

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

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORT**

**MARCH 31, 2016**

**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, 2016, 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, 2016, 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 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 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 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 31, 2016, 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 31, 2016

**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, 2016**

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, 2016. 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 539 regular vouchers and 25 VASH vouchers and contracts with independent landlords that own the property. 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 individuals.
- *Rural Rental Housing* - The Rural Rental Housing program supports a twelve unit property that serves elderly and disabled individuals located in Hinckley Illinois. As of July 2015, the mortgage has been paid in full and operates as an affordable housing complex. This property will be moved under Business Activities next fiscal year.
- *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 and Briarwood apartments, a 48-unit affordable housing complex, both located in DeKalb Illinois.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**MANAGEMENT DISCUSSION AND ANALYSIS - Continued**  
**YEAR ENDED MARCH 31, 2016**

**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, 2016 by \$10,145,441 (net position).
- The Housing Authority's net investment in capital assets as of March 31, 2016 was 7,833,763.
- The Housing Authority's total revenue for the fiscal year ended March 31, 2016 was \$7,552,737.
- The Housing Authority's total expenses for the fiscal year ended March 31, 2016 was \$7,780,709. Therefore, the Housing Authority's total combined expenses exceed its total combined revenue by \$227,972.

**ANALYSIS OF FINANCIAL STATEMENTS:**

**STATEMENT OF NET POSITION**

	<u>2016</u>	<u>2015</u>	<u>INCREASE (DECREASE)</u>
<b>ASSETS</b>			
Cash and investments	\$ 2,518,634	\$ 2,365,308	\$ 129,893
Other current assets	122,540	114,594	7,946
Capital assets	<u>8,445,504</u>	<u>8,881,071</u>	<u>(435,567)</u>
<b>TOTAL ASSETS</b>	<u>11,086,618</u>	<u>11,360,973</u>	<u>(297,728)</u>
<b>LIABILITIES</b>			
Current liabilities	358,308	309,949	48,359
Noncurrent liabilities	<u>582,929</u>	<u>685,805</u>	<u>(102,876)</u>
<b>TOTAL LIABILITIES</b>	<u>941,237</u>	<u>995,754</u>	<u>(54,517)</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,833,763	8,161,204	(327,441)
Restricted	54,337	45,771	8,566
Unrestricted	<u>2,257,341</u>	<u>2,158,244</u>	<u>75,664</u>
<b>TOTAL NET POSITION</b>	<u>10,145,441</u>	<u>10,365,219</u>	<u>(243,211)</u>



**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**MANAGEMENT DISCUSSION AND ANALYSIS - Continued**  
**YEAR ENDED MARCH 31, 2016**

**ANALYSIS OF FINANCIAL STATEMENTS - Continued:**

The net increase in cash and investments is due to an increase in subsidy proration for the Public Housing and Housing Choice Voucher programs. The net decrease in capital assets is due to depreciating the assets. The decrease in liabilities is due to paying off the Rural Development loan.

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,			
	2016		2015	
	AMOUNT	%	AMOUNT	%
<b>REVENUE</b>				
Tenant revenue	\$ 1,235,968	16	\$ 1,189,250	16
HUD operating and capital grants	5,854,093	78	6,051,064	78
Other operating revenue	460,457	6	490,869	6
Interest	2,219	-	2,199	-
<b>TOTAL REVENUE</b>	<u>7,552,737</u>	<u>100</u>	<u>7,733,382</u>	<u>100</u>
<b>EXPENSES</b>				
Administrative expenses	1,196,161	15	1,225,570	15
Tenant services	25,325	-	26,578	-
Utilities	221,916	3	273,633	4
Maintenance and operations	929,905	12	841,567	11
General expenses	283,672	4	230,725	3
Protective services	23,102	-	26,414	-
Housing assistance payments	4,316,474	56	4,557,275	57
Depreciation	761,943	10	779,675	10
Interest expense	20,782	-	24,877	-
Loss on disposition of capital asset	1,429	-	-	-
<b>TOTAL EXPENSES</b>	<u>7,780,709</u>	<u>100</u>	<u>7,986,314</u>	<u>100</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (227,972)</u>		<u>\$ (252,932)</u>	

The increase in total tenant revenue is due to higher rents earned. The decrease in HUD operating and capital grants is due to a decrease in capital fund grants and Continuum of Care grants received. The Continuum's fiscal year changed and resulted in 21 months of activity being included in the FY15 audit. Utility expense decreased due to milder winter. Maintenance and operations increased due to maintenance temps and unit asbestos abatements. General Expense increase due to property insurance increase and bad debt expense. The majority of the decrease in Housing assistance payments is due to the Continuum's fiscal year change in the previous year. 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, 2016**

**BUDGETARY HIGHLIGHTS:**

*Low-Rent Public Housing (Operations Only)* - All programs, except Garden Estates, 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 \$70,253, while the actual result was an operating income of \$253,900. Many capital projects were also completed during fiscal year 2016. Ordinary maintenance was closely monitored and finished under budget.

*Section 8 Choice Vouchers* - The Housing Authority earned \$3,992,829 in annual contributions. The Restricted Net Position (consisting of excess housing assistance payments contributed) increased to \$54,337 from \$45,771 the previous fiscal year, and annual budget authority was utilized to assist 100% of the 564 baseline units. The program ended with earnings of \$1,262 well above the (\$39,373) budgeted deficit. Admin fee proration increase and fraud income contributed to the improved earnings.

*Continuum of Care* - The Housing Authority manages the properties covered by this grant for the DeKalb County Residential Development Corporation (DCRDC), a non-profit entity. The program earned \$354,698 in annual contributions which assisted 66 units.

*Rural Rental Housing* - The Rural Development loan balance of \$78,278 was paid off July 2015. The property operates as an affordable housing complex. The property now has greater earning potential that will help to build reserves for capital improvements.

*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.

*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 \$92,348, while the actual result was an operating income of \$132,420. Many capital projects were completed during the year including roof replacement and new windows.

**CAPITAL ASSETS AND DEBT ADMINISTRATION:**

**Capital Assets**

As of year-end, the Housing Authority had \$8,445,504 invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, deductions, and depreciation) of \$435,567 from the end of 2015. This net decrease is due to the continued depreciation of aging assets.

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**MANAGEMENT DISCUSSION AND ANALYSIS - Continued**  
**YEAR ENDED MARCH 31, 2016**

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

<b>Capital Assets at Year-End (Net of Depreciation)</b>		
	<u>2016</u>	<u>2015</u>
Land	\$ 957,985	\$ 957,985
Land improvements	828,312	795,774
Buildings and improvements	17,174,117	16,866,478
Equipment	<u>1,527,620</u>	<u>1,564,134</u>
<b>SUBTOTAL</b>	20,488,034	20,184,371
Less accumulated depreciation	(12,042,530)	(11,303,300)
<b>NET CAPITAL ASSETS</b>	<b><u>\$ 8,445,504</u></b>	<b><u>\$ 8,881,071</u></b>

**Debt Outstanding**

FY15 debt balance includes the Rural Development mortgage and the Briarwood Apartments bond balance. The Authority paid off the Rural Development mortgage of \$78,278 in July 2015. The FY16 debt balance represents the Briarwood bond. The net decrease is due to paying off the Rural Development mortgage and Briarwood current year principal payments.

	<u>2016</u>	<u>2015</u>
Note payable	<b><u>\$ 611,741</u></b>	<b><u>\$ 719,867</u></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, 2016**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 2,376,132
Cash and cash equivalents - restricted	142,502
Receivables	
Tenants, net of allowance for doubtful accounts	10,698
Other, net of allowance for doubtful accounts	13,963
Notes receivable	31,464
Inventory	23,249
Prepaid expenses	43,166
<b>TOTAL CURRENT ASSETS</b>	<b><u>2,641,174</u></b>

**NONCURRENT ASSETS**

Land	957,985
Land improvements	828,312
Buildings and improvements	17,174,117
Equipment	1,527,620
Less accumulated depreciation	<u>(12,042,530)</u>
<b>TOTAL NONCURRENT ASSETS</b>	<b><u>8,445,504</u></b>

**TOTAL ASSETS**

**\$ 11,086,678**

**LIABILITIES AND NET POSITION**

**CURRENT LIABILITIES**

Accounts payable	\$ 38,774
Accrued payroll liabilities	55,625
Compensated absences	17,597
Unearned revenue	37,689
Due to other governments	57,016
Tenants' security deposits	88,165
Other current liabilities	34,630
Current portion of notes payable	<u>28,812</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>358,308</u></b>

**NONCURRENT LIABILITIES**

Notes payable	<u>582,929</u>
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**TOTAL LIABILITIES**

**941,237**

**NET POSITION**

Net investment in capital assets	7,833,763
Restricted	54,337
Unrestricted	<u>2,257,341</u>
<b>TOTAL NET POSITION</b>	<b><u>10,145,441</u></b>

**TOTAL LIABILITIES AND NET POSITION**

**\$ 11,086,678**

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, 2016**

OPERATING REVENUE	
Dwelling rental	\$ 1,235,968
Operating grants	5,825,974
Other operating revenue	<u>460,457</u>
TOTAL OPERATING REVENUE	<u>7,522,399</u>
OPERATING EXPENSES	
Administration	1,196,161
Tenant services	25,325
Utilities	221,916
Maintenance and operations	929,905
General expenses	283,672
Protective services	23,102
Housing assistance payments	4,316,474
Depreciation	<u>761,943</u>
TOTAL OPERATING EXPENSES	<u>7,758,498</u>
OPERATING (LOSS)	<u>(236,099)</u>
NONOPERATING REVENUE (EXPENSES)	
Interest income	2,219
(Loss) on disposition of fixed assets	(1,429)
Interest expense	<u>(20,782)</u>
NET NONOPERATING (EXPENSES)	<u>(19,992)</u>
CHANGE IN NET POSITION BEFORE CAPITAL GRANTS	(256,091)
CAPITAL GRANTS	<u>28,119</u>
CHANGE IN NET POSITION	(227,972)
NET POSITION AT BEGINNING OF YEAR	10,365,219
PRIOR PERIOD ADJUSTMENTS	<u>8,194</u>
NET POSITION AT END OF YEAR	<u>\$ 10,145,441</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, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from tenants/participants	\$ 1,205,447
Cash received from operating grants	5,786,183
Other income received	548,822
Cash payments to vendors	(1,591,045)
Cash payments to employees	(1,037,993)
Cash payments for housing assistance	(4,316,474)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u><b>594,940</b></u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Capital grants	28,119
Acquisition of capital assets	(343,044)
Principal payments	(108,126)
Interest paid	(20,782)
<b>NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u><b>(443,833)</b></u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Interest received	<u>2,219</u>
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<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>153,326</b>
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<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u><b>2,365,308</b></u>
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<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><b>\$ 2,518,634</b></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, 2016**

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

Cash and cash equivalents	\$ 2,376,132
Cash and cash equivalents - restricted	142,502
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b><u>\$ 2,518,634</u></b>

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

**CASH FLOWS FROM OPERATING ACTIVITIES**

Operating (loss)	\$ (236,099)
Adjustments to reconcile operating (loss) to net cash provided by operating activities	
Depreciation	761,943
Prior period adjustments	23,433
Changes in assets and liabilities	
(Increase) decrease in assets	
Accounts receivable	(6,126)
Notes receivable	(8,585)
Inventory	(756)
Prepaid expenses	7,522
Increase (decrease) in liabilities	
Accounts payable	21,445
Accrued expenses	4,081
Unearned revenue	26,652
Due to other governments	(5,138)
Tenants' security deposits	6,568
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 594,940</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, 2016**

**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), Rural Development, 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, 2016**

**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 \$15,186 for Section 8 Choice Vouchers at March 31, 2016.

**Note Receivable** - At March 31, 2016, the Housing Authority has a note receivable balance of \$31,464, 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, 2016.

**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, 2016 was \$17,597, 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, 2016**

**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, 2016. 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 31, 2016, 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, 2016**

**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, 2016, the Housing Authority reported cash and cash equivalents as follows:

Cash and cash equivalents	\$ 2,376,132
Cash and cash equivalents - restricted	<u>142,502</u>
<b>TOTAL</b>	<b><u>\$ 2,518,634</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, 2016, 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, 2016, \$2,051,462 of the Housing Authority's bank balance of \$2,527,449 was exposed to custodial credit risk as follows:

Uninsured, collateralized by bank	<b><u>\$2,051,462</u></b>
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**NOTE 3 - Capital Assets**

A summary of changes in capital assets is as follows:

	BALANCE 04/01/15	ADDITIONS	RETIREMENTS	TRANSFERS	BALANCE 03/31/16
<i>Capital assets not being depreciated:</i>					
Land	\$ 957,985	\$ -	\$ -	\$ -	\$ 957,985
<i>Capital assets being depreciated:</i>					
Buildings and improvements	16,866,478	236,148	(14,910)	86,401	17,174,117
Land improvements	795,774	49,730	-	(17,192)	828,312
Equipment	1,564,134	57,166	(7,279)	(86,401)	1,527,620
Total capital assets being depreciated	19,226,386	343,044	(22,189)	(17,192)	19,530,049
Less accumulated depreciation	(11,303,300)	(761,943)	20,760	1,953	(12,042,530)
Total capital assets being depreciated, net of accumulated depreciation	7,923,086	(418,899)	(1,429)	(15,239)	7,487,519
<b>NET CAPITAL ASSETS</b>	<b><u>\$ 8,881,071</u></b>	<b><u>\$ (418,899)</u></b>	<b><u>\$ (1,429)</u></b>	<b><u>\$ (15,239)</u></b>	<b><u>\$ 8,445,504</u></b>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued  
MARCH 31, 2016

**NOTE 4 - Long-Term Obligations**

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

**Summary of Long-Term Obligations**

	BALANCE 04/01/15	ADDITIONS	REDUCTIONS	BALANCE 03/31/16	AMOUNT DUE WITHIN ONE YEAR
Compensated absences	\$ 17,852	\$ -	\$ 255	\$ 17,597	\$ 17,597
Note payable	719,867	-	108,126	611,741	28,812
	<u>\$ 737,719</u>	<u>\$ -</u>	<u>\$ 108,381</u>	<u>\$ 629,338</u>	<u>\$ 46,409</u>

At March 31, 2016, long-term debt for the Housing Authority consist 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

Less current portion

**LONG-TERM PORTION**

\$ 611,741  
28,812  
**\$ 582,929**

**Maturities of Long-Term Debt**

Maturities of the bond payable at March 31, 2016, are:

<u>Years</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 28,812	\$ 17,955
2018	29,688	17,079
2019	30,591	16,176
2020	31,521	15,246
2021	491,129	10,806
<b>TOTAL</b>	<b><u>\$ 611,741</u></b>	<b><u>\$ 77,262</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 six 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 \$89,479 and is included in other operating revenue in the accompanying financial statements. The minimum future receipts under these leases are as follows:

2017	\$ 61,830
2018	61,830
2019	61,880
2020	47,310
2021	48,960

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued**  
**MARCH 31, 2016**

**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, 2016. 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 \$116,404 for the year ended March 31, 2016. Total payroll expense for the Housing Authority was \$831,464.

**NOTE 7 - Net Position**

The following is a summary of individual net position restrictions at March 31, 2016:

<u>Program</u>	<u>Purpose</u>	<u>Amount</u>
<u>Restricted</u>		
Section 8 Choice Vouchers	Future HAP expenditures	\$ <u>54,337</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 - Prior Period Adjustments**

The prior period adjustment is for items that were formerly capitalized, but should have been expensed and the addition of two bank accounts that were not previously on the Housing Authority's books.

**NOTE 10 - 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, 2016**

ASSETS	PUBLIC HOUSING			RURAL DEVELOPMENT	SECTION 8 NEW CONSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2	AMP 3			
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 493,843	\$ 86,536	\$ 245,872	\$ 161,717	\$ 375,222	\$ 769,633
Cash and cash equivalents - restricted	21,670	6,163	17,962	2,067	2,886	37,417
Receivables						
Tenants, net of allowance for doubtful accounts	874	539	107	8	882	8,288
Other, net of allowance for doubtful accounts	-	-	-	-	-	-
Notes receivable	19,682	5,762	6,020	-	-	-
Due from other programs	-	-	-	-	-	-
Inventory	8,049	-	9,071	50	-	1,671
Prepaid expenses	9,551	1,822	11,411	459	569	3,740
<b>TOTAL CURRENT ASSETS</b>	<b>553,669</b>	<b>100,822</b>	<b>290,443</b>	<b>164,301</b>	<b>379,559</b>	<b>820,749</b>
<b>NONCURRENT ASSETS</b>						
Land	130,027	515,273	158,685	27,000	12,000	115,000
Land improvements	222,357	233,294	264,542	-	90,544	4,293
Buildings and improvements	7,952,182	2,087,403	4,346,543	449,450	651,680	1,315,136
Equipment	613,542	100,775	384,434	33,103	51,755	94,623
Less accumulated depreciation	(4,992,671)	(1,785,967)	(3,972,965)	(330,288)	(472,698)	(137,325)
<b>TOTAL NONCURRENT ASSETS</b>	<b>3,925,437</b>	<b>1,150,778</b>	<b>1,181,239</b>	<b>179,265</b>	<b>333,281</b>	<b>1,391,727</b>
<b>TOTAL ASSETS</b>	<b>\$ 4,479,106</b>	<b>\$ 1,251,600</b>	<b>\$ 1,471,682</b>	<b>\$ 343,566</b>	<b>\$ 712,840</b>	<b>\$ 2,212,476</b>

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**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF NET POSITION - Continued**  
**MARCH 31, 2016**

<u>ASSETS</u>	<u>CONTINUUM OF CARE</u>	<u>CAPITAL FUNDS</u>	<u>SECTION 8 CHOICE VOUCHERS</u>	<u>COCC</u>	<u>ELIMINATING ENTRY</u>	<u>TOTAL</u>
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 52,420	\$ -	\$ 41,047	\$ 149,842	\$ -	\$ 2,376,132
Cash and cash equivalents - restricted	-	-	54,337	-	-	142,502
Receivables	-	-	-	-	-	10,698
Tenants, net of allowance for doubtful accounts	-	-	-	-	-	13,963
Other, net of allowance for doubtful accounts	-	-	13,963	-	-	31,464
Notes receivable	-	-	-	-	-	-
Due from other programs	-	-	-	56,018	(56,018)	23,249
Inventory	-	-	-	4,408	-	43,166
Prepaid expenses	-	-	1,299	14,315	-	-
<b>TOTAL CURRENT ASSETS</b>	<u>52,420</u>	<u>-</u>	<u>110,646</u>	<u>224,583</u>	<u>(56,018)</u>	<u>2,641,174</u>
<b>NONCURRENT ASSETS</b>						
Land	-	-	-	-	-	957,985
Land improvements	-	13,282	-	-	-	828,312
Buildings and improvements	-	129,190	-	242,533	-	17,174,117
Equipment	-	19,369	51,844	178,175	-	1,527,620
Less accumulated depreciation	-	(15,480)	(38,844)	(296,292)	-	(12,042,530)
<b>TOTAL NONCURRENT ASSETS</b>	<u>-</u>	<u>146,361</u>	<u>13,000</u>	<u>124,416</u>	<u>-</u>	<u>8,445,504</u>
<b>TOTAL ASSETS</b>	<u>\$ 52,420</u>	<u>\$ 146,361</u>	<u>\$ 123,646</u>	<u>\$ 348,999</u>	<u>\$ (56,018)</u>	<u>\$ 11,086,678</u>

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**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF NET POSITION - Continued**  
**MARCH 31, 2016**

LIABILITIES AND NET POSITION	PUBLIC HOUSING			RURAL DEVELOPMENT	SECTION 8 NEW CONSTRUCTION	BUSINESS ACTIVITIES
	AMP 1	AMP 2	AMP 3			
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 6,075	\$ 11,582	\$ 10,285	\$ 1,264	\$ 73	\$ 3,287
Accrued payroll liabilities	22,666	1,310	6,871	-	-	3,166
Compensated absences	3,560	157	2,069	-	-	1,412
Unearned revenue	680	1,840	2,764	223	265	1,112
Due to other programs	-	-	-	-	-	-
Due to other governments	26,269	7,782	22,323	-	-	-
Tenants' security deposits	21,670	6,163	17,962	2,067	2,886	37,417
Other accrued liabilities	22,198	555	6,705	1,690	1,816	599
Current portion of note payable	-	-	-	-	-	28,812
<b>TOTAL CURRENT LIABILITIES</b>	<b>103,118</b>	<b>29,389</b>	<b>68,979</b>	<b>5,244</b>	<b>5,040</b>	<b>75,805</b>
<b>NONCURRENT LIABILITIES</b>						
Notes payable	-	-	-	-	-	582,929
<b>TOTAL LIABILITIES</b>	<b>103,118</b>	<b>29,389</b>	<b>68,979</b>	<b>5,244</b>	<b>5,040</b>	<b>658,734</b>
<b>NET POSITION</b>						
Net investment in capital assets	3,925,437	1,150,778	1,181,239	179,265	333,281	779,986
Restricted	-	-	-	-	-	-
Unrestricted	450,551	71,433	221,464	159,057	374,519	773,756
<b>TOTAL NET POSITION</b>	<b>4,375,988</b>	<b>1,222,211</b>	<b>1,402,703</b>	<b>338,322</b>	<b>707,800</b>	<b>1,553,742</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 4,479,106</b>	<b>\$ 1,251,600</b>	<b>\$ 1,471,682</b>	<b>\$ 343,566</b>	<b>\$ 712,840</b>	<b>\$ 2,212,476</b>

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**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF NET POSITION - Continued**  
**MARCH 31, 2016**

<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>ELIMINATING ENTRY</u>	<u>TOTAL</u>
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ -	\$ -	\$ 3,101	\$ 3,107	\$ -	\$ 38,774
Accrued payroll liabilities	-	-	7,125	14,487	-	55,625
Compensated absences	-	-	2,423	7,976	-	17,597
Unearned revenue	30,805	-	-	-	-	37,689
Due to other programs	-	-	56,018	-	(56,018)	-
Due to other governments	-	-	642	-	-	57,016
Tenants' security deposits	-	-	-	-	-	88,165
Other accrued liabilities	-	-	-	1,067	-	34,630
Current portion of note payable	-	-	-	-	-	28,812
<b>TOTAL CURRENT LIABILITIES</b>	<b>30,805</b>	<b>-</b>	<b>69,309</b>	<b>26,637</b>	<b>(56,018)</b>	<b>358,308</b>
<b>NONCURRENT LIABILITIES</b>						
Notes payable	-	-	-	-	-	582,929
<b>TOTAL LIABILITIES</b>	<b>30,805</b>	<b>-</b>	<b>69,309</b>	<b>26,637</b>	<b>(56,018)</b>	<b>941,237</b>
<b>NET POSITION</b>						
Net investment in capital assets	-	146,361	13,000	124,416	-	7,833,763
Restricted	-	-	54,337	-	-	54,337
Unrestricted	21,615	-	(13,000)	197,946	-	2,257,341
<b>TOTAL NET POSITION</b>	<b>21,615</b>	<b>146,361</b>	<b>54,337</b>	<b>322,362</b>	<b>-</b>	<b>10,145,441</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 52,420</b>	<b>\$ 146,361</b>	<b>\$ 123,646</b>	<b>\$ 348,999</b>	<b>\$ (56,018)</b>	<b>\$ 11,086,678</b>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION**  
**YEAR ENDED MARCH 31, 2016**

	PUBLIC HOUSING			RURAL	SECTION 8 NEW	BUSINESS
	AMP 1	AMP 2	AMP 3	DEVELOPMENT	CONSTRUCTION	ACTIVITIES
<b>OPERATING REVENUE</b>						
Dwelling rental	\$ 387,851	\$ 81,224	\$ 269,067	\$ 48,498	\$ 26,703	\$ 422,625
Operating grants	477,013	116,953	307,530	6,651	74,834	-
Other operating revenue	158,676	22,324	40,255	8,264	22,650	49,893
<b>TOTAL OPERATING REVENUE</b>	<b>1,023,540</b>	<b>220,501</b>	<b>616,852</b>	<b>63,413</b>	<b>124,187</b>	<b>472,518</b>
<b>OPERATING EXPENSES</b>						
Administration	337,950	71,866	209,309	9,720	18,516	100,251
Tenant services	12,230	264	9,931	200	1,900	800
Utilities	125,155	3,632	45,836	7,494	8,575	21,817
Maintenance and operations	296,442	72,728	219,098	23,683	45,903	133,596
General expenses	73,161	39,973	62,344	3,691	16,675	34,394
Protective services	13,491	-	9,611	-	-	-
Housing assistance payments	-	-	-	-	-	-
Depreciation	380,686	92,917	180,043	11,810	21,806	51,668
<b>TOTAL OPERATING EXPENSES</b>	<b>1,239,115</b>	<b>281,380</b>	<b>736,172</b>	<b>56,598</b>	<b>113,375</b>	<b>342,526</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(215,575)</b>	<b>(60,879)</b>	<b>(119,320)</b>	<b>6,815</b>	<b>10,812</b>	<b>129,992</b>
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Interest income	401	78	248	50	471	149
(Loss) on disposition of fixed assets	-	(689)	(662)	-	(78)	-
Operating transfers in	944	-	-	225,000	-	500,000
Operating transfers out	-	-	(944)	-	-	-
Interest expense	-	-	-	(1,661)	-	(19,121)
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<b>1,345</b>	<b>(611)</b>	<b>(1,358)</b>	<b>223,389</b>	<b>393</b>	<b>481,028</b>
<b>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</b>	<b>(214,230)</b>	<b>(61,490)</b>	<b>(120,678)</b>	<b>230,204</b>	<b>11,205</b>	<b>611,020</b>
<b>CAPITAL GRANTS</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>(214,230)</b>	<b>(61,490)</b>	<b>(120,678)</b>	<b>230,204</b>	<b>11,205</b>	<b>611,020</b>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<b>4,387,514</b>	<b>1,283,701</b>	<b>1,486,987</b>	<b>108,118</b>	<b>696,595</b>	<b>942,722</b>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>13,801</b>	<b>-</b>	<b>9,632</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>RESIDUAL EQUITY TRANSFER (OUT) IN</b>	<b>188,903</b>	<b>-</b>	<b>26,762</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>NET POSITION AT END OF YEAR</b>	<b>\$ 4,375,988</b>	<b>\$ 1,222,211</b>	<b>\$ 1,402,703</b>	<b>\$ 338,322</b>	<b>\$ 707,800</b>	<b>\$ 1,553,742</b>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION - Continued**  
**YEAR ENDED MARCH 31, 2016**

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	ELIMINATING ENTRY	TOTAL
<b>OPERATING REVENUE</b>						
Dwelling rental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,235,968
Operating grants	354,698	82,418	4,405,877	-	-	5,825,974
Other operating revenue	-	-	48,596	647,842	(538,043)	460,457
<b>TOTAL OPERATING REVENUE</b>	<u>354,698</u>	<u>82,418</u>	<u>4,454,473</u>	<u>647,842</u>	<u>(538,043)</u>	<u>7,522,399</u>
<b>OPERATING EXPENSES</b>						
Administration	30,484	43,697	379,455	528,900	(533,987)	1,196,161
Tenant services	-	-	-	-	-	25,325
Utilities	-	-	-	9,407	-	221,916
Maintenance and operations	-	38,721	35,695	68,095	(4,056)	929,905
General expenses	-	-	36,967	16,467	-	283,672
Protective services	-	-	-	-	-	23,102
Housing assistance payments	323,645	-	3,992,829	-	-	4,316,474
Depreciation	-	12,555	1,000	9,458	-	761,943
<b>TOTAL OPERATING EXPENSES</b>	<u>354,129</u>	<u>94,973</u>	<u>4,445,946</u>	<u>632,327</u>	<u>(538,043)</u>	<u>7,758,498</u>
<b>OPERATING (LOSS) INCOME</b>	<u>569</u>	<u>(12,555)</u>	<u>8,527</u>	<u>15,515</u>	<u>-</u>	<u>(236,099)</u>
<b>NONOPERATING REVENUE (EXPENSES)</b>						
Interest income	12	-	39	771	-	2,219
(Loss) on disposition of fixed assets	-	-	-	-	-	(1,429)
Operating transfers in	-	-	-	-	(725,944)	-
Operating transfers out	-	-	-	(725,000)	725,944	-
Interest expense	-	-	-	-	-	(20,782)
<b>NET NONOPERATING REVENUE (EXPENSES)</b>	<u>12</u>	<u>-</u>	<u>39</u>	<u>(724,229)</u>	<u>-</u>	<u>(19,992)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL GRANTS</b>	<u>581</u>	<u>(12,555)</u>	<u>8,566</u>	<u>(708,714)</u>	<u>-</u>	<u>(256,091)</u>
<b>CAPITAL GRANTS</b>	<u>-</u>	<u>28,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,119</u>
<b>CHANGE IN NET POSITION</b>	<u>581</u>	<u>15,564</u>	<u>8,566</u>	<u>(708,714)</u>	<u>-</u>	<u>(227,972)</u>
<b>NET POSITION AT BEGINNING OF YEAR</b>	<u>21,034</u>	<u>361,701</u>	<u>45,771</u>	<u>1,031,076</u>	<u>-</u>	<u>10,365,219</u>
<b>PRIOR PERIOD ADJUSTMENTS</b>	<u>-</u>	<u>(15,239)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,194</u>
<b>RESIDUAL EQUITY TRANSFER (OUT) IN</b>	<u>-</u>	<u>(215,665)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION AT END OF YEAR</b>	<u>\$ 21,615</u>	<u>\$ 146,361</u>	<u>\$ 54,337</u>	<u>\$ 322,362</u>	<u>\$ -</u>	<u>\$ 10,145,441</u>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS**  
**YEAR ENDED MARCH 31, 2016**

	PUBLIC HOUSING			RURAL	SECTION 8	BUSINESS
	AMP 1	AMP 2	AMP 3	DEVELOPMENT	NEW CONSTRUCTION	ACTIVITIES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Cash received from tenants/participants	\$ 368,397	\$ 80,593	\$ 262,927	\$ 48,875	\$ 23,235	\$ 421,420
Cash received from operating grants	477,013	116,953	307,530	6,651	74,834	-
Other income received	172,096	21,889	48,517	8,487	22,915	47,439
Cash payments to vendors	(591,317)	(128,880)	(351,096)	(44,322)	(89,687)	(188,794)
Cash payments to employees	(246,823)	(47,007)	(183,312)	-	-	(99,545)
Cash payments for housing assistance	-	-	-	-	-	-
Cash payments for interfund services used	-	-	-	-	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	179,366	43,548	84,566	19,691	31,297	180,520
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital grants	-	-	-	-	-	-
Acquisition of capital assets	(36,404)	(24,302)	(38,558)	(55,006)	(56,606)	(91,938)
Principal payments	-	-	-	(80,236)	-	(27,890)
Interest paid	-	-	-	(1,661)	-	(19,121)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	(36,404)	(24,302)	(38,558)	(136,903)	(56,606)	(138,949)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating transfers in (out)	944	-	(944)	225,000	-	500,000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	401	78	248	50	471	149
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	144,307	19,324	45,312	107,838	(24,838)	541,720
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	371,206	73,375	218,522	55,946	402,946	265,330
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 515,513	\$ 92,699	\$ 263,834	\$ 163,784	\$ 378,108	\$ 807,050

(Continued on page 27)

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2016**

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,205,447
Cash received from operating grants	354,698	82,418	4,405,877	-	(39,791)	5,786,183
Other income received	30,805	-	85,439	647,842	(536,607)	548,822
Cash payments to vendors	(11,102)	(82,418)	(448,913)	(191,123)	536,607	(1,591,045)
Cash payments to employees	(29,382)	-	-	(431,924)	-	(1,037,993)
Cash payments for housing assistance	(323,645)	-	(3,992,829)	-	-	(4,316,474)
Cash payments for interfund services used	-	-	-	(39,791)	39,791	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	21,374	-	49,574	(14,996)	-	594,940
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Capital grants	-	28,119	-	-	-	28,119
Acquisition of capital assets	-	(28,119)	-	(12,111)	-	(343,044)
Principal payments	-	-	-	-	-	(108,126)
Interest paid	-	-	-	-	-	(20,782)
NET CASH (USED IN) CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-	(12,111)	-	(443,833)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating transfers in (out)	-	-	-	(725,000)	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Interest received	12	-	39	771	-	2,219
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	21,386	-	49,613	(751,336)	-	153,326
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	31,034	-	45,771	901,178	-	2,365,308
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 52,420	\$ -	\$ 95,384	\$ 149,842	\$ -	\$ 2,518,634

(Continued on page 28)

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2016**

	PUBLIC HOUSING			RURAL	SECTION 8	BUSINESS
	AMP 1	AMP 2	AMP 3	DEVELOPMENT	NEW CONSTRUCTION	ACTIVITIES
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>						
Cash and cash equivalents	\$ 493,843	\$ 86,536	\$ 245,872	\$ 161,717	\$ 375,222	\$ 769,633
Cash and cash equivalents - restricted	21,670	6,163	17,962	2,067	2,886	37,417
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b>\$ 515,513</b>	<b>\$ 92,699</b>	<b>\$ 263,834</b>	<b>\$ 163,784</b>	<b>\$ 378,108</b>	<b>\$ 807,050</b>
<b>RECONCILIATION OF (LOSS) INCOME FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>						
Operating (loss) income	\$ (215,575)	\$ (60,879)	\$ (119,320)	\$ 6,815	\$ 10,812	\$ 129,992
Adjustments to reconcile operating (loss) income to net cash provided by operating activities						
Depreciation	380,686	92,917	180,043	11,810	21,806	51,668
Prior period adjustments	13,801	-	9,632	-	-	-
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	(192)	(70)	2,122	40	(531)	(4,547)
Notes receivable	(8,093)	(297)	(195)	-	-	-
Due from other programs	-	-	-	-	-	-
Inventory	(302)	500	(433)	-	-	(116)
Prepaid expenses	11,020	325	619	99	117	251
Increase (decrease) in liabilities						
Accounts payable	(906)	11,507	7,727	181	(103)	(100)
Accrued expenses	(5,775)	(396)	1,873	(14)	(32)	1,684
Unearned revenue	(381)	(435)	(1,370)	223	265	(2,455)
Due to other programs	-	-	-	-	-	-
Due to other governments	4,022	376	2,004	-	-	-
Tenants' security deposits	1,061	-	1,864	537	(1,037)	4,143
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>\$ 179,366</b>	<b>\$ 43,548</b>	<b>\$ 84,566</b>	<b>\$ 19,691</b>	<b>\$ 31,297</b>	<b>\$ 180,520</b>

(Continued on page 29)



**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**COMBINING STATEMENT OF CASH FLOWS - Continued**  
**YEAR ENDED MARCH 31, 2016**

	CONTINUUM OF CARE	CAPITAL FUNDS	SECTION 8 CHOICE VOUCHERS	COCC	ELIMINATING ENTRY	TOTAL
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENT OF CASH FLOWS TO THE STATEMENT OF NET POSITION</b>						
Cash and cash equivalents	\$ 52,420	\$ -	\$ 41,047	\$ 149,842	\$ -	\$ 2,376,132
Cash and cash equivalents - restricted	-	-	54,337	-	-	142,502
<b>CASH AND CASH EQUIVALENTS PER STATEMENT OF NET POSITION</b>	<b>\$ 52,420</b>	<b>\$ -</b>	<b>\$ 95,384</b>	<b>\$ 149,842</b>	<b>\$ -</b>	<b>\$ 2,518,634</b>
<b>RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 569	\$ (12,555)	\$ 8,527	\$ 15,515	\$ -	\$ (236,099)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation	-	12,555	1,000	9,458	-	761,943
Prior period adjustments	-	-	-	-	-	23,433
Changes in assets and liabilities						
(Increase) decrease in assets						
Accounts receivable	-	-	(2,948)	-	-	(6,126)
Notes receivable	-	-	-	-	-	(8,585)
Due from other programs	-	-	-	(39,791)	39,791	-
Inventory	-	-	-	(405)	-	(756)
Prepaid expenses	-	-	283	(5,192)	-	7,522
Increase (decrease) in liabilities						
Accounts payable	-	-	2,453	686	-	21,445
Accrued expenses	-	-	2,008	4,733	-	4,081
Unearned revenue	30,805	-	-	-	-	26,652
Due to other programs	-	-	39,791	-	(39,791)	-
Due to other governments	(10,000)	-	(1,540)	-	-	(5,138)
Tenants' security deposits	-	-	-	-	-	6,568
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<b>\$ 21,374</b>	<b>\$ -</b>	<b>\$ 49,574</b>	<b>\$ (14,996)</b>	<b>\$ -</b>	<b>\$ 594,940</b>

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED MARCH 31, 2016**

<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>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT - Direct Programs</u>				
Section 8	14.871			
Housing Choice Vouchers		N/A	\$ 4,398,321	\$ 4,398,321
Other Public Housing Authorities		N/A	7,556	7,556
TOTAL 14.871				<u>4,405,877</u>
Public and Indian Housing	14.850			
IL089-00010015D		N/A	357,939	357,939
IL089-00010016D		N/A	119,074	119,074
IL089-00020015D		N/A	87,175	87,175
IL089-00020016D		N/A	29,778	29,778
IL089-00030015D		N/A	230,703	230,703
IL089-00030016D		N/A	76,827	76,827
TOTAL 14.850				<u>901,496</u>
Section 8 New Construction	14.182	N/A	74,834	<u>74,834</u>
Continuum of Care Program	14.267			
IL0492L5T091402		N/A	11,590	4,648
IL0090L5T091407		N/A	385,089	320,236
IL0492L5T091301		N/A	8,368	710
IL0090L5T091407		N/A	285,931	29,104
TOTAL 14.267				<u>354,698</u>
Public Housing Capital Funds	14.872			
IL06P089501-14		N/A	386,820	58,170
IL06P089501-15		N/A	394,939	52,367
TOTAL 14.872				<u>110,537</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				<u>5,847,442</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>				
Rural Rental Assistance	10.427	N/A	5,303	5,303
Rural Rental Loans	10.415	N/A	80,236	80,236
Rural Rental Loans - Interest Subsidy	10.415	N/A	1,348	1,348
TOTAL RURAL RENTAL				<u>86,887</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 5,934,329</u>

(Continued on page 31)

**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued**  
**YEAR ENDED MARCH 31, 2016**

**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Housing Authority of the 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, 2016.

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

The Housing Authority of the County of DeKalb has no guaranteed debt in the Rural Rental Housing loans as of March 31, 2016.

The Housing Authority of the County of DeKalb had non-cash assistance in the form of interest subsidy in the amount of \$1,348 from Rural Rental Housing loans during fiscal year ending March 31, 2016.

**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, 2016, 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 31, 2016.

**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 31, 2016

**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, 2016. 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 requirements of laws, regulations, contracts, and grants 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, 2016.

## 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 31, 2016



**HOUSING AUTHORITY OF THE COUNTY OF DEKALB**  
**DeKalb, Illinois**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED MARCH 31, 2016**

**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>
14.850	Public and Indian Housing
14.267	Continuum of Care Program

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**

