

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

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT**

MARCH 31, 2018

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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, 2018, 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, 2018, 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 statement and certification 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, statement and certification 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, statement and certification of actual modernization costs, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 16, 2018, 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, 2018

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**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, 2018

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, 2018. 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 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 has the capacity to serve 66 households and is currently assisting 61 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 in DeKalb Illinois. Hinckley apartments is in Hinckley Illinois.

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
MANAGEMENT DISCUSSION AND ANALYSIS - Continued
YEAR ENDED MARCH 31, 2018

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, 2018 by \$9,968,898 (net position).
- The Housing Authority's net investment in capital assets as of March 31, 2018 was \$7,536,278.
- The Housing Authority's total revenue for the fiscal year ended March 31, 2018 was \$7,737,287.
- The Housing Authority's total expenses for the fiscal year ended March 31, 2018 was \$8,271,436. The Housing Authority's total combined expenses exceed its total combined revenues by \$534,149 (due to a decrease in capital fund grant revenue requested during the FY and an increase in HCV HAP expense).

ANALYSIS OF FINANCIAL STATEMENTS:

STATEMENT OF NET POSITION

	<u>2018</u>	<u>2017</u>	<u>INCREASE (DECREASE)</u>
ASSETS			
Cash and investments	\$ 2,609,684	\$ 2,623,374	\$ (13,690)
Other current assets	129,982	105,412	24,570
Capital assets	<u>8,107,177</u>	<u>8,637,645</u>	<u>(530,468)</u>
TOTAL ASSETS	<u>10,846,843</u>	<u>11,366,431</u>	<u>(519,588)</u>
LIABILITIES			
Current liabilities	341,249	309,797	31,452
Noncurrent liabilities	<u>536,696</u>	<u>553,587</u>	<u>(16,891)</u>
TOTAL LIABILITIES	<u>877,945</u>	<u>863,384</u>	<u>14,561</u>
NET POSITION			
Net investment in capital assets	7,536,278	8,054,370	(518,092)
Restricted	84,479	235,392	(150,913)
Unrestricted	<u>2,348,141</u>	<u>2,213,285</u>	<u>134,856</u>
TOTAL NET POSITION	<u>9,968,898</u>	<u>10,503,047</u>	<u>(534,149)</u>

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
MANAGEMENT DISCUSSION AND ANALYSIS - Continued
YEAR ENDED MARCH 31, 2018

ANALYSIS OF FINANCIAL STATEMENTS - Continued:

The net decrease in capital assets is due to accumulated depreciation posted this fiscal year.

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,			
	2018		2017	
	AMOUNT	%	AMOUNT	%
REVENUE				
Tenant rental revenue	\$ 1,334,468	17	\$ 1,274,714	16
HUD operating and capital grants	5,982,716	78	6,610,164	81
Other operating revenue	411,770	5	291,533	3
Interest	8,333	-	1,967	-
TOTAL REVENUE	7,737,287	100	8,178,378	100
EXPENSES				
Administrative expenses	1,338,640	16	1,292,937	17
Tenant services	30,734	-	28,949	-
Utilities	236,954	3	227,237	3
Maintenance and operations	839,912	10	968,679	12
General expenses	288,418	4	244,971	3
Protective services	18,871	-	13,354	-
Housing assistance payments	4,649,709	57	4,267,933	55
Depreciation	847,608	10	750,748	10
Interest expense	18,525	-	18,215	-
Loss on disposition of capital asset	2,065	-	7,749	-
TOTAL EXPENSES	8,271,436	100	7,820,772	100
CHANGE IN NET POSITION	\$ (534,149)		\$ 357,606	

The increase in tenant revenue is due to rent collected which is affected by changes in tenant income. The decrease in HUD operating and capital grants is due to less capital fund grant projects being completed in the fiscal year (FY17 \$649,453 vs. FY18 \$63,850). Other operating revenue increase is due to tenant rehab charge income and U of I grant funds received at Briarwood Apartments. Administrative expense increase is due to wages, employee benefits and asset management fee increase. Maintenance and operations decrease due to several Public Housing projects completed in FY17 that were not needed in FY18 (Civic 1st floor abatement, sidewalk grinding and TSP phone line repair). General expense increase due to collection loss write offs and AHRMA insurance premium. The increase in Housing assistance payments is a result of tenant income as utilization was consistent between FY17 and FY18. Depreciation increased due to newly transferred capital fund assets being depreciated.

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
MANAGEMENT DISCUSSION AND ANALYSIS - Continued
YEAR ENDED MARCH 31, 2018

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 income of \$2,276, while the actual result was an operating income of \$117,971. Capital projects completed during the year include Lewis drainage project, Lewis and Garden new security cameras, Civic water softener replacement and unit asbestos abatements. Ordinary maintenance was closely monitored and finished under budget.

Section 8 Choice Vouchers - The Housing Authority earned \$4,120,452 in annual contributions. The Restricted Net Position (consisting of excess housing assistance payments contributed) decreased to \$84,479 from \$235,392 the previous fiscal year, and annual budget authority was utilized to assist 100% of the 611 baseline units. The program ended with earnings of \$68,463.

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 \$380,227 through rental assistance payments which assisted 61 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 \$33,334.

Business Activities - Since the purchase of Briarwood apartments in December 2012, occupancy has increased from 80% to 97%. The Board approved a budget revision anticipating an operating income of \$191,110, while the actual result was an operating income of \$236,998. Capital projects completed during the year include roof replacement and 24 new gas furnaces and AC condensing units. The Hinckley property operates as an affordable housing complex. The property finished the year with operating income of \$9,802. The agency expects continued increases in income for this property. The Sunset house net earnings were \$2,663.

CAPITAL ASSETS AND DEBT ADMINISTRATION:

Capital Assets

As of year-end, the Housing Authority had \$8,107,177 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$530,468 from the end of 2017. This net decrease is due to a combination of building improvements related to carpet replacement, 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, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION - Continued:

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

	<u>2018</u>	<u>2017</u>
Land	\$ 957,985	\$ 957,985
Land improvements	858,354	844,437
Buildings and improvements	17,959,063	17,955,102
Equipment	<u>1,924,708</u>	<u>1,655,935</u>
SUBTOTAL	21,700,110	21,413,459
Less accumulated depreciation	<u>(13,592,933)</u>	<u>(12,775,814)</u>
NET CAPITAL ASSETS	<u>\$ 8,107,177</u>	<u>\$ 8,637,645</u>

Debt Outstanding

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

	<u>2018</u>	<u>2017</u>
Note payable	<u>\$ 570,899</u>	<u>\$ 583,275</u>

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, 2018

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 2,430,488
Cash and cash equivalents - restricted	179,196
Receivables	
Tenants, net of allowance for doubtful accounts	10,685
Other, net of allowance for doubtful accounts	23,686
Notes receivable	24,290
Interest	6,290
Inventory	19,186
Prepaid expenses	45,845
TOTAL CURRENT ASSETS	<u>2,739,666</u>

NONCURRENT ASSETS

Land	957,985
Land improvements	858,354
Buildings and improvements	17,959,063
Equipment	1,924,708
Less accumulated depreciation	<u>(13,592,933)</u>
TOTAL NONCURRENT ASSETS	<u>8,107,177</u>

TOTAL ASSETS

\$ 10,846,843

LIABILITIES AND NET POSITION

LIABILITIES

CURRENT LIABILITIES

Accounts payable	\$ 30,625
Accrued payroll liabilities	55,311
Compensated absences	18,633
Unearned revenue	9,399
Due to other governments	65,391
Tenants' security deposits	94,717
Other current liabilities	32,970
Current portion of notes payable	<u>34,203</u>
TOTAL CURRENT LIABILITIES	341,249

NONCURRENT LIABILITIES

Notes payable	<u>536,696</u>
TOTAL LIABILITIES	<u>877,945</u>

NET POSITION

Net investment in capital assets	7,536,278
Restricted	84,479
Unrestricted	<u>2,348,141</u>
TOTAL NET POSITION	<u>9,968,898</u>

TOTAL LIABILITIES AND NET POSITION

\$ 10,846,843

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, 2018

OPERATING REVENUE	
Dwelling rental	\$ 1,334,468
Operating grants	5,918,866
Other operating revenue	<u>411,770</u>
TOTAL OPERATING REVENUE	<u>7,665,104</u>
OPERATING EXPENSES	
Administration	1,338,640
Tenant services	30,734
Utilities	236,954
Maintenance and operations	839,912
General expenses	288,418
Protective services	18,871
Housing assistance payments	4,649,709
Depreciation	<u>847,608</u>
TOTAL OPERATING EXPENSES	<u>8,250,846</u>
OPERATING (LOSS)	<u>(585,742)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest income	8,333
(Loss) on disposition of fixed assets	(2,065)
Interest expense	<u>(18,525)</u>
NET NONOPERATING (EXPENSES)	<u>(12,257)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(597,999)
CAPITAL GRANTS	<u>63,850</u>
CHANGE IN NET POSITION	(534,149)
NET POSITION AT BEGINNING OF YEAR	<u>10,503,047</u>
NET POSITION AT END OF YEAR	<u>\$ 9,968,898</u>

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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from tenants/participants	\$ 1,309,787
Cash received from operating grants	5,918,866
Other income received	393,886
Cash payments to vendors	(1,627,256)
Cash payments to employees	(1,081,341)
Cash payments for housing assistance	(4,649,709)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>264,233</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Capital grants	63,850
Acquisition of capital assets	(299,425)
Principal payments	(32,156)
Interest paid	(18,525)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(286,256)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest received	<u>8,333</u>
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NET (DECREASE) IN CASH AND CASH EQUIVALENTS (13,690)

CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR 2,623,374

CASH AND CASH EQUIVALENTS AT END OF YEAR \$ 2,609,684

NON-CASH INVESTING ITEMS:

Equipment acquired under capital lease	<u>\$ 19,780</u>
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(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, 2018

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

Cash and cash equivalents	\$ 2,430,488
Cash and cash equivalents - restricted	179,196
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	<u>\$ 2,609,684</u>

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

CASH FLOWS FROM OPERATING ACTIVITIES

Operating (loss)	\$ (585,742)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	847,608
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(15,466)
Notes receivable	5,180
Interest receivable	(6,290)
Inventory	(1,565)
Prepaid expenses	(6,429)
Increase in liabilities	
Accounts payable	5,904
Accrued expenses	8,752
Unearned revenue	392
Due to other governments	7,536
Tenants' security deposits	4,353
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 264,233</u>

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, 2018

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, 2018

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 \$16,607 for Section 8 Choice Vouchers at March 31, 2018.

Note Receivable - At March 31, 2018, the Housing Authority has a note receivable balance of \$24,290, 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, 2018.

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, 2018 was \$18,633, 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, 2018

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, 2018. 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, 2018, 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, 2018

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, 2018, the Housing Authority reported cash and cash equivalents as follows:

Cash and cash equivalents	\$ 2,430,488
Cash and cash equivalents - restricted	179,196
TOTAL	<u>\$ 2,609,684</u>

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, 2018, 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, 2018, \$2,107,139 of the Housing Authority's bank balance of \$2,615,782 was exposed to custodial credit risk as follows:

Uninsured, collateralized by bank	\$ 1,807,139
Uninsured and uncollateralized	300,000
	<u>\$ 2,107,139</u>

NOTE 3 - Capital Assets

A summary of changes in capital assets is as follows:

	BALANCE 04/01/17	ADDITIONS	RETIREMENTS	ADJUSTMENTS	BALANCE 03/31/18
<i>Capital assets not being depreciated:</i>					
Land	\$ 957,985	\$ -	\$ -	\$ -	\$ 957,985
<i>Capital assets being depreciated:</i>					
Buildings and improvements	17,955,102	121,375	-	(117,414)	17,959,063
Land improvements	844,437	12,248	-	1,669	858,354
Equipment	1,655,935	185,582	(32,554)	115,745	1,924,708
Total capital assets being depreciated	20,455,474	319,205	(32,554)	-	20,742,125
Less accumulated depreciation	(12,775,814)	(847,608)	30,489	-	(13,592,933)
Total capital assets being depreciated, net of accumulated depreciation	7,679,660	(528,403)	(2,065)	-	7,149,192
NET CAPITAL ASSETS	<u>\$ 8,637,645</u>	<u>\$ (528,403)</u>	<u>\$ (2,065)</u>	<u>\$ -</u>	<u>\$ 8,107,177</u>

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
MARCH 31, 2018

NOTE 4 - Long-Term Obligations

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

Summary of Long-Term Obligations

	BALANCE 04/01/17	ADDITIONS	REDUCTIONS	BALANCE 03/31/18	AMOUNT DUE WITHIN ONE YEAR
Compensated absences	\$ 15,923	\$ 2,710	\$ -	\$ 18,633	\$ 18,633
Note payable	583,275	-	(29,342)	553,933	30,591
Copier lease	-	19,780	(2,814)	16,966	3,612
	<u>\$ 599,198</u>	<u>\$ 22,490</u>	<u>\$ (32,156)</u>	<u>\$ 589,532</u>	<u>\$ 52,836</u>

At March 31, 2018, 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

\$ 553,933

Less current portion

30,591

LONG-TERM PORTION

\$ 523,342

Capital Lease

The Housing Authority entered into a lease purchase agreement in fiscal year 2018 to acquire two copy machines. The lease agreement qualifies as a capital lease (option for title transfer at the end of the lease) and has been recorded at the present value of the future minimum lease payment as of the date of the inception. The interest rate related to the lease agreement is 7.356 percent and the maturity date is May 24, 2022.

Copier Lease

\$ 19,780

Less: Accumulated Depreciation

2,355

\$ 17,425

Depreciation expense on capitalized lease assets was \$2,355 the year ended March 31, 2018.

Maturities of Long-Term Debt

Maturities of the bond payable and capital lease at March 31, 2018, are:

YEARS	BOND		CAPITAL LEASE	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2019	\$ 30,591	\$ 16,176	\$ 3,612	\$ 1,128
2020	31,521	15,246	3,887	853
2021	491,821	10,806	4,183	557
2022	-	-	4,501	239
2023	-	-	783	7
TOTAL	<u>\$ 553,933</u>	<u>\$ 42,228</u>	<u>\$ 16,966</u>	<u>\$ 2,784</u>

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
MARCH 31, 2018

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 2018 totaled \$65,430 and is included in other operating revenue in the accompanying financial statements. The minimum future receipts under these leases are as follows:

2019	\$ 61,830
2020	47,310
2021	48,960
2022	50,460
2023	50,460

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 \$11,859 for the year ended March 31, 2018. 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 \$114,808 for the year ended March 31, 2018. Total payroll expense for the Housing Authority was \$810,289.

NOTE 7 - Net Position

The following is a summary of individual net position restrictions at March 31, 2018:

<u>Program</u>	<u>Purpose</u>	<u>Amount</u>
<u>Restricted</u>		
Section 8 Choice Vouchers	Future HAP expenditures	<u>\$ 84,479</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.

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
MARCH 31, 2018

NOTE 9 - Economic Dependency

The Housing Authority received approximately 77 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, 2018

ASSETS	PUBLIC HOUSING		BUSINESS ACTIVITIES - HINCKLEY	SECTION 8 NEW CONSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2			
CURRENT ASSETS					
Cash and cash equivalents	\$ 417,305	\$ 76,373	\$ 146,769	\$ 441,020	\$ 928,717
Cash and cash equivalents - restricted	24,925	6,750	4,187	2,649	36,161
Receivables					
Tenants, net of allowance for doubtful accounts	1,771	4,846	291	104	3,471
Other, net of allowance for doubtful accounts	-	-	-	-	-
Notes receivable	3,779	7,234	-	-	-
Interest	1,162	121	-	1,348	3,145
Inventory	5,972	-	50	-	1,155
Prepaid expenses	10,937	2,004	513	623	4,427
TOTAL CURRENT ASSETS	465,851	97,328	151,810	445,744	977,076
NONCURRENT ASSETS					
Land	130,027	515,273	27,000	12,000	115,000
Land improvements	222,357	233,294	3,847	90,544	16,458
Buildings and improvements	8,002,546	2,115,094	465,156	672,336	1,369,053
Equipment	643,129	150,751	58,066	45,449	213,859
Less accumulated depreciation	(5,650,066)	(2,012,122)	(370,619)	(523,188)	(273,809)
TOTAL NONCURRENT ASSETS	3,347,993	1,002,290	183,450	297,141	1,440,561
TOTAL ASSETS	\$ 3,813,844	\$ 1,099,618	\$ 335,260	\$ 742,885	\$ 2,417,637

(Continued on page 22)

HOUSING AUTHORITY OF THE COUNTY OF DEKALB

DeKalb, Illinois

COMBINING STATEMENT OF NET POSITION - Continued

MARCH 31, 2018

ASSETS	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	TOTAL
CURRENT ASSETS					
Cash and cash equivalents	\$ 24,286	\$ -	\$ 64,049	\$ 102,808	\$ 2,430,488
Cash and cash equivalents - restricted	-	-	84,479	-	179,196
Receivables					
Tenants, net of allowance for doubtful accounts	-	-	-	-	10,685
Other, net of allowance for doubtful accounts	-	-	23,686	-	23,686
Notes receivable	-	-	-	-	24,290
Interest	-	-	-	-	6,290
Inventory	-	-	-	3,786	19,186
Prepaid expenses	-	-	1,301	12,945	45,845
TOTAL CURRENT ASSETS	<u>24,286</u>	<u>-</u>	<u>173,515</u>	<u>119,539</u>	<u>2,739,666</u>
NONCURRENT ASSETS					
Land	-	-	-	-	957,985
Land improvements	-	4,990	-	-	858,354
Buildings and improvements	-	245,124	-	242,533	17,959,063
Equipment	-	47,205	51,844	180,430	1,924,708
Less accumulated depreciation	-	(23,768)	(40,844)	(322,243)	(13,592,933)
TOTAL NONCURRENT ASSETS	<u>-</u>	<u>273,551</u>	<u>11,000</u>	<u>100,720</u>	<u>8,107,177</u>
TOTAL ASSETS	<u>\$ 24,286</u>	<u>\$ 273,551</u>	<u>\$ 184,515</u>	<u>\$ 220,259</u>	<u>\$ 10,846,843</u>

(Continued on page 23)

HOUSING AUTHORITY OF THE COUNTY OF DEKALB

DeKalb, Illinois

COMBINING STATEMENT OF NET POSITION - Continued

MARCH 31, 2018

LIABILITIES AND NET POSITION

LIABILITIES

CURRENT LIABILITIES

Accounts payable
Accrued payroll liabilities
Compensated absences
Unearned revenue
Due to other governments
Tenants' security deposits
Other accrued liabilities
Current portion of note payable

TOTAL CURRENT LIABILITIES

NONCURRENT LIABILITIES

Notes payable

TOTAL LIABILITIES

NET POSITION

Net investment in capital assets
Restricted
Unrestricted

TOTAL NET POSITION

TOTAL LIABILITIES AND NET POSITION

PUBLIC HOUSING				BUSINESS ACTIVITIES - HINCKLEY		SECTION 8 NEW CONSTRUCTION		BUSINESS ACTIVITIES	
AMP 1		AMP 2		AMP 3					
\$	11,754	\$	1,665	\$	6,570	\$	421	\$	1,590
	18,819		1,596		8,927		-		-
	3,247		806		3,895		-		-
	3,640		2,532		2,456		176		88
	27,485		8,548		25,565		-		-
	24,925		6,750		20,045		4,187		2,649
	17,364		357		5,502		1,870		3,490
	-		-		-		-		-
	107,234		22,254		72,960		6,654		7,817
	-		-		-		-		-
	107,234		22,254		72,960		6,654		7,817
	3,347,993		1,002,290		1,450,471		183,450		297,141
	-		-		-		-		-
	358,617		75,074		211,557		145,156		437,927
	3,706,610		1,077,364		1,662,028		328,606		735,068
	\$ 3,813,844		\$ 1,099,618		\$ 1,734,988		\$ 335,260		\$ 742,885
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(Continued on page 24)

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
COMBINING STATEMENT OF NET POSITION - Continued
MARCH 31, 2018

<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>
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 3,819	\$ 1,470	\$ 30,625
Accrued payroll liabilities	-	-	6,563	16,011	55,311
Compensated absences	-	-	2,104	7,206	18,633
Unearned revenue	-	-	-	-	9,399
Due to other governments	-	-	3,793	-	65,391
Tenants' security deposits	-	-	-	-	94,717
Other accrued liabilities	-	-	-	1,058	32,970
Current portion of note payable	-	-	-	3,612	34,203
TOTAL CURRENT LIABILITIES	-	-	16,279	29,357	341,249
NONCURRENT LIABILITIES					
Notes payable	-	-	-	13,354	536,696
TOTAL LIABILITIES	-	-	16,279	42,711	877,945
NET POSITION					
Net investment in capital assets	-	273,551	11,000	83,754	7,536,278
Restricted	-	-	84,479	-	84,479
Unrestricted	24,286	-	72,757	93,794	2,348,141
TOTAL NET POSITION	24,286	273,551	168,236	177,548	9,968,898
TOTAL LIABILITIES AND NET POSITION	\$ 24,286	\$ 273,551	\$ 184,515	\$ 220,259	\$ 10,846,843

HOUSING AUTHORITY OF THE COUNTY OF DEKALB

DeKalb, Illinois

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION YEAR ENDED MARCH 31, 2018

	PUBLIC HOUSING			BUSINESS ACTIVITIES - HINCKLEY	SECTION 8 NEW CONSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2	AMP 3			
OPERATING REVENUE						
Dwelling rental	\$ 399,811	\$ 88,173	\$ 308,298	\$ 78,273	\$ 24,840	\$ 435,073
Operating grants	410,174	92,954	268,466	-	83,849	-
Other operating revenue	120,866	19,312	13,945	5,339	7,307	90,167
TOTAL OPERATING REVENUE	930,851	200,439	590,709	83,612	115,996	525,240
OPERATING EXPENSES						
Administration	367,244	85,401	246,988	25,628	26,967	97,610
Tenant services	9,541	264	15,529	2,400	600	2,400
Utilities	124,929	2,894	52,641	8,651	10,791	27,915
Maintenance and operations	266,310	42,622	186,225	34,370	43,974	90,298
General expenses	93,018	34,878	60,876	4,548	3,850	24,721
Protective services	13,193	-	5,512	83	83	-
Housing assistance payments	-	-	-	-	-	-
Depreciation	299,464	135,172	237,675	21,634	26,741	79,080
TOTAL OPERATING EXPENSES	1,173,699	301,231	805,446	97,314	113,006	322,024
OPERATING (LOSS) INCOME	(242,848)	(100,792)	(214,737)	(13,702)	2,990	203,216
NONOPERATING REVENUE (EXPENSES)						
Interest income	1,554	192	738	173	1,698	3,593
(Loss) on disposition of fixed assets	(188)	-	(351)	-	-	-
Operating transfers in	(45,000)	10,000	-	-	-	-
Operating transfers out	-	-	35,000	-	-	-
Interest expense	-	-	-	-	-	(17,389)
NET NONOPERATING (EXPENSES) REVENUE	(43,634)	10,192	35,387	173	1,698	(13,796)
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(286,482)	(90,600)	(179,350)	(13,529)	4,688	189,420
CAPITAL GRANTS	-	-	-	-	-	-
CHANGE IN NET POSITION	(286,482)	(90,600)	(179,350)	(13,529)	4,688	189,420
NET POSITION AT BEGINNING OF YEAR	3,979,031	1,167,964	1,316,998	342,135	730,380	1,626,181
RESIDUAL EQUITY TRANSFER (OUT) IN	14,061	-	524,380	-	-	-
NET POSITION AT END OF YEAR	\$ 3,706,610	\$ 1,077,364	\$ 1,662,028	\$ 328,606	\$ 735,068	\$ 1,815,601

(Continued on page 26)

HOUSING AUTHORITY OF THE COUNTY OF DEKALB

DeKalb, Illinois

COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued YEAR ENDED MARCH 31, 2018

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	ELIMINATING ENTRY	TOTAL
OPERATING REVENUE						
Dwelling rental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,334,468
Operating grants	380,227	139,870	4,543,326	-	-	5,918,866
Other operating revenue	-	-	57,688	588,620	(491,474)	411,770
TOTAL OPERATING REVENUE	<u>380,227</u>	<u>139,870</u>	<u>4,601,014</u>	<u>588,620</u>	<u>(491,474)</u>	<u>7,665,104</u>
OPERATING EXPENSES						
Administration	17,188	43,575	324,861	594,244	(491,066)	1,338,640
Tenant services	-	-	-	-	-	30,734
Utilities	-	-	-	9,133	-	236,954
Maintenance and operations	-	96,295	30,287	49,939	(408)	839,912
General expenses	-	-	37,917	28,610	-	288,418
Protective services	-	-	-	-	-	18,871
Housing assistance payments	360,589	-	4,289,120	-	-	4,649,709
Depreciation	-	20,096	1,000	26,746	-	847,608
TOTAL OPERATING EXPENSES	<u>377,777</u>	<u>159,966</u>	<u>4,683,185</u>	<u>708,672</u>	<u>(491,474)</u>	<u>8,250,846</u>
OPERATING INCOME (LOSS)	<u>2,450</u>	<u>(20,096)</u>	<u>(82,171)</u>	<u>(120,052)</u>	<u>-</u>	<u>(585,742)</u>
NONOPERATING REVENUE (EXPENSES)						
Interest income	25	-	164	196	-	8,333
(Loss) on disposition of fixed assets	-	-	-	(1,526)	-	(2,065)
Operating transfers in	-	-	-	-	35,000	-
Operating transfers out	-	-	-	-	(35,000)	-
Interest expense	-	-	-	(1,136)	-	(18,525)
NET NONOPERATING REVENUE (EXPENSES)	<u>25</u>	<u>-</u>	<u>164</u>	<u>(2,466)</u>	<u>-</u>	<u>(12,257)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	<u>2,475</u>	<u>(20,096)</u>	<u>(82,007)</u>	<u>(122,518)</u>	<u>-</u>	<u>(597,999)</u>
CAPITAL GRANTS						
	-	63,850	-	-	-	63,850
CHANGE IN NET POSITION	<u>2,475</u>	<u>43,754</u>	<u>(82,007)</u>	<u>(122,518)</u>	<u>-</u>	<u>(534,149)</u>
NET POSITION AT BEGINNING OF YEAR	<u>21,811</u>	<u>768,238</u>	<u>250,243</u>	<u>300,066</u>	<u>-</u>	<u>10,503,047</u>
RESIDUAL EQUITY TRANSFER (OUT) IN	<u>-</u>	<u>(538,441)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION AT END OF YEAR	<u>\$ 24,286</u>	<u>\$ 273,551</u>	<u>\$ 168,236</u>	<u>\$ 177,548</u>	<u>\$ -</u>	<u>\$ 9,968,898</u>

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED MARCH 31, 2018

	PUBLIC HOUSING		BUSINESS ACTIVITIES - HINCKLEY	SECTION 8 NEW CONSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2			
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from tenants/participants	\$ 399,274	\$ 85,081	\$ 77,055	\$ 24,154	\$ 434,789
Cash received from operating grants	410,174	92,954	-	83,849	-
Other income received	120,955	19,934	5,387	5,992	85,165
Cash payments to vendors	(598,581)	(111,069)	(73,019)	(83,102)	(150,118)
Cash payments to employees	(261,869)	(54,978)	-	-	(76,857)
Cash payments for housing assistance	-	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	69,953	31,922	9,423	30,893	282,979
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Capital grants	-	-	-	-	-
Acquisition of capital assets	(35,201)	(21,716)	(7,736)	(14,205)	(128,477)
Principal payments	-	-	-	-	(29,342)
Interest paid	-	-	-	-	(17,389)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(35,201)	(21,716)	(7,736)	(14,205)	(175,208)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers (out) in	(45,000)	10,000	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,554	192	173	1,698	3,593
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(8,694)	20,398	1,860	18,386	111,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	450,924	62,725	149,096	425,283	853,514
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 442,230	\$ 83,123	\$ 150,956	\$ 443,669	\$ 964,878
NONCASH INVESTING ITEMS					
Equipment acquired under capital lease	-	-	-	-	-

(Continued on page 28)

HOUSING AUTHORITY OF THE COUNTY OF DEKALB DeKalb, Illinois

COMBINING STATEMENT OF CASH FLOWS - Continued YEAR ENDED MARCH 31, 2018

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	ELIMINATING ENTRY	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from tenants/participants	\$ 380,227	\$ 139,870	\$ 4,543,326	\$ -	\$ -	\$ 1,309,787
Cash received from operating grants	-	-	45,702	-	-	5,918,866
Other income received	-	-	(389,972)	588,620	(491,474)	393,886
Cash payments to vendors	-	(139,870)	-	(214,876)	491,474	(1,627,256)
Cash payments to employees	(17,188)	-	-	(464,684)	-	(1,081,341)
Cash payments for housing assistance	(360,589)	-	(4,289,120)	-	-	(4,649,709)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	2,450	-	(90,064)	(90,940)	-	264,233
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Capital grants	-	63,850	-	-	-	63,850
Acquisition of capital assets	-	(63,850)	-	(3,600)	-	(299,425)
Principal payments	-	-	-	(2,814)	-	(32,156)
Interest paid	-	-	-	(1,136)	-	(18,525)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-	(7,550)	-	(286,256)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating transfers in (out)	-	-	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	25	-	164	196	-	8,333
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,475	-	(89,900)	(98,294)	-	(13,690)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	21,811	-	238,428	201,102	-	2,623,374
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 24,286	\$ -	\$ 148,528	\$ 102,808	\$ -	\$ 2,609,684
NONCASH INVESTING ITEMS						
Equipment acquired under capital lease	\$ -	\$ -	\$ -	\$ 19,780	\$ -	\$ 19,780

(Continued on page 29)

HOUSING AUTHORITY OF THE COUNTY OF DEKALB DeKalb, Illinois

COMBINING STATEMENT OF CASH FLOWS - Continued YEAR ENDED MARCH 31, 2018

	PUBLIC HOUSING			BUSINESS ACTIVITIES - HINCKLEY	SECTION 8 NEW CONSTRUCTION	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	\$ 417,305	\$ 76,373	\$ 229,161	\$ 146,769	\$ 441,020	\$ 928,717
Cash and cash equivalents - restricted	24,925	6,750	20,045	4,187	2,649	36,161
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	\$ 442,230	\$ 83,123	\$ 249,206	\$ 150,956	\$ 443,669	\$ 964,878
<u>RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>						
Operating (loss) income	\$ (242,848)	\$ (100,792)	\$ (214,737)	\$ (13,702)	\$ 2,990	\$ 203,216
Adjustments to reconcile operating (loss) income to net cash provided by operating activities						
Depreciation	299,464	135,172	237,675	21,634	26,741	79,080
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	(919)	(4,324)	(50)	483	98	1,232
Notes receivable	8,330	1,087	(4,237)	-	-	-
Interest receivable	(1,162)	(121)	(514)	-	(1,348)	(3,145)
Inventory	(444)	-	(567)	(1)	-	(519)
Prepaid expenses	(204)	(7)	(6,438)	-	-	(234)
(Decrease) Increase in liabilities						
Accounts payable	(1,125)	(45)	2,429	91	978	483
Accrued expenses	4,234	(361)	619	171	1,585	3,839
Unearned revenue	1,251	743	174	48	33	(1,857)
Due to other governments	1,783	161	2,311	-	-	-
Tenants' security deposits	1,593	409	952	699	(184)	884
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 69,953	\$ 31,922	\$ 17,617	\$ 9,423	\$ 30,893	\$ 282,979

(Continued on page 30)

HOUSING AUTHORITY OF THE COUNTY OF DEKALB DeKalb, Illinois

COMBINING STATEMENT OF CASH FLOWS - Continued YEAR ENDED MARCH 31, 2018

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COC	ELIMINATING ENTRY	TOTAL
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION						
Cash and cash equivalents	\$ 24,286	\$ -	\$ 64,049	\$ 102,808	\$ -	\$ 2,430,488
Cash and cash equivalents - restricted	-	-	84,479	-	-	179,196
CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION	\$ 24,286	\$ -	\$ 148,528	\$ 102,808	\$ -	\$ 2,609,684
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,450	\$ (20,096)	\$ (82,171)	\$ (120,052)	\$ -	\$ (585,742)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	-	20,096	1,000	26,746	-	847,608
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	-	-	(11,986)	-	-	(15,466)
Notes receivable	-	-	-	-	-	5,180
Interest receivable	-	-	-	-	-	(6,290)
Inventory	-	-	-	(34)	-	(1,565)
Prepaid expenses	-	-	(88)	542	-	(6,429)
Increase (decrease) in liabilities						
Accounts payable	-	-	3,277	(184)	-	5,904
Accrued expenses	-	-	(3,377)	2,042	-	8,752
Unearned revenue	-	-	-	-	-	392
Due to other governments	-	-	3,281	-	-	7,536
Tenants' security deposits	-	-	-	-	-	4,353
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ 2,450	\$ -	\$ (90,064)	\$ (90,940)	\$ -	\$ 264,233

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
YEAR ENDED MARCH 31, 2018

ANNUAL CONTRIBUTIONS CONTRACT

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

	<u>IL06P089501-16</u>
Funds approved	\$ 410,268
Funds expended	410,268
EXCESS (DEFICIENCY) OF FUNDS APPROVED	<u><u>\$ -</u></u>
HUD grants	\$ 410,268
Funds expended	410,268
EXCESS (DEFICIENCY) OF FUNDS EXPENDED	<u><u>\$ -</u></u>

2. The distribution of costs as shown on the Final Statement of Modernization Costs dated January 29, 2018, 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, 2018

GRANTOR/PASS THROUGH AGENCY/ PROGRAM TITLE AND GRANT NUMBER	FEDERAL CATALOG NUMBER	PASS-THROUGH GRANT		PASS-THROUGH TO SUBRECIPIENTS		FEDERAL EXPENDITURES
		IDENTIFICATION NUMBER	NUMBER	NUMBER	NUMBER	
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs</u>						
Section 8 Project-Based Cluster						
Section 8 Housing Choice Vouchers	14.871	N/A		-		\$ 4,543,326
Public and Indian Housing	14.850	N/A		-		771,594
Section 8 New Construction	14.182	N/A		-		83,849
Continuum of Care Program	14.267	N/A		-		380,227
Public Housing Capital Funds	14.872	N/A		-		203,720
						<u>\$ 5,982,716</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS						

TOTAL EXPENDITURES OF FEDERAL AWARDS

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 - 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 ended March 31, 2018.

The Housing Authority of the County of DeKalb had no loans or loan guarantees required to be disclosed for the year ended March 31, 2018.

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

OTHER REPORTS

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**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, 2018, 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, 2018.

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, 2018

**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, 2018. 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 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, 2018.

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, 2018

HOUSING AUTHORITY OF THE COUNTY OF DEKALB
DeKalb, Illinois
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED MARCH 31, 2018

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 program:

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

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

