

**HOUSING AUTHORITY OF THE  
COUNTY OF DEKALB  
DeKalb, Illinois**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**MARCH 31, 2017**

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**

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## **INDEPENDENT AUDITORS' REPORT**

To the Board of Commissioners  
Housing Authority of the County of DeKalb  
DeKalb, Illinois

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

We have audited the accompanying financial statements of the Housing Authority of the County of DeKalb (the "Housing Authority"), as of and for the year ended March 31, 2017, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Housing Authority as of March 31, 2017, and the respective changes in financial position, and where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Housing Authority's basic financial statements. The combining financial statements and statements and certifications of actual modernization costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Department of Housing and Urban Development, and is also not a required part of the basic financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2017, on our consideration of the Housing Authority'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
August 16, 2017

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB  
DeKalb, Illinois**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
MANAGEMENT DISCUSSION AND ANALYSIS  
YEAR ENDED MARCH 31, 2017

The management of the Housing Authority of the County of DeKalb (“Housing Authority”) offers this narrative overview and analysis of its audited financial statements for fiscal year ended March 31, 2017. The goal is for the reader to better understand the Housing Authority’s financial activities and its overall financial position and to show whether current year revenues covered current year expenses and the extent to which the Housing Authority has invested its capital assets. We encourage readers to consider the information presented here in conjunction with the Housing Authority’s financial statements, which begins on page 10.

**THE HOUSING AUTHORITY’S PROGRAMS:**

- *Public Housing* - Under the Public Housing Program, the Housing Authority rents 280 units that it owns to low-income households. The Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30 percent of household income. The Public Housing Program includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Housing Authority’s properties. The Housing Authority’s Capital Fund Program is referred herein as Modernization.
- *Section 8 Choice Vouchers* - Under the Section 8 Choice Voucher Program, the Housing Authority was awarded 47 housing conversion vouchers in July 2016. The agency now administers 586 regular vouchers and 25 VASH vouchers for a total baseline of 611 vouchers. The agency contracts with independent landlords that own the property to provide housing for participants. The Housing Authority subsidizes the family’s rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Housing Authority to structure a lease that sets the participants’ rent at 30 percent of household income.
- *Continuum of Care* - The Continuum of Care program provides rental subsidy to homeless individuals and families. The program currently assists 66 households.
- *New Construction/Section 8 Program* - The New Construction program is a multifamily project based voucher program that supports a twelve unit property that serves elderly and disabled individuals located in Shabbona Illinois.
- *Business Activities* - Business activities consist of a single family home, Briarwood apartments, a 48-unit affordable housing complex and Hinckley apartments, a 12-unit affordable housing complex. The single family home and Briarwood apartments are located in DeKalb Illinois. Hinckley apartments are located in Hinckley Illinois.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
MANAGEMENT DISCUSSION AND ANALYSIS - Continued  
YEAR ENDED MARCH 31, 2017

**OVERVIEW OF THE FINANCIAL STATEMENTS:**

The following financial statements are included in this report:

- *Statement of Net Position* - reports the Housing Authority's overall financial position: cash and other current assets, noncurrent assets, current and noncurrent liabilities subtracting total liabilities from total assets results in the net position of the Housing Authority.
- *Statement of Revenue, Expenses, and Changes in Net Position* - reports the Housing Authority's various revenue and expenses for the fiscal year.
- *Statement of Cash Flows* - reports cash inflows and outflows for the Housing Authority's fiscal year.

**FINANCIAL HIGHLIGHTS:**

- The assets of the Housing Authority exceed its liabilities as of March 31, 2017 by \$10,503,047 (net position).
- The Housing Authority's net investment in capital assets as of March 31, 2017 was \$8,054,370.
- The Housing Authority's total revenue for the fiscal year ended March 31, 2017 was \$8,178,378.
- The Housing Authority's total expenses for the fiscal year ended March 31, 2017 was \$7,820,772. Therefore, the Housing Authority's total combined revenues exceed its total combined expenses by \$357,606.

**ANALYSIS OF FINANCIAL STATEMENTS:**

**STATEMENT OF NET POSITION**

	<u>2017</u>	<u>2016</u>	<u>INCREASE (DECREASE)</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,623,374	\$ 2,518,634	\$ 104,740
Other current assets	105,412	122,540	(17,128)
Capital assets	<u>8,637,645</u>	<u>8,445,504</u>	<u>192,141</u>
TOTAL ASSETS	<u>11,366,431</u>	<u>11,086,678</u>	<u>279,753</u>
<b>LIABILITIES</b>			
Current liabilities	309,797	358,308	(48,511)
Noncurrent liabilities	<u>553,587</u>	<u>582,929</u>	<u>(29,342)</u>
TOTAL LIABILITIES	<u>863,384</u>	<u>941,237</u>	<u>(77,853)</u>
<b>NET POSITION</b>			
Net investment in capital assets	8,054,370	7,833,763	220,607
Restricted	235,392	54,337	181,055
Unrestricted	<u>2,213,285</u>	<u>2,257,341</u>	<u>(44,056)</u>
TOTAL NET POSITION	<u>10,503,047</u>	<u>10,145,441</u>	<u>357,606</u>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
MANAGEMENT DISCUSSION AND ANALYSIS - Continued  
YEAR ENDED MARCH 31, 2017

**ANALYSIS OF FINANCIAL STATEMENTS - Continued:**

The net increase in cash and investments is due to HAP received for the 47 new vouchers. The net increase in capital assets is due to Public Housing program additions which include unit asbestos abatements, family site security cameras and new stoves. The decrease in liabilities is due to prior year SPC program reported unearned revenue liability and a reduction in the Briarwood apartments bond balance.

Restricted net position represents those (Section 8 HCV) grant funds held for future HAP expenses only, as HUD requested these funds be classified as restricted.

**ANALYSIS OF STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION PRIOR AND CURRENT FISCAL YEAR:**

	YEAR ENDING			
	MARCH 31,			
	2017		2016	
	<u>AMOUNT</u>	<u>%</u>	<u>AMOUNT</u>	<u>%</u>
REVENUE				
Tenant revenue	\$ 1,274,714	16	\$ 1,235,968	16
HUD operating and capital grants	6,610,164	81	5,854,093	78
Other operating revenue	291,533	3	460,457	6
Interest	1,967	-	2,219	-
TOTAL REVENUE	<u>8,178,378</u>	<u>100</u>	<u>7,552,737</u>	<u>100</u>
EXPENSES				
Administrative expenses	1,292,937	17	1,196,161	15
Tenant services	28,949	-	25,325	-
Utilities	227,237	3	221,916	3
Maintenance and operations	969,866	12	929,905	12
General expenses	243,784	3	283,672	4
Protective services	13,354	-	23,102	-
Housing assistance payments	4,267,933	55	4,316,474	56
Depreciation	750,748	10	761,943	10
Interest expense	18,215	-	20,782	-
Loss on disposition of capital asset	7,749	-	1,429	-
TOTAL EXPENSES	<u>7,820,772</u>	<u>100</u>	<u>7,780,709</u>	<u>100</u>
<b>CHANGE IN NET POSITION</b>	<b><u>\$ 357,606</u></b>		<b><u>\$ (227,972)</u></b>	

The increase in tenant revenue is due to rent collected and unit rehab charges. The increase in HUD operating and capital grants is due to capital fund grant projects and HCV HAP received from HUD for 47 new vouchers. Other operating revenue decrease is due to U of I grant funds and AT&T antenna contract buyout funds received in FY16. Administrative expense increase due to wages, employee benefits and asset management fee increase. Maintenance and operations increase due to asbestos abatements and sidewalk improvements to Public Housing properties. General expense decrease due to AHRMA insurance premium rebate and reduction in collection loss write offs. The decrease in Housing assistance payments is a result of tenant income as utilization was consistent between FY16 and FY17. Depreciation decreased due to more assets becoming fully depreciated.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
MANAGEMENT DISCUSSION AND ANALYSIS - Continued  
YEAR ENDED MARCH 31, 2017

**BUDGETARY HIGHLIGHTS:**

*Low-Rent Public Housing (Operations Only)* - All programs ended with a higher net income, before depreciation, than budgeted, which is added to the reserves for each of the AMPS. The Board approved a budget revision anticipating an operating loss of (\$83,532), while the actual result was an operating income of \$9,572. Many capital projects were also completed during fiscal year 2017. Ordinary maintenance was closely monitored and finished under budget.

*Section 8 Choice Vouchers* - The Housing Authority earned \$4,110,138 in annual contributions. The Restricted Net Position (consisting of excess housing assistance payments contributed) increased to \$235,392 from \$54,337 the previous fiscal year, and annual budget authority was utilized to assist 98% of the 611 baseline units. The program ended with earnings of \$17,244.

*Continuum of Care* - The Housing Authority manages the properties associated with this grant for the DeKalb County Residential Development Corporation (DCRDC), a non-profit entity. The program earned \$362,002 through rental assistance payments which assisted 66 units.

*New Construction/Section 8 Program* - The Shabbona property continues to be a strong performer with high occupancy and improved physical condition due to physical capital improvements including windows, doors, drainage, sidewalks, driveway and landscaping. Net earnings were \$47,276.

*Business Activities* - Since the purchase of Briarwood apartments in December 2012, occupancy has increased from 80% to 96%. The Board approved a budget revision anticipating an operating income of \$104,043, while the actual result was an operating income of \$147,367. Many capital projects were completed during the year including roof replacement and new windows. The Hinckley property operates as an affordable housing complex. The property finished the year with operating income of \$23,211. The agency expects continued increases in income for this property. The Sunset house net earnings were \$3,869.

**CAPITAL ASSETS AND DEBT ADMINISTRATION:**

**Capital Assets**

As of year-end, the Housing Authority had \$8,637,645 invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions, and depreciation) of \$192,141 from the end of 2016. This net increase is due to a combination of a building improvements related to carpet replacement, new family site security cameras, new roofs, new windows and capital fund projects offset by accumulated depreciation posted for the year.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
MANAGEMENT DISCUSSION AND ANALYSIS - Continued  
YEAR ENDED MARCH 31, 2017

**CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued:**

**Capital Assets at Year-End  
(Net of Depreciation)**

	2017	2016
Land	\$ 957,985	\$ 957,985
Land improvements	844,437	828,312
Buildings and improvements	17,955,102	17,174,117
Equipment	1,655,935	1,527,620
SUBTOTAL	21,413,459	20,488,034
Less accumulated depreciation	(12,775,814)	(12,042,530)
<b>NET CAPITAL ASSETS</b>	<b>\$ 8,637,645</b>	<b>\$ 8,445,504</b>

**Debt Outstanding**

The debt balance is made up of the Briarwood Apartments balance.

	2017	2016
Note payable	<b>\$ 583,275</b>	<b>\$ 611,741</b>

**FUTURE EVENTS (NEW BUSINESS):**

The Housing Authority has undergone some changes, which will affect the annual financials in future years:

- An increase in payroll expense is planned for the coming years to accommodate succession planning for employee retirements.
- Capital outlay for investment in new property to further deconcentration efforts and address the needs of the community.
- Proposed lower funding will impact net position going forward.

**CONTACTING THE HOUSING AUTHORITY'S FINANCIAL MANAGEMENT:**

The financial report is designed to provide a general overview of the Housing Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Michelle Perkins, Executive Director, Housing Authority of the County of DeKalb, 310 North Six Street, DeKalb, IL 60115.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB  
DeKalb, Illinois**

**BASIC FINANCIAL STATEMENTS**

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**Dekalb, Illinois**  
**STATEMENT OF NET POSITION**  
**MARCH 31, 2017**

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,297,618
Cash and cash equivalents - restricted	325,756
Receivables	
Tenants, net of allowance for doubtful accounts	7,205
Other, net of allowance for doubtful accounts	11,700
Notes receivable	29,470
Inventory	17,621
Prepaid expenses	39,416
<b>TOTAL CURRENT ASSETS</b>	<u>2,728,786</u>

NONCURRENT ASSETS

Land	957,985
Land improvements	844,437
Buildings and improvements	17,955,102
Equipment	1,655,935
Less accumulated depreciation	<u>(12,775,814)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>8,637,645</u>

**TOTAL ASSETS**

**\$ 11,366,431**

LIABILITIES AND NET POSITION

CURRENT LIABILITIES

Accounts payable	\$ 24,162
Accrued payroll liabilities	60,672
Compensated absences	15,923
Unearned revenue	9,007
Due to other governments	57,855
Tenants' security deposits	90,364
Other current liabilities	22,126
Current portion of notes payable	29,688
<b>TOTAL CURRENT LIABILITIES</b>	<u>309,797</u>

NONCURRENT LIABILITIES

Notes payable	<u>553,587</u>
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**TOTAL LIABILITIES**

863,384

NET POSITION

Net investment in capital assets	8,054,370
Restricted	235,392
Unrestricted	2,213,285
<b>TOTAL NET POSITION</b>	<u>10,503,047</u>

**TOTAL LIABILITIES AND NET POSITION**

**\$ 11,366,431**

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

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION  
YEAR ENDED MARCH 31, 2017

OPERATING REVENUE	
Dwelling rental	\$ 1,274,714
Operating grants	5,960,711
Other operating revenue	<u>291,533</u>
TOTAL OPERATING REVENUE	<u>7,526,958</u>
OPERATING EXPENSES	
Administration	1,292,937
Tenant services	28,949
Utilities	227,237
Maintenance and operations	969,866
General expenses	243,784
Protective services	13,354
Housing assistance payments	4,267,933
Depreciation	<u>750,748</u>
TOTAL OPERATING EXPENSES	<u>7,794,808</u>
OPERATING (LOSS)	<u>(267,850)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest income	1,967
(Loss) on disposition of fixed assets	(7,749)
Interest expense	<u>(18,215)</u>
NET NONOPERATING (EXPENSES)	<u>(23,997)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(291,847)
CAPITAL GRANTS	<u>649,453</u>
CHANGE IN NET POSITION	357,606
NET POSITION AT BEGINNING OF YEAR	<u>10,145,441</u>
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 10,503,047</u></b>

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

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2017**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from tenants/participants	\$ 1,253,451
Cash received from operating grants	5,960,711
Other income received	265,115
Cash payments to vendors	(1,641,370)
Cash payments to employees	(1,119,335)
Cash payments for housing assistance	<u>(4,267,933)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>450,639</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital grants	649,453
Acquisition of capital assets	(950,638)
Principal payments	(28,466)
Interest paid	<u>(18,215)</u>
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(347,866)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>1,967</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	104,740
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>2,518,634</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 2,623,374</b></u>

(Continued on page 13)

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

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2017**

RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION

Cash and cash equivalents	\$ 2,297,618
Cash and cash equivalents - restricted	325,756
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 2,623,374</u></b>

RECONCILIATION OF (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES

CASH FLOWS FROM OPERATING ACTIVITIES

Operating (loss)	\$ (267,850)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	750,748
Changes in assets and liabilities	
Decrease in assets	
Accounts receivable	5,757
Notes receivable	1,994
Inventory	5,628
Prepaid expenses	3,750
(Decrease) increase in liabilities	
Accounts payable	(14,613)
Accrued expenses	(9,131)
Unearned revenue	(28,682)
Due to other governments	839
Tenants' security deposits	2,199
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 450,639</u></b>

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

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
MARCH 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies**

**Reporting Entity** - The Housing Authority is a separate governmental entity created for the purpose of constructing, maintaining, and operating public housing and providing rental assistance to low income and elderly persons. Most of the Housing Authority's funding is provided by the United States Department of Housing and Urban Development (HUD). All programs of the Housing Authority are included in these statements. The Housing Authority has no component units.

**Programs Administered by the Housing Authority** - The programs of the Housing Authority are recorded in one enterprise fund. Each program is maintained using a separate set of self-balancing accounts. The programs include Public Housing (which consists of three AMPS), Capital Funds, Section 8 Choice Vouchers, Central Office Cost Center (COCC), Section 8 New Construction, Business Activities, and Continuum of Care (COC).

**Basis of Accounting and Measurement Focus** - The Housing Authority's financial statements are presented on the full accrual basis in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Housing Authority applies all GASB pronouncements as well as U.S. GAAP, as codified by the Financial Accounting Standards Accounting Board.

All activities of the Housing Authority are accounted for within one proprietary (enterprise) fund. A proprietary fund is used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

A proprietary fund distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Housing Authority are rents collected from tenants and operating grants. Operating expenses for proprietary funds include the cost of operating properties owned, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

The accounting and financial reporting treatment applied to the Housing Authority is determined by its measurement focus. The transactions of the Housing Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets, restricted, and unrestricted. When both restricted and unrestricted resources are available for use, it is the Housing Authority's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Cash and Cash Equivalents** - For purposes of the statement of cash flows, the Housing Authority considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**Cash and Cash Equivalents - Restricted** - Restricted cash and cash equivalents are segregated resources for tenants' security deposits and unspent housing assistance payments.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
MARCH 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Accounts Receivable** - Accounts receivable are recorded at gross amount, less an allowance for doubtful accounts. The allowance for doubtful accounts was \$650 for Public Housing and \$13,396 for Section 8 Choice Vouchers at March 31, 2017.

**Note Receivable** - At March 31, 2017, the Housing Authority has a note receivable balance of \$29,470, which represents repayment agreement balances owed by public housing tenants.

**Insurance** - The premiums on all major insurance policies are charged to prepaid insurance and amortized over the life of the policy.

**Inventory** - Inventory is valued at average cost, and consists of expendable supplies held for consumption. The cost of inventory is recorded as expenditures when consumed, rather than when purchased.

**Capital Assets** - Purchased capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Buildings and equipment are carried at cost or estimated fair value and depreciated using a straight-line method of depreciation over their estimated useful lives as follows:

Land improvements	5-15 years
Buildings and improvements	10-40 years
Equipment	5-10 years

Maintenance and repairs expenses of less than \$1,500 are expensed as incurred. Capital expenses of \$1,500 or more, with a useful life of greater than one year, are capitalized.

**Impairment of Long-Lived Assets** - The Housing Authority reviews its capital assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recovered. If the fair value is less than the carrying amount of the asset, an impairment loss is recognized for the difference. No impairment loss has been recognized during the year ended March 31, 2017.

**Compensated Absences** - The Housing Authority allows the following compensated absences:

Full- and part-time administration employees earn PTO as follows:

YEARS OF SERVICE	ACCRUAL RATE PER HOUR	ANNUAL PTO ACCRUAL
0-4	.0654	136 hours/17 days
5-8	.0846	176 hours/22 days
9-14	.1038	216 hours/27 days
15+	.1192	248 hours/31 days

Part-time employees earn PTO at a prorated rate based on the full-time accrual rates. No employee can accumulate more than 40 hours in excess of earned PTO. Upon termination, all pay for accrued PTO time will be included in the employee's last paycheck.

The amount of accumulated benefits at March 31, 2017 was \$15,923, and is recorded as a liability in the applicable programs.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
MARCH 31, 2017

**NOTE 1 - Summary of Significant Accounting Policies - Continued**

**Deferred Outflows and Inflows of Resources** - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expenditure) until then. The Housing Authority does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The Housing Authority does not have any items that qualify for reporting in this category.

**Net Position Classifications** - Net position represents the difference between the total assets and the total liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Federal Aids** - Federal aids for reimbursable programs are recognized as revenue in the year the related program expenditures are incurred. Aids received prior to meeting revenue recognition criteria are recorded as unearned revenue.

**Employee Retirement Plan** - The Housing Authority has a retirement plan covering substantially all of its eligible employees which is funded through contributions to the First Midwest Bank.

**Due To/From Other Programs** - During the course of operations, numerous transactions occur between individual programs for goods provided or services rendered. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position and have been eliminated in the basic financial statements.

**Interprogram Transactions** - Quasi-external transactions are accounted for as revenue or expenses. Transactions that constitute reimbursements to a program for expenses initially made from it that are properly applicable to another program, are recorded as expenses in the reimbursing program and as reductions of expenses in the program that is reimbursed.

**Rental Income** - Rental income is recognized as rents become due.

**Use of Estimates** - The preparation of financial statements in conformity with U.S. GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

**Construction Projects** - There are certain major construction projects in progress at March 31, 2017. These include modernizing rental units at many different projects. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

**Subsequent Events** - The Housing Authority has evaluated subsequent events through August 16, 2017, the date which the financial statements were available to be issued.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
MARCH 31, 2017

**NOTE 2 - Cash and Cash Equivalents**

HUD regulations and statutes authorize the Housing Authority to have deposits in checking accounts, certificates of deposit, money-market funds, United States government securities, and repurchase agreements fully collateralized by United States government securities.

At March 31, 2017, the Housing Authority reported cash and cash equivalents as follows:

Cash and cash equivalents	\$ 2,297,618
Cash and cash equivalents - restricted	<u>325,756</u>
<b>TOTAL</b>	<b><u>\$ 2,623,374</u></b>

The difference between cash and cash equivalents reported below is due to reconciling items such as deposit in transit and outstanding checks.

**Fair Value of Deposits** - Deposits are reported at fair value. At March 31, 2017, the fair value of the Housing Authority's deposits approximated original cost; therefore, no fair value adjustments were necessary.

**Determining Fair Value** - Fair value of the Housing Authority's deposits are determined as follows: deposits with stated interest rates (operating accounts, savings accounts, certificates of deposit, repurchase agreements, and money market accounts) are stated at cost.

**Income Allocation** - Interest income is generally allocated to the program that owns the operating accounts, savings accounts, certificates of deposit, repurchase agreements, and money market accounts.

**Custodial Credit Risk - Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a formal deposit policy for custodial risk. As of March 31, 2017, \$2,375,050 of the Housing Authority's bank balance of \$2,636,426 was exposed to custodial credit risk as follows:

Uninsured, collateralized by bank	<b><u>\$2,375,050</u></b>
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**NOTE 3 - Capital Assets**

A summary of changes in capital assets is as follows:

	BALANCE 04/01/16	ADDITIONS	RETIREMENTS	BALANCE 03/31/17
<i>Capital assets not being depreciated:</i>				
Land	\$ 957,985	\$ -	\$ -	\$ 957,985
<i>Capital assets being depreciated:</i>				
Buildings and improvements	17,174,117	780,985	-	17,955,102
Land improvements	828,312	16,125	-	844,437
Equipment	<u>1,527,620</u>	<u>153,528</u>	<u>(25,213)</u>	<u>1,655,935</u>
Total capital assets being depreciated	19,530,049	950,638	(25,213)	20,455,474
Less accumulated depreciation	<u>(12,042,530)</u>	<u>(750,748)</u>	<u>17,464</u>	<u>(12,775,814)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>7,487,519</u>	<u>199,890</u>	<u>(7,749)</u>	<u>7,679,660</u>
<b>NET CAPITAL ASSETS</b>	<b><u>\$ 8,445,504</u></b>	<b><u>\$ 199,890</u></b>	<b><u>\$ (7,749)</u></b>	<b><u>\$ 8,637,645</u></b>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
MARCH 31, 2017

**NOTE 4 - Long-Term Obligations**

Details of the Housing Authority's long-term obligations are set forth below:

**Summary of Long-Term Obligations**

	<u>BALANCE</u> <u>04/01/16</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE</u> <u>03/31/17</u>	<u>AMOUNT</u> <u>DUE WITHIN</u> <u>ONE YEAR</u>
Compensated absences	\$ 17,597	\$ -	\$ 1,674	\$ 15,923	\$ 15,923
Note payable	<u>611,741</u>	<u>-</u>	<u>28,466</u>	<u>583,275</u>	<u>29,688</u>
	<b><u>\$ 629,338</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 30,140</u></b>	<b><u>\$ 599,198</u></b>	<b><u>\$ 45,611</u></b>

At March 31, 2017, long-term debt for the Housing Authority consists of:

Note payable to bank, due December 15, 2020, interest at 3.0 percent, monthly payments of \$3,897, includes interest. Collateralized by Briarwood Apartments	\$ 583,275
Less current portion	<u>29,688</u>
<b>LONG-TERM PORTION</b>	<b><u>\$ 553,587</u></b>

**Maturities of Long-Term Debt**

Maturities of the bond payable at March 31, 2017, are:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 29,688	\$ 17,079
2019	30,591	16,176
2020	31,521	15,246
2021	<u>491,475</u>	<u>10,806</u>
<b>TOTAL</b>	<b><u>\$ 583,275</u></b>	<b><u>\$ 59,307</u></b>

**NOTE 5 - Lease Income**

The Housing Authority currently receives lease income for rooftop space at one of its Public Housing projects. The lease income is from five cancelable leases with varying expiration dates. The leases require the annual rents to be adjusted. Three of the leases are on five-year fixed rates with rates increasing after five-year increments. Income received from these leases during fiscal year 2016 totaled \$65,240 and is included in other operating revenue in the accompanying financial statements. The minimum future receipts under these leases are as follows:

2018	\$ 61,830
2019	61,830
2020	47,310
2021	48,960
2022	50,460

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
MARCH 31, 2017

**NOTE 6 - Retirement Plan**

The Housing Authority provides retirement benefits for all its full-time employees through a defined contribution plan. The name of the plan is the Housing Authority of the County of DeKalb Retirement Plan. The Board of Commissioners is responsible for establishing and amending the plan benefits. The Plan trustee is the First Midwest Bank. The entity that administers the Plan is also the First Midwest Bank. In a defined contribution plan, benefits depend solely on amounts contributed to the Plan plus investment earnings. Employees are eligible to participate on the first of the month following six months of employment. The Housing Authority contributes an amount equal to 14 percent of the employee's base salary each month. Employees are allowed to contribute voluntary contributions. Employee contributions totaled \$8,346 for the year ended March 31, 2017. The Housing Authority's contributions for each employee (and interest allocated to the employee's account) are fully vested after five years of continuous service. Housing Authority contributions for, and interest forfeited by, employees who leave employment before five years of service are used to reduce the Housing Authority's current-period contributions requirement.

The Housing Authority's actual contribution was \$120,772 for the year ended March 31, 2017. Total payroll expense for the Housing Authority was \$862,654.

**NOTE 7 - Net Position**

The following is a summary of individual net position restrictions at March 31, 2017:

<u>Program</u>	<u>Purpose</u>	<u>Amount</u>
<u>Restricted</u> Section 8 Choice Vouchers	Future HAP expenditures	<u>\$ 235,392</u>

**NOTE 8 - Risk Management**

**Insured Risk** - The Housing Authority purchases commercial insurance with various deductibles and coverages to cover liability, property, workers' compensation, errors, omissions, and employee defalcation risk. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 9 - Economic Dependency**

The Housing Authority received approximately 81 percent of its total revenue from the United States Department of Housing and Urban Development. This funding is subject to federal government budget appropriations and potential funding reductions.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB  
DeKalb, Illinois**

**SUPPLEMENTARY INFORMATION**

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF NET POSITION**  
**MARCH 31, 2017**

<u>ASSETS</u>	PUBLIC HOUSING			BUSINESS	SECTION 8	BUSINESS
	<u>AMP 1</u>	<u>AMP 2</u>	<u>AMP 3</u>	<u>ACTIVITIES - HINCKLEY</u>	<u>NEW CONSTRUCTION</u>	<u>ACTIVITIES</u>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 427,592	\$ 56,384	\$ 201,398	\$ 145,608	\$ 422,450	\$ 818,237
Cash and cash equivalents - restricted	23,332	6,341	19,093	3,488	2,833	35,277
Receivables						
Tenants, net of allowance for doubtful accounts	852	522	152	774	202	4,703
Other, net of allowance for doubtful accounts	-	-	-	-	-	-
Notes receivable	12,109	8,321	9,040	-	-	-
Inventory	5,528	-	7,656	49	-	636
Prepaid expenses	10,733	1,997	6,657	513	623	4,193
<b>TOTAL CURRENT ASSETS</b>	<u>480,146</u>	<u>73,565</u>	<u>243,996</u>	<u>150,432</u>	<u>426,108</u>	<u>863,046</u>
<b>NONCURRENT ASSETS</b>						
Land	130,027	515,273	158,685	27,000	12,000	115,000
Land improvements	222,357	233,294	273,582	-	90,544	11,378
Buildings and improvements	7,972,145	2,094,672	4,387,388	486,281	652,051	1,350,525
Equipment	621,213	149,981	426,464	33,052	51,529	108,990
Less accumulated depreciation	(5,347,359)	(1,877,474)	(4,106,642)	(348,985)	(496,447)	(194,730)
<b>TOTAL NONCURRENT ASSETS</b>	<u>3,598,383</u>	<u>1,115,746</u>	<u>1,139,477</u>	<u>197,348</u>	<u>309,677</u>	<u>1,391,163</u>
<b>TOTAL ASSETS</b>	<u>\$ 4,078,529</u>	<u>\$ 1,189,311</u>	<u>\$ 1,383,473</u>	<u>\$ 347,780</u>	<u>\$ 735,785</u>	<u>\$ 2,254,209</u>

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**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
COMBINING STATEMENT OF NET POSITION - Continued  
MARCH 31, 2017

<u>ASSETS</u>	<u>CONTINUUM OF CARE</u>	<u>CAPITAL FUNDS</u>	<u>SECTION 8 CHOICE VOUCHERS</u>	<u>COCC</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 21,811	\$ -	\$ 3,036	\$ 201,102	\$ 2,297,618
Cash and cash equivalents - restricted	-	-	235,392	-	325,756
Receivables					
Tenants, net of allowance for doubtful accounts	-	-	-	-	7,205
Other, net of allowance for doubtful accounts	-	-	11,700	-	11,700
Notes receivable	-	-	-	-	29,470
Inventory	-	-	-	3,752	17,621
Prepaid expenses	-	-	1,213	13,487	39,416
<b>TOTAL CURRENT ASSETS</b>	<u>21,811</u>	<u>-</u>	<u>251,341</u>	<u>218,341</u>	<u>2,728,786</u>
<b>NONCURRENT ASSETS</b>					
Land	-	-	-	-	957,985
Land improvements	-	13,282	-	-	844,437
Buildings and improvements	-	769,507	-	242,533	17,955,102
Equipment	-	28,505	51,844	184,357	1,655,935
Less accumulated depreciation	-	(43,056)	(39,844)	(321,277)	(12,775,814)
<b>TOTAL NONCURRENT ASSETS</b>	<u>-</u>	<u>768,238</u>	<u>12,000</u>	<u>105,613</u>	<u>8,637,645</u>
 <b>TOTAL ASSETS</b>	 <u>\$ 21,811</u>	 <u>\$ 768,238</u>	 <u>\$ 263,341</u>	 <u>\$ 323,954</u>	 <u>\$ 11,366,431</u>

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**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF NET POSITION - Continued**  
**MARCH 31, 2017**

<u>LIABILITIES AND NET POSITION</u>	PUBLIC HOUSING			<u>BUSINESS ACTIVITIES - HINCKLEY</u>	<u>SECTION 8 NEW CONSTRUCTION</u>	<u>BUSINESS ACTIVITIES</u>
	AMP 1	AMP 2	AMP 3			
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 12,879	\$ 1,710	\$ 4,141	\$ 330	\$ 612	\$ 2,293
Accrued payroll liabilities	21,065	1,589	10,245	-	-	3,151
Compensated absences	1,742	652	3,461	-	-	1,270
Unearned revenue	2,389	1,789	2,282	128	55	2,364
Due to other governments	25,702	8,387	23,254	-	-	-
Tenants' security deposits	23,332	6,341	19,093	3,488	2,833	35,277
Other accrued liabilities	12,389	879	3,999	1,699	1,905	398
Current portion of note payable	-	-	-	-	-	29,688
<b>TOTAL CURRENT LIABILITIES</b>	<b>99,498</b>	<b>21,347</b>	<b>66,475</b>	<b>5,645</b>	<b>5,405</b>	<b>74,441</b>
<b>NONCURRENT LIABILITIES</b>						
Notes payable	-	-	-	-	-	553,587
<b>TOTAL LIABILITIES</b>	<b>99,498</b>	<b>21,347</b>	<b>66,475</b>	<b>5,645</b>	<b>5,405</b>	<b>628,028</b>
<b>NET POSITION</b>						
Net investment in capital assets	3,598,383	1,115,746	1,139,477	197,348	309,677	807,888
Restricted	-	-	-	-	-	-
Unrestricted	380,648	52,218	177,521	144,787	420,703	818,293
<b>TOTAL NET POSITION</b>	<b>3,979,031</b>	<b>1,167,964</b>	<b>1,316,998</b>	<b>342,135</b>	<b>730,380</b>	<b>1,626,181</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,078,529</b>	<b>\$ 1,189,311</b>	<b>\$ 1,383,473</b>	<b>\$ 347,780</b>	<b>\$ 735,785</b>	<b>\$ 2,254,209</b>

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**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
COMBINING STATEMENT OF NET POSITION - Continued  
MARCH 31, 2017

<u>LIABILITIES AND NET POSITION</u>	<u>CONTINUUM OF CARE</u>	<u>CAPITAL FUNDS</u>	<u>SECTION 8 CHOICE VOUCHERS</u>	<u>COCC</u>	<u>TOTAL</u>
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ -	\$ -	\$ 542	\$ 1,655	\$ 24,162
Accrued payroll liabilities	-	-	8,499	16,123	60,672
Compensated absences	-	-	3,545	5,253	15,923
Unearned revenue	-	-	-	-	9,007
Due to other governments	-	-	512	-	57,855
Tenants' security deposits	-	-	-	-	90,364
Other accrued liabilities	-	-	-	857	22,126
Current portion of note payable	-	-	-	-	29,688
<b>TOTAL CURRENT LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>13,098</u>	<u>23,888</u>	<u>309,797</u>
<b>NONCURRENT LIABILITIES</b>					
Notes payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>553,587</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>13,098</u>	<u>23,888</u>	<u>863,384</u>
<b>NET POSITION</b>					
Net investment in capital assets	-	768,238	12,000	105,613	8,054,370
Restricted	-	-	235,392	-	235,392
Unrestricted	<u>21,811</u>	<u>-</u>	<u>2,851</u>	<u>194,453</u>	<u>2,213,285</u>
<b>TOTAL NET POSITION</b>	<u>21,811</u>	<u>768,238</u>	<u>250,243</u>	<u>300,066</u>	<u>10,503,047</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$ 21,811</b></u>	<u><b>\$ 768,238</b></u>	<u><b>\$ 263,341</b></u>	<u><b>\$ 323,954</b></u>	<u><b>\$ 11,366,431</b></u>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED MARCH 31, 2017**

	PUBLIC HOUSING			BUSINESS ACTIVITIES - HINCKLEY	SECTION 8 NEW CONSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2	AMP 3			
<b>OPERATING REVENUE</b>						
Dwelling rental	\$ 382,483	\$ 87,332	\$ 282,642	\$ 72,635	\$ 25,900	\$ 423,722
Operating grants	453,825	124,826	298,711	-	79,953	-
Other operating revenue	103,233	8,661	14,679	4,169	4,374	15,129
<b>TOTAL OPERATING REVENUE</b>	<u>939,541</u>	<u>220,819</u>	<u>596,032</u>	<u>76,804</u>	<u>110,227</u>	<u>438,851</u>
<b>OPERATING EXPENSES</b>						
Administration	357,316	79,358	257,122	14,754	20,287	85,840
Tenant services	11,301	264	12,784	2,200	-	2,400
Utilities	125,451	3,688	50,078	7,949	8,795	21,939
Maintenance and operations	300,922	72,540	311,437	25,728	30,843	96,638
General expenses	76,655	20,628	47,653	3,054	3,486	34,409
Protective services	6,929	-	6,425	-	-	-
Housing assistance payments	-	-	-	-	-	-
Depreciation	356,470	97,067	142,152	19,397	24,696	57,404
<b>TOTAL OPERATING EXPENSES</b>	<u>1,235,044</u>	<u>273,545</u>	<u>827,651</u>	<u>73,082</u>	<u>88,107</u>	<u>298,630</u>
<b>OPERATING (LOSS) INCOME</b>	<u>(295,503)</u>	<u>(52,726)</u>	<u>(231,619)</u>	<u>3,722</u>	<u>22,120</u>	<u>140,221</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Interest income	367	77	244	91	460	433
(Loss) on disposition of fixed assets	(877)	(1,598)	(5,274)	-	-	-
Operating transfers in	(100,944)	-	-	-	-	(50,000)
Operating transfers out	-	-	150,944	-	-	-
Interest expense	-	-	-	-	-	(18,215)
<b>NET NONOPERATING (EXPENSES) REVENUE</b>	<u>(101,454)</u>	<u>(1,521)</u>	<u>145,914</u>	<u>91</u>	<u>460</u>	<u>(67,782)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</b>	<u>(396,957)</u>	<u>(54,247)</u>	<u>(85,705)</u>	<u>3,813</u>	<u>22,580</u>	<u>72,439</u>
<b>CAPITAL GRANTS</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>(396,957)</u>	<u>(54,247)</u>	<u>(85,705)</u>	<u>3,813</u>	<u>22,580</u>	<u>72,439</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	4,187,085	1,222,211	1,375,941	338,322	707,800	1,553,742
<b>RESIDUAL EQUITY TRANSFER (OUT) IN</b>	<u>188,903</u>	<u>-</u>	<u>26,762</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 3,979,031</u>	<u>\$ 1,167,964</u>	<u>\$ 1,316,998</u>	<u>\$ 342,135</u>	<u>\$ 730,380</u>	<u>\$ 1,626,181</u>

(Continued on page 25)

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued  
YEAR ENDED MARCH 31, 2017

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	ELIMINATING ENTRY	TOTAL
OPERATING REVENUE						
Dwelling rental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,274,714
Operating grants	362,002	106,055	4,535,339	-	-	5,960,711
Other operating revenue	-	-	48,394	652,908	(560,014)	291,533
TOTAL OPERATING REVENUE	<u>362,002</u>	<u>106,055</u>	<u>4,583,733</u>	<u>652,908</u>	<u>(560,014)</u>	<u>7,526,958</u>
OPERATING EXPENSES						
Administration	29,400	45,395	391,180	570,571	(558,286)	1,292,937
Tenant services	-	-	-	-	-	28,949
Utilities	-	-	-	9,337	-	227,237
Maintenance and operations	-	60,660	26,836	45,990	(1,728)	969,866
General expenses	-	-	33,409	24,490	-	243,784
Protective services	-	-	-	-	-	13,354
Housing assistance payments	332,418	-	3,935,515	-	-	4,267,933
Depreciation	-	27,576	1,000	24,986	-	750,748
TOTAL OPERATING EXPENSES	<u>361,818</u>	<u>133,631</u>	<u>4,387,940</u>	<u>675,374</u>	<u>(560,014)</u>	<u>7,794,808</u>
OPERATING INCOME (LOSS)	<u>184</u>	<u>(27,576)</u>	<u>195,793</u>	<u>(22,466)</u>	<u>-</u>	<u>(267,850)</u>
NONOPERATING REVENUE (EXPENSES)						
Interest income	12	-	113	170	-	1,967
(Loss) on disposition of fixed assets	-	-	-	-	-	(7,749)
Operating transfers in	-	-	-	-	150,944	-
Operating transfers out	-	-	-	-	(150,944)	-
Interest expense	-	-	-	-	-	(18,215)
NET NONOPERATING REVENUE (EXPENSES)	<u>12</u>	<u>-</u>	<u>113</u>	<u>170</u>	<u>-</u>	<u>(23,997)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	196	(27,576)	195,906	(22,296)	-	(291,847)
CAPITAL GRANTS	-	649,453	-	-	-	649,453
CHANGE IN NET POSITION	196	621,877	195,906	(22,296)	-	357,606
NET POSITION AT BEGINNING OF YEAR	21,615	362,026	54,337	322,362	-	10,145,441
RESIDUAL EQUITY TRANSFER (OUT) IN	-	(215,665)	-	-	-	-
<b>NET POSITION AT END OF YEAR</b>	<b><u>\$ 21,811</u></b>	<b><u>\$ 768,238</u></b>	<b><u>\$ 250,243</u></b>	<b><u>\$ 300,066</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 10,503,047</u></b>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2017**

	PUBLIC HOUSING			BUSINESS ACTIVITIES - HINCKLEY	SECTION 8 NEW CONSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2	AMP 3			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from tenants/participants	\$ 380,439	\$ 84,704	\$ 267,924	\$ 71,090	\$ 26,527	\$ 422,767
Cash received from interfund services provided	-	-	-	-	-	-
Cash received from operating grants	453,825	124,826	298,711	-	79,953	-
Other income received	104,942	8,610	14,197	4,074	4,164	16,382
Cash payments to vendors	(618,283)	(129,287)	(415,200)	(52,463)	(62,837)	(169,795)
Cash payments to employees	(254,642)	(55,271)	(254,499)	-	-	(69,801)
Cash payments for housing assistance	-	-	-	-	-	-
Cash payments for interfund services used	-	-	-	-	-	-
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>66,281</u>	<u>33,582</u>	<u>(88,867)</u>	<u>22,701</u>	<u>47,807</u>	<u>199,553</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital grants	-	-	-	-	-	-
Acquisition of capital assets	(30,293)	(63,633)	(105,664)	(37,480)	(1,092)	(56,841)
Principal payments	-	-	-	-	-	(28,466)
Interest paid	-	-	-	-	-	(18,215)
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>(30,293)</u>	<u>(63,633)</u>	<u>(105,664)</u>	<u>(37,480)</u>	<u>(1,092)</u>	<u>(103,522)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating transfers (out) in	<u>(100,944)</u>	<u>-</u>	<u>150,944</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	<u>367</u>	<u>77</u>	<u>244</u>	<u>91</u>	<u>460</u>	<u>433</u>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<u>(64,589)</u>	<u>(29,974)</u>	<u>(43,343)</u>	<u>(14,688)</u>	<u>47,175</u>	<u>46,464</u>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>515,513</u>	<u>92,699</u>	<u>263,834</u>	<u>163,784</u>	<u>378,108</u>	<u>807,050</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 450,924</b></u>	<u><b>\$ 62,725</b></u>	<u><b>\$ 220,491</b></u>	<u><b>\$ 149,096</b></u>	<u><b>\$ 425,283</b></u>	<u><b>\$ 853,514</b></u>

(Continued on page 27)

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2017**

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	ELIMINATING ENTRY	TOTAL
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from tenants/participants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,253,451
Cash received from interfund services provided	-	-	-	56,018	(56,018)	-
Cash received from operating grants	362,002	106,055	4,535,339	-	-	5,960,711
Other income received	(30,805)	-	50,657	652,908	(560,014)	265,115
Cash payments to vendors	-	(106,055)	(451,532)	(195,932)	560,014	(1,641,370)
Cash payments to employees	(29,400)	-	-	(455,722)	-	(1,119,335)
Cash payments for housing assistance	(332,418)	-	(3,935,515)	-	-	(4,267,933)
Cash payments for interfund services used	-	-	(56,018)	-	56,018	-
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(30,621)</u>	<u>-</u>	<u>142,931</u>	<u>57,272</u>	<u>-</u>	<u>450,639</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital grants	-	649,453	-	-	-	649,453
Acquisition of capital assets	-	(649,453)	-	(6,182)	-	(950,638)
Principal payments	-	-	-	-	-	(28,466)
Interest paid	-	-	-	-	-	(18,215)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,182)</u>	<u>-</u>	<u>(347,866)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	<u>12</u>	<u>-</u>	<u>113</u>	<u>170</u>	<u>-</u>	<u>1,967</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(30,609)	-	143,044	51,260	-	104,740
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>52,420</u>	<u>-</u>	<u>95,384</u>	<u>149,842</u>	<u>-</u>	<u>2,518,634</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 21,811</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 238,428</u></b>	<b><u>\$ 201,102</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,623,374</u></b>

(Continued on page 28)

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2017**

	PUBLIC HOUSING			BUSINESS ACTIVITIES - HINCKLEY	SECTION 8 NEW COMSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2	AMP 3			
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>						
Cash and cash equivalents	\$ 427,592	\$ 56,384	\$ 201,398	\$ 145,608	\$ 422,450	\$ 818,237
Cash and cash equivalents - restricted	23,332	6,341	19,093	3,488	2,833	35,277
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 450,924</u></b>	<b><u>\$ 62,725</u></b>	<b><u>\$ 220,491</u></b>	<b><u>\$ 149,096</u></b>	<b><u>\$ 425,283</u></b>	<b><u>\$ 853,514</u></b>
<u>RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>						
Operating (loss) income	\$ (295,503)	\$ (52,726)	\$ (231,619)	\$ 3,722	\$ 22,120	\$ 140,221
Adjustments to reconcile operating (loss) income to net cash provided by (used in) operating activities						
Depreciation	356,470	97,067	142,152	19,397	24,696	57,404
Changes in assets and liabilities						
Decrease (increase) in assets						
Accounts receivable	22	17	(45)	(766)	680	3,586
Notes receivable	7,573	(2,559)	(3,020)	-	-	-
Due from other programs	-	-	-	-	-	-
Inventory	2,521	-	1,415	1	-	1,035
Prepaid expenses	(1,182)	(175)	4,754	(54)	(54)	(453)
Increase (decrease) in liabilities						
Accounts payable	6,804	(9,872)	(6,144)	(934)	539	(994)
Accrued expenses	(13,228)	1,098	2,060	9	89	(358)
Unearned revenue	1,709	(51)	(482)	(95)	(210)	1,252
Due to other programs	-	-	-	-	-	-
Due to other governments	(567)	605	931	-	-	-
Tenants' security deposits	1,662	178	1,131	1,421	(53)	(2,140)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b><u>\$ 66,281</u></b>	<b><u>\$ 33,582</u></b>	<b><u>\$ (88,867)</u></b>	<b><u>\$ 22,701</u></b>	<b><u>\$ 47,807</u></b>	<b><u>\$ 199,553</u></b>

(Continued on page 29)

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2017**

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	ELIMINATING ENTRY	TOTAL
<u>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</u>						
Cash and cash equivalents	\$ 21,811	\$ -	\$ 3,036	\$ 201,102	\$ -	\$ 2,297,618
Cash and cash equivalents - restricted	-	-	235,392	-	-	325,756
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 21,811</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 238,428</u></b>	<b><u>\$ 201,102</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 2,623,374</u></b>
<u>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</u>						
Operating income (loss)	\$ 184	\$ (27,576)	\$ 195,793	\$ (22,466)	\$ -	\$ (267,850)
Adjustments to reconcile operating income (loss) to net cash (used in) provided by operating activities						
Depreciation	-	27,576	1,000	24,986	-	750,748
Changes in assets and liabilities						
Decrease (increase) in assets						
Accounts receivable	-	-	2,263	-	-	5,757
Notes receivable	-	-	-	-	-	1,994
Due from other programs	-	-	-	56,018	(56,018)	-
Inventory	-	-	-	656	-	5,628
Prepaid expenses	-	-	86	828	-	3,750
(Decrease) increase in liabilities						
Accounts payable	-	-	(2,559)	(1,453)	-	(14,613)
Accrued expenses	-	-	2,496	(1,297)	-	(9,131)
Unearned revenue	(30,805)	-	-	-	-	(28,682)
Due to other programs	-	-	(56,018)	-	56,018	-
Due to other governments	-	-	(130)	-	-	839
Tenants' security deposits	-	-	-	-	-	2,199
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ (30,621)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 142,931</u></b>	<b><u>\$ 57,272</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 450,639</u></b>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS**  
**YEAR ENDED MARCH 31, 2017**

**ANNUAL CONTRIBUTIONS CONTRACT**

1. The Actual Modernization Costs for the Locally-Owned Projects are as follows:

	<u>IL06P89501-14</u>
Funds approved	\$ 386,820
Funds expended	<u>386,820</u>
<b>EXCESS (DEFICIENCY) OF FUNDS APPROVED</b>	<b><u>\$ -</u></b>
HUD grants	\$ 386,820
Funds expended	<u>386,820</u>
<b>EXCESS (DEFICIENCY) OF FUNDS EXPENDED</b>	<b><u>\$ -</u></b>

2. The distribution of costs as shown on the Final Statement of Modernization Costs dated May 24, 2016, accompanying the Actual Modernization Cost Certificates submitted to HUD are in agreement with the Housing Authority's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS**  
**YEAR ENDED MARCH 31, 2017**

**ANNUAL CONTRIBUTIONS CONTRACT**

1. The Actual Modernization Costs for the Locally-Owned Projects are as follows:

	<u>IL06P89501-15</u>
Funds approved	\$ 394,939
Funds expended	<u>394,939</u>
<b>EXCESS (DEFICIENCY) OF FUNDS APPROVED</b>	<b><u>\$ -</u></b>
HUD grants	\$ 394,939
Funds expended	<u>394,939</u>
<b>EXCESS (DEFICIENCY) OF FUNDS EXPENDED</b>	<b><u>\$ -</u></b>

2. The distribution of costs as shown on the Final Statement of Modernization Costs dated October 4, 2016, accompanying the Actual Modernization Cost Certificates submitted to HUD are in agreement with the Housing Authority's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MARCH 31, 2017**

<u>GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER</u>	<u>FEDERAL CATALOG NUMBER</u>	<u>PASS-THRU GRANT IDENTI- FICATION</u>	<u>AWARD AMOUNT</u>	<u>FEDERAL EXPENDITURES</u>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs</u></b>				
Section 8	14.871			
Housing Choice Vouchers		N/A	\$ 4,535,208	\$ 4,535,208
Other Public Housing Authorities		N/A	131	<u>131</u>
TOTAL 14.871				<u>4,535,339</u>
Public and Indian Housing	14.850			
IL089-00010017D		N/A	105,605	105,605
IL089-00010016D		N/A	348,220	348,220
IL089-00020017D		N/A	28,520	28,520
IL089-00020016D		N/A	96,306	96,306
IL089-00030017D		N/A	69,034	69,034
IL089-00030016D		N/A	229,677	<u>229,677</u>
TOTAL 14.850				<u>877,362</u>
Section 8 New Construction	14.182	N/A	79,953	<u>79,953</u>
Continuum of Care Program	14.267			
IL0492L5T091402		N/A	11,590	2,985
IL0090L5T091407		N/A	385,089	59,429
IL0090L5T091508		N/A	392,577	<u>299,588</u>
TOTAL 14.267				<u>362,002</u>
Public Housing Capital Funds	14.872			
IL06P089501-16		N/A	410,268	339,524
IL06P089501-15		N/A	394,939	342,572
IL06P089501-14		N/A	386,820	<u>73,412</u>
TOTAL 14.872				<u>755,508</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>				<b><u>\$ 6,610,164</u></b>

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**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued  
YEAR ENDED MARCH 31, 2017

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the County of DeKalb and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Housing Authority of the County of DeKalb has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

**Note 3 - Subrecipients**

Housing Authority of the County of DeKalb provided no federal awards to subrecipients during the fiscal year ended March 31, 2017.

**Note 4 - Disclosure of Other Forms of Assistance**

The Housing Authority of the County of DeKalb received no federal awards of non-monetary assistance that are required to be disclosed for the year end March 31, 2017.

The Housing Authority of the County of DeKalb had no loans or loan guarantees required to be disclosed for the year ended March 31, 2017.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB  
DeKalb, Illinois**

**OTHER REPORTS**

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

To the Board of Commissioners  
Housing Authority of the County of DeKalb  
DeKalb, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Housing Authority of the County of DeKalb (the "Housing Authority"), as of and for the year ended March 31, 2017, and the related notes to financial statements, which collectively comprise the Housing Authority's basic financial statements, and have issued our report hereon dated August 16, 2017.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Housing Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
August 16, 2017

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

To the Board of Commissioners  
Housing Authority of the County of DeKalb  
DeKalb, Illinois

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

We have audited Housing Authority of the County of DeKalb's (the "Housing Authority") compliance with the types of compliance requirements described in the OMB *Circular Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended March 31, 2017. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2017.

## Report on Internal Control Over Compliance

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

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

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

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

*Hawkins Ash CPAs, LLP*

La Crosse, Wisconsin  
August 16, 2017

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2017**

**Section I - Summary of Auditors' Results**

*Basic Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of federal major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program</u>
14.871	Section 8 Housing Choice Voucher
14.872	Public Housing Capital Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Section II - Financial Statement Findings - None**

**Section III - Federal and State Award Findings and Questioned Costs - None**

**Section IV - Status of Prior Year Findings - None**