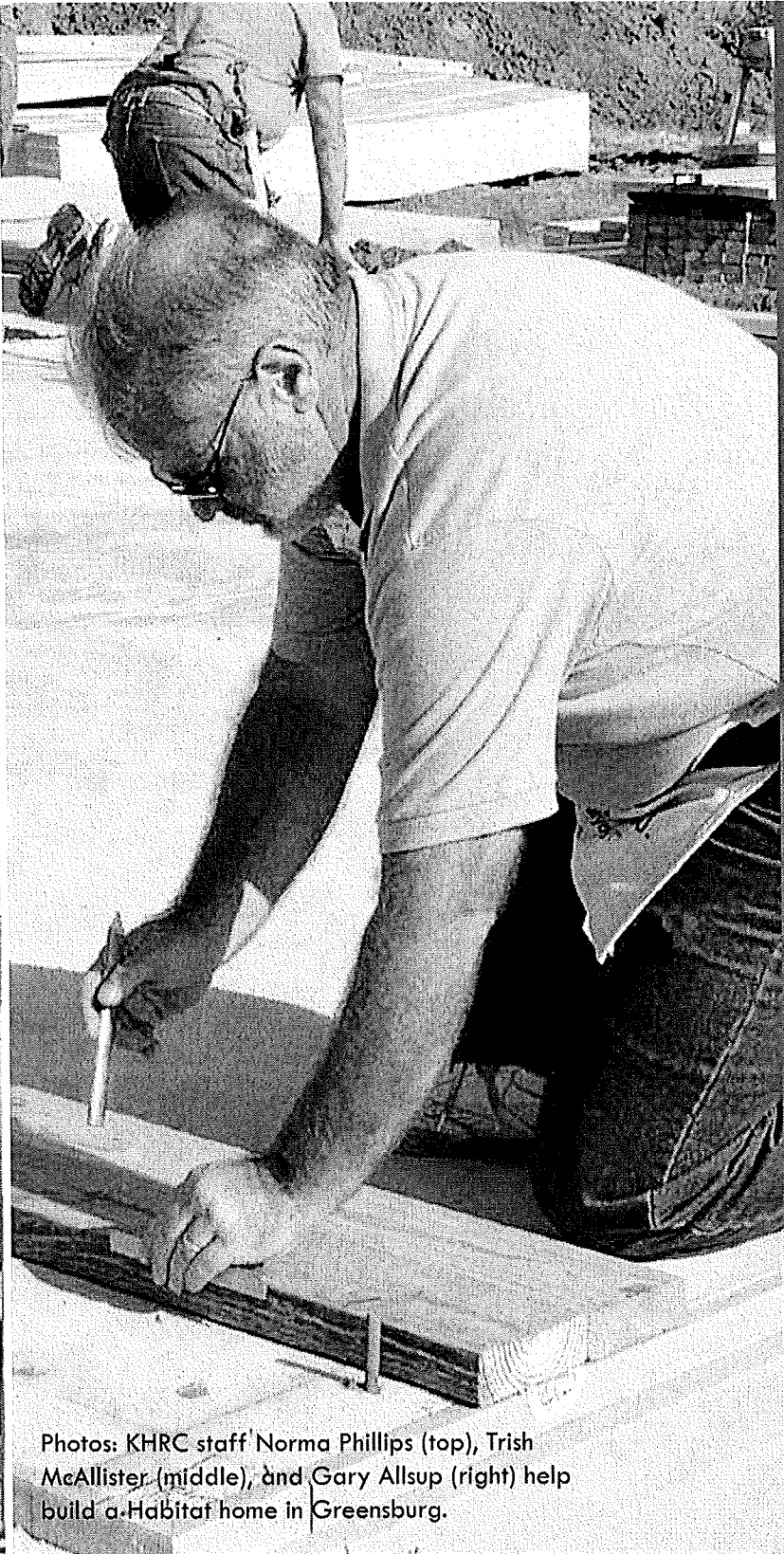
NASCAR Champ Jeff Gordon visits Greensburg for Habitat's groundbreaking event.



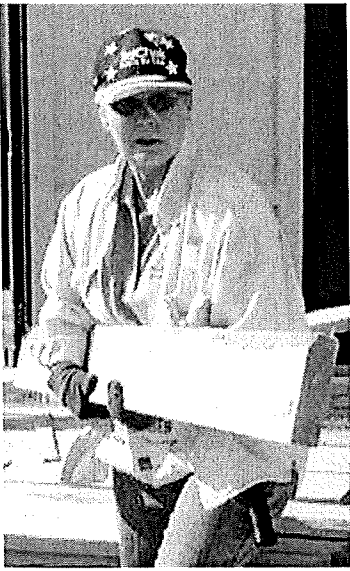
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Rebuilding Better and Stronger | Greensburg

Because Home Means Everything



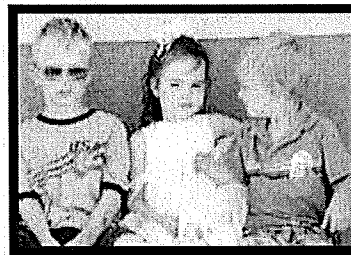
Photos: KHRC staff Norma Phillips (top), Trish McAllister (middle), and Gary Allsup (right) help build a Habitat home in Greensburg.



Storm Survivors Plant Permanent Roots in Kansas

Pam Muntz, her daughter Mary and three grandchildren, Braiden, McKenna and Jace, lost their home after an EF5 tornado decimated Greensburg in 2007. Today the family is rebuilding their lives with the help of down payment assistance made possible by state disaster and state housing trust funds. The Homebuyer Purchase and Repair Program allowed income eligible Kansans to repair a storm damaged home, buy an existing home or build a new home. KHRC provided down payment assistance of up to 20 percent of the home purchase price, with a maximum of \$25,000. Under the program, if the buyer lives in the home for ten years, the loan does not have to be repaid.

FY08 ACCOMPLISHMENTS: Distributing over \$3.4 million in state-funded, down payment assistance, KHRC helped 182 Kansas families help build, repair or buy a home in disaster-impacted communities.



"When you're rebuilding your life, it's hard to see how things will ever get back to normal. The \$25,000 from Kansas Housing was a prayer answered and helped make our dream of having a home come true."

Pam Muntz, Storm Survivor - Greensburg



Photo Right: Tornado survivor Pam Muntz, with daughter Mary and grandchildren Braiden, Jace and McKenna.

Photo Far Left: KHRP's Executive Director, Gary Allsup, presents Pam with the Governor's proclamation celebrating National Homeownership Month.

Celebrating Homeownership | Greensburg

Because Home Means Everything

Turning Tragedy into Opportunity

Melissa Kucyk, her husband Nicholas, daughter Fallon and niece Lilly lost everything in 2007 when torrential flooding destroyed their Coffeyville rental home. An outreach victim advocate for the Crisis Resource Center of Southeast Kansas, Melissa Kucyk became a first-time homebuyer after receiving \$11,700 from KHRC to assist with down payment and closing costs.



Right: First Time Homebuyer Program Manager, Christine Reimler presents Melissa with the Governor's proclamation celebrating National Homeownership Month.

Above: Coffeyville Mayor Virgil Horn, State Senator Dwayne Umbarger and Chamber Ambassador Emil Roesky help Melissa plant a Weeping Blue Atlas.



"We lost everything in the floods and never dreamed we could buy a home. Thanks to KHRC, our family turned a tragedy into an opportunity. We love our new home!"

Melissa Kucyk, First Time Homebuyer
Coffeyville



Celebrating Homeownership | Coffeyville

Because Home Means Everything

HOME BUYER ASSISTANCE

In 2008, the First Time Homebuyers Program (FTHB) provided more than \$3.6 million in down payment assistance to 270 qualified Kansas buyers for the purchase of their first home. The program assists persons who have incomes at or below 80 percent of the area median income.

The loan, awarded on a sliding scale, may be from 15 to 20 percent of the purchase price of the home, depending on the applicant's income level. Buyers are expected to make a minimum investment of \$500 or two percent of the sale price.

Private lenders process the second mortgages in conjunction with the first mortgage financing. No repayment is required if the family remains in the home for ten years.

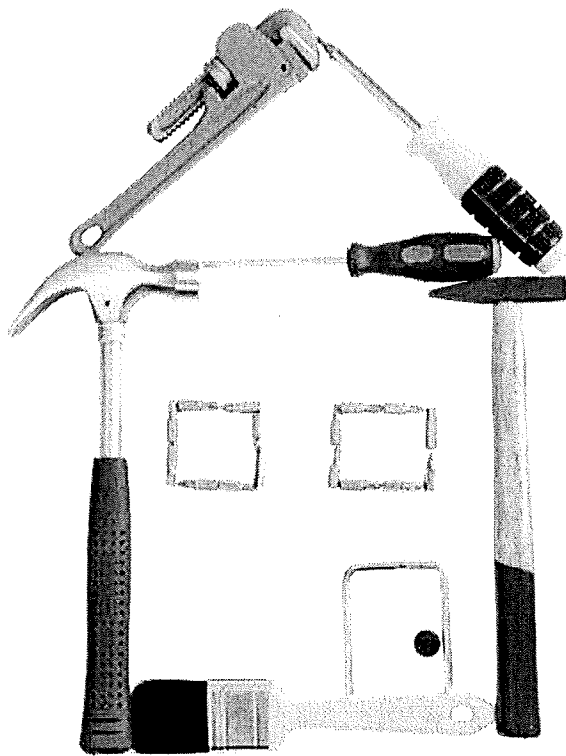
HOME REPAIR

The Homeowner Rehabilitation of Existing Property (Homeowner Rehab) Program assists communities with repair and rehabilitation of owner-occupied housing.

The grants, funded through the federal HOME Investment Partnerships Program, are distributed to cities and counties to facilitate the renovation, accessibility and weatherization of substandard housing within their communities.

Local municipalities distribute the Homeowner Rehab assistance in the form of a deferred loan, allowing homeowners to make repairs, bring their home up to code and eliminate other health and safety hazards.





ACHIEVEMENTS: Approximately \$2 million was awarded to 11 Kansas communities to facilitate the renovation, accessibility and weatherization of substandard housing. The grants awarded will help provide a safe environment for 100 families who otherwise can't afford basic repairs to their homes.

Anthony	\$150,000
Derby	\$200,000
Douglass	\$200,000
Emporia	\$200,000
Harper	\$200,000
Humboldt	\$222,222
Manhattan	\$200,000
Plainville	\$100,000
St. Paul	\$100,000
Stockton	\$100,000
Yates Center	\$300,000

HOMELESS ASSISTANCE

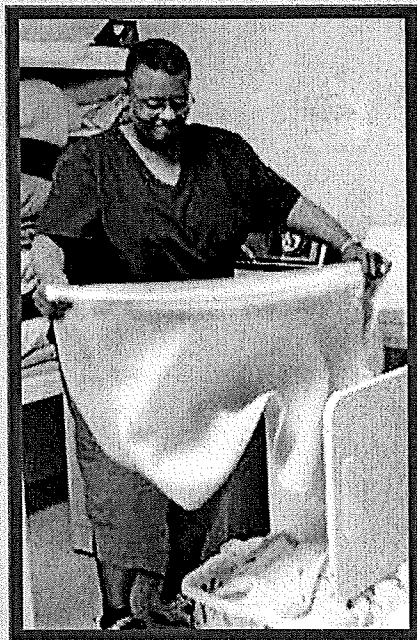
Working to ensure all families have access to safe and decent housing, Kansas Housing administers homeless assistance grants from the U.S. Department of Housing and Urban Development. These grants provide funds for homeless shelters, domestic violence centers, as well as transitional and permanent housing throughout the state. Homeless Assistance Grants help fund shelter operations, homeless prevention programs and support services such as job training, health care, drug and alcohol treatment, childcare and homelessness prevention activities.

FY08 ACCOMPLISHMENTS:

- Awarded \$870,927 in Emergency Shelter Grants, distributing funds to 65 agencies.
- Helped finance construction of 20 new permanent supportive housing units for homeless individuals.
- Through TBRA, distributed rental assistance vouchers to 106 households who were homeless.

KEEPING THE DOOR OPEN

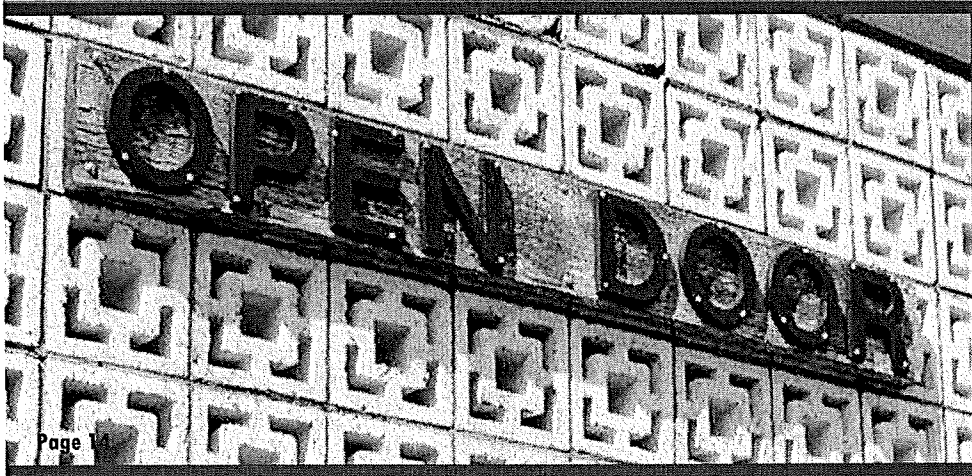
The Open Door Community House in Junction City is a local emergency shelter designed to help individuals and families who need a temporary place to stay. A 30-bed facility that also provides meals and clothing, Open Door opened October 1991 as a cooperative venture between the Geary County Commission and the Geary County Ministerial Association.



Opposite - Left to Right: Dr. Cecilia Brumfield, DD. Life Skill coordinator, Yolanda Smith, Administrative Assistant, Flora Lewis, Director, Open Door Community House, Junction City

"If you don't have any place else to go, the Open Door Community House is a nice place to be. The staff works really hard to make the shelter feel like a regular home. I appreciate all they do."

Trixie, Open Door Resident





Preventing Homelessness | Junction City, Kansas

Because Home Means Everything

FINANCING AFFORDABLE RENTAL HOUSING

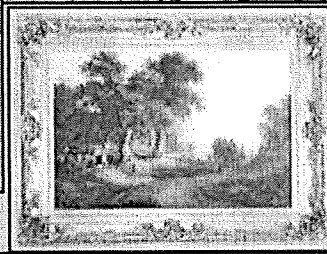
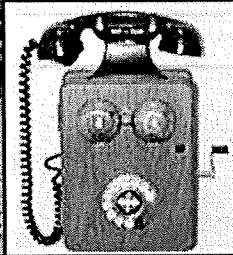
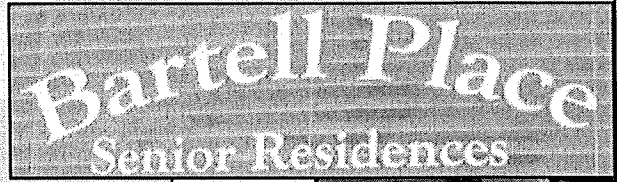
The Housing Tax Credit program helps to secure private equity capital to develop and maintain affordable rental housing. This influx of equity reduces the cost of debt financing which, in turn, lowers the rents tenants pay. Under the 1986 Tax Reform Act, states are allocated annual federal tax credits which are awarded to developer/applicants and are used for ten years. Kansas has an allotment of approximately \$6.4 million of tax credit authority annually, which results in a ten-year reduction in tax liability to investors of \$64 million.

Eligible activities from funds derived from sale of the tax credits include acquisition of existing housing; rehabilitation of existing housing; and construction of new rental housing. Historically, tax credit properties, such as Junction City's Bartell Place Senior Residences pictured here, are placed in service within two years.

During FY08, KHRC allocated nearly \$64 million in ten-year tax credits to finance the development of 23 properties across the state. The tax credit program created 804 rental units for income-eligible Kansans and 79 market rate units.

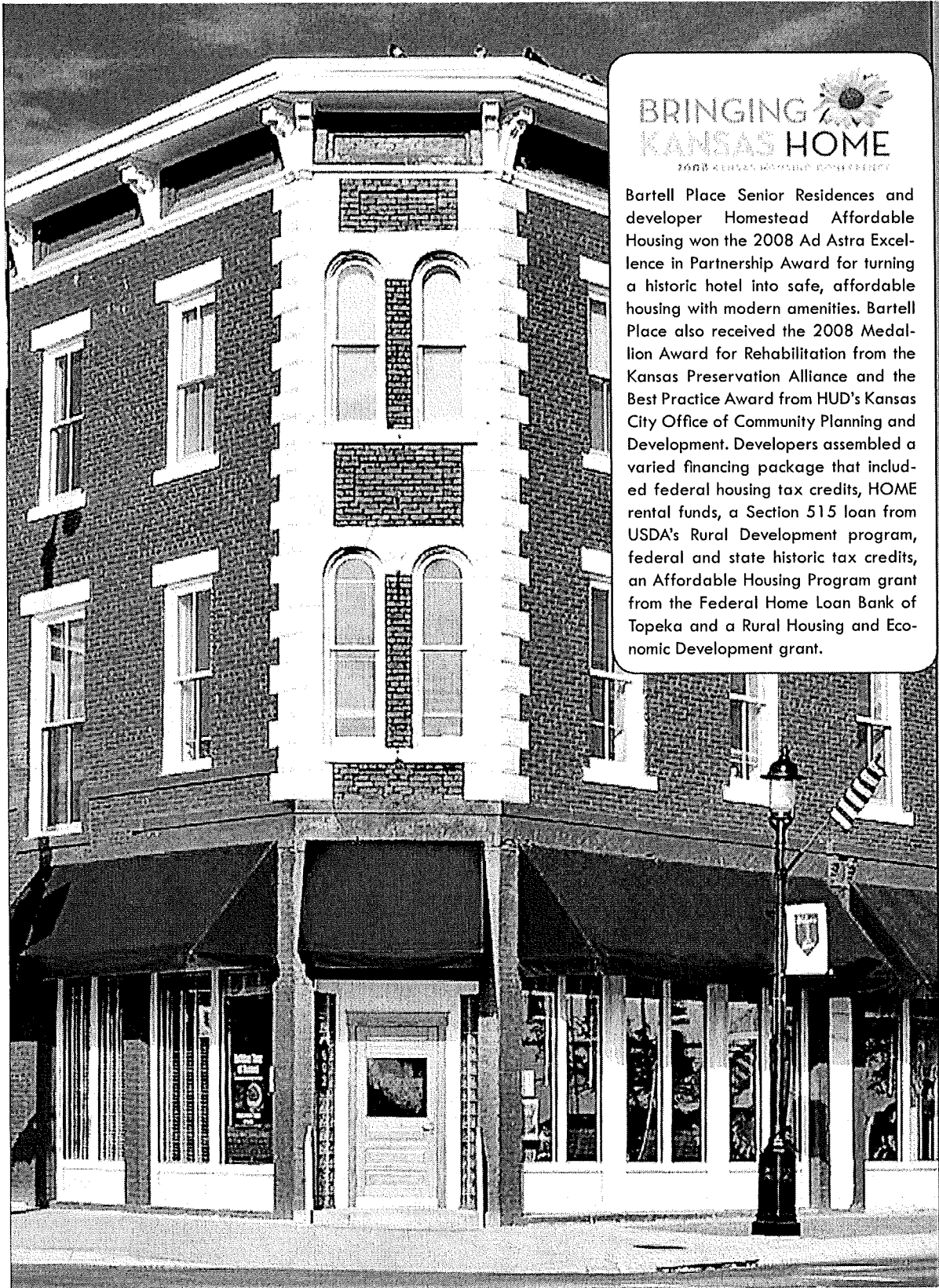
Over the past year, HTC has created:

- 804 units for low-income families
- 250 units for seniors
- 20 units for homeless individuals
- 20 units for individuals with special needs



Far Left Photo: Juana Vega enjoys the quiet, peaceful atmosphere at Bartell Place, a tax credit property in Junction City. Top Right: Nancy Eisermann works on a puzzle in one of Bartell's spacious community living areas.

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BRINGING 
KANSAS HOME
2008 KANSAS HOUSING CONFERENCE

Bartell Place Senior Residences and developer Homestead Affordable Housing won the 2008 Ad Astra Excellence in Partnership Award for turning a historic hotel into safe, affordable housing with modern amenities. Bartell Place also received the 2008 Medallion Award for Rehabilitation from the Kansas Preservation Alliance and the Best Practice Award from HUD's Kansas City Office of Community Planning and Development. Developers assembled a varied financing package that included federal housing tax credits, HOME rental funds, a Section 515 loan from USDA's Rural Development program, federal and state historic tax credits, an Affordable Housing Program grant from the Federal Home Loan Bank of Topeka and a Rural Housing and Economic Development grant.

Affordable Rental Housing | Bartell Place, Junction City

Because Home Means Everything

HOME RENTAL DEVELOPMENT

The HOME Rental Development program assists communities and developers with increasing the supply of affordable rental housing. To meet HOME Investment Partnerships Program requirements, at least 15 percent of the State's annual HOME funding is set aside for Community Housing Development Organizations (CHDO) for HOME Rental Development. Home Rental Development funds may be used for acquisition and rehabilitation of existing rental housing, rehabilitation of existing rental housing owned by another entity, and new construction of rental housing.

ACHIEVEMENTS: In 2008, \$2,383,000 was awarded to six CHDO developments for construction of 106 units.

Photo Below: City of Manhattan and state officials celebrate the third phase opening of Brookfield Homes. The eight additional family rental units utilized approximately \$320,000 in HOME funds and \$1.4 million in federal housing tax credits. Manhattan Area Housing Partnership is the developer.



Photo - left to right:
Jill Jacoby, Fred Bentley,
Chris Bailey, Brent Williams
and Bill Caton.

RENTAL ASSISTANCE

Tenant Based Rental Assistance (TBRA) assists individuals and families with rent expenses. TBRA provides individuals and families with security deposits, utility deposits, and/or the difference between 30 percent of the family's adjusted monthly income and the lesser of the established payment standard or federal Fair Market Rent (FMR).

ACHIEVEMENTS: In 2008, \$1.15 million was awarded in HOME TBRA funds to grantees across the state, assisting more than 1,000 Kansas families.

WORKING TO END POVERTY

Federally funded, the Community Services Block Grant Program (CSBG) helps local agencies provide services and activities designed to have a measurable impact on causes of poverty in the community. The state of Kansas' annual CSBG allocation is roughly \$5.3 million.



Goals include helping low-income families to:

- *Become more financially self-sufficient.*
- *Improve their living conditions.*
- *Own a stake in their community.*
- *Achieve their potential by strengthening family and other supportive systems.*

Other goals include:

- *Helping community action agencies to increase capacity to achieve results.*
- *Creating partnerships among providers of services to low-income families.*



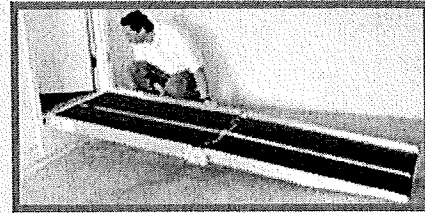
ACHIEVEMENTS: In the federal fiscal year 2008, CSBG...

- *Helped 562 Kansans land a job*
- *Prepared no cost tax returns for more than 2,600 individuals resulting in 1.7 million credits and refunds for Kansans*
- *6,434 households demonstrated improved family functioning (parenting, financial literacy, etc.)*
- *Provided emergency resources for 7,000 households*
- *Offered Head Start classes for more than 3,200 children*

MAKING HOMES SAFER

The Kansas Accessibility Modifications Program (KAMP) provides handicap accessibility modifications to residences to allow individuals to better use their homes. The program is funded by KHRC operations through the State Housing Trust Fund. Based on individual need, accessibility modifications totaling up to \$7,500 are allowed for owner-occupied residences and up to \$4,000 for tenant-occupied residences.

Accessibility modifications may include, but are not limited to installation of ramps and grab bars, widening doorways, bathroom and kitchen modifications, and light switch replacement. Total household income must not exceed 80 percent of the area gross median income for the county of residence.



ACHIEVEMENTS: In FY08, 122 homes received accessibility modifications at a cost of \$430,479. These repairs included:

- 63 bathroom grab-bars, roll-in showers or raised toilet fixtures installed
- 55 wheelchair ramps were constructed
- 7 doorways were widened
- 1 entryway floor area installed
- 2 handrails were added
- 3 stair lifts



Homeowner Estele Campbell tests out her new stair lift provided by KAMP.



Bill Koch and Terry Nichols of Silvercross install a stair lift for KAMP recipient Estele Campbell.



Thank you KAMP! My stair lift makes getting up and down the stairs much easier and safer. I'll use it almost every day."

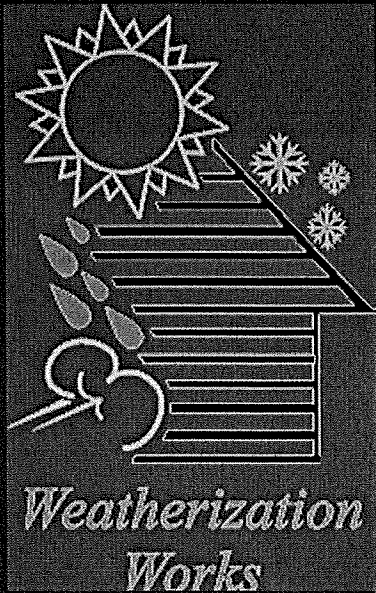
**Estele Campbell, KAMP Client
Shawnee, Kansas**

Left to Right: Rick Kaplan, Coalition for Independence and KAMP Services Provider; Estele Campbell, Homeowner and Francisco Naldonado, Estele's brother.



Making Homes Safer | Shawnee, Kansas

Because Home Means Everything



FY2008 ACHIEVEMENTS:

At a cost of more than \$6.3 million, in 2008 WAP providers:

- Weatherized 1894 homes in 97 Kansas counties
- Replaced 477 dangerous furnaces
- Repaired 1187 homes housing the elderly and persons with disabilities
- Repaired 222 homes housing children under the age of six

Weatherization

Saving money by saving energy, the Weatherization Assistance Program (WAP) reduces heating bills and allows income-eligible Kansans to make energy-conscious, long-lasting home improvements. Unlike utility payment assistance programs which only address short-term need, WAP identifies the cause behind a home's energy loss and works to eliminate the problem.

WAP utilizes a network of regional weatherization service providers which blanket the state. These providers use the latest technology to locate energy loss, whether through insufficient insulation, leaky seals, or obsolete furnaces.

Weatherization then addresses the energy loss through energy efficient improvements, and collects data on energy savings captured from those improvements.

Weatherization improvements are targeted to be no more than \$6,500 per home; but does not include furnace replacements due to health and safety issues.

The Kansas Weatherization Program provides funding to Kansas State University, making us one of the first states to fund training for weatherization inspectors in building science, combustion appliance testing and home energy audits.

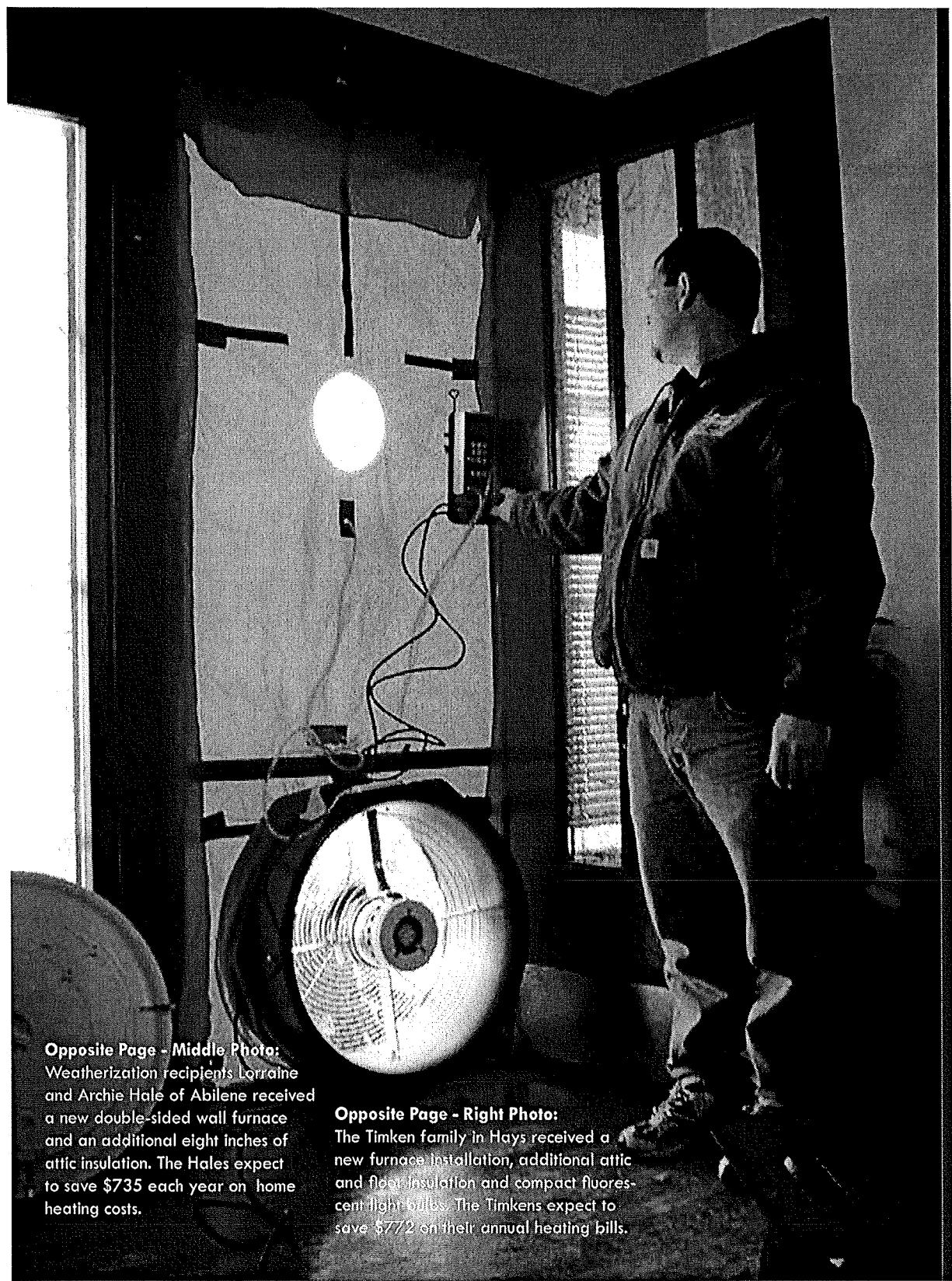
Kansas is also one of the first to develop, implement and utilize a web-based management information system for local and state agency reporting use.

Other than a one-time Kansas legislative appropriation, WAP is entirely funded with grants from the Department of Energy and Low-Income Energy Assistance Program.

Far Left: Hoyt Johnson of the Southeast Kansas Community Action Program tests the efficiency of a central air unit.



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Opposite Page - Middle Photo: Weatherization recipients Lorraine and Archie Hale of Abilene received a new double-sided wall furnace and an additional eight inches of attic insulation. The Hales expect to save \$735 each year on home heating costs.

Opposite Page - Right Photo: The Timken family in Hays received a new furnace installation, additional attic and floor insulation and compact fluorescent light bulbs. The Timkens expect to save \$772 on their annual heating bills.

Weatherization Assistance - Saving Energy & Money

Because Home Means Everything



**KANSAS
HOUSING**
RESOURCES CORPORATION

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