

DUPAGE HOUSING AUTHORITY
Wheaton, Illinois

FINANCIAL STATEMENTS
June 30, 2017 and 2016

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Independent Auditors' Report

The Board of Commissioners
DuPage Housing Authority
Wheaton, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the DuPage Housing Authority (the Authority), which are comprised of the statements of net position (deficit) as of June 30, 2017 and 2016, and the related statements of revenues, expenses, and changes in net position (deficit), and cash flows for the years then ended, and the related notes to the financial statements.

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 audits. We conducted our audits 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 auditors' 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 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 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 financial position of the Authority as of June 30, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in conformity 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 on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the basic financial statements as a whole. The financial data schedules, listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The financial data schedules and the 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 financial data schedules 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 January 18, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 Authority's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
January 18, 2018

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016**

As Management of the DuPage Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements as presented elsewhere in this report.

Financial Highlights

The liabilities of the Authority were greater than its assets at the close of fiscal year 2017, resulting in net deficit of \$774,284.

The Authority's cash and cash equivalents balance (including restricted and unrestricted) at June 30, 2017 was \$2,364,505 representing an increase of \$507,800 from June 30, 2016.

The Authority had revenues of \$30,219,093 from HUD operating grants, \$365,823 from tenant rent, and \$8,800,982 from other revenue sources for the year ended June 30, 2017 compared to \$22,715,284, \$356,993, and \$8,346,289, respectively, for the year ended June 30, 2016.

Using the Annual Report

Management's Discussion and Analysis

The Management's Discussion and Analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements and notes to financial statements included in this report were prepared in accordance with Generally Accepted Accounting Principles (GAAP) applicable to governmental entities in the United States of America for Proprietary Fund types.

Basic Financial Statements

The basic financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business. They consist of statements of net position (deficit), statements of revenues, expenses, and changes in net position (deficit), and statements of cash flows.

The statements of net position (deficit) present information on all of the Authority's assets and liabilities, with the difference between the two reported as net position (deficit). Increases or decreases in net position (deficit) serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statements of revenues, expenses, and changes in net position (deficit) present information showing how the Authority's net deficit changed during the most recent fiscal year. All changes in net position (deficit) are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave).

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016**

The statements of cash flows report the cash flows from operating, investing, and capital and related financing activities.

The basic financial statements report on the Authority's activities. The activities are primarily supported by HUD subsidies and grants. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations.

The basic financial statements can be found on pages 11 through 13 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found in this report following the basic financial statements.

Supplementary Information

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 Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. The Schedule of Expenditures of Federal Awards can be found on page 47 of this report.

The Authority as a Whole

The Authority's net position increased during the fiscal year ending June 30, 2017 as detailed on page 7. The Authority's revenues are primarily subsidies received from HUD, payments from other housing authorities for port-in clients, and tenant rent. The Authority receives subsidies each month based on a pre-approved amount by HUD.

The largest portion of the Authority's net position reflects its investment in capital assets (e.g., land, buildings, equipment, and construction in progress). The Authority uses these capital assets to provide housing services to its tenants and operate the administrative offices; consequently, these assets are not available for future spending. The unrestricted net position of the Authority is available for future use to provide program services.

Significant account changes from 2016 to 2017 are detailed as follows:

- HUD Operating subsidies increased \$2,503,809 (from \$27,715,284 in 2016 to \$30,219,093 in 2017) primarily due to an increase in vouchers issued and the timing of HUD disbursements.
- Other government grants increased \$294,264 (from \$489,311 in 2016 to \$783,575 in 2017).
- Other revenues increased \$160,521 primarily due to an increase in HAP Port-In payments.
- Capital assets (net) decreased \$249,096 primarily because of depreciation expense of \$426,586.

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016**

- Total debt decreased \$156,991 due to scheduled debt payments
- Operating expenses increased \$2,431,909 primarily because the housing assistance payments expense increased \$2,251,748 due to increased voucher support.

The table below and on page 7 illustrates the changes in asset and liability, and revenue and expense accounts, respectively.

Entity Wide Assets, Liabilities, and Net Position (Deficit) Comparison

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Assets			
Current and restricted assets	\$ 2,538,717	\$ 2,113,641	\$ 2,792,606
Capital assets	<u>11,034,017</u>	<u>11,283,113</u>	<u>11,458,832</u>
Total assets	<u>13,572,734</u>	<u>13,396,754</u>	<u>14,251,438</u>
Liabilities			
Current liabilities	743,362	827,903	861,211
Non-current liabilities	<u>13,603,656</u>	<u>13,786,423</u>	<u>14,518,763</u>
Total liabilities	<u>14,347,018</u>	<u>14,614,326</u>	<u>15,379,974</u>
Net position (deficit)			
Net investment in capital assets	(1,370,637)	(1,278,532)	(1,907,372)
Restricted	517,434	767,459	1,406,969
Unrestricted	<u>78,919</u>	<u>(706,499)</u>	<u>(628,133)</u>
Total net position (deficit)	<u>\$ (774,284)</u>	<u>\$ (1,217,572)</u>	<u>\$ (1,128,536)</u>

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016**

Change in Net Position (Deficit) Comparison

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues			
Tenant rent	\$ 365,823	\$ 356,993	\$ 365,838
HUD PHA operating grants	30,219,093	27,715,284	24,969,258
Other government grants	783,575	489,311	1,085,409
Interest income	447	355	-
Other revenues	<u>8,017,407</u>	<u>7,856,978</u>	<u>9,721,436</u>
Total revenues	<u>39,386,345</u>	<u>36,418,921</u>	<u>36,141,941</u>
Expenses			
Administration	3,257,750	3,013,149	3,070,225
Tenant services	-	29	105,382
Utilities	78,337	87,053	90,715
Ordinary repairs and maintenance	290,275	401,704	302,758
Insurance expense	93,506	86,643	59,471
Other general expenses	48,871	-	194,555
Housing assistance payments	34,152,402	31,900,654	31,280,346
Depreciation and amortization	426,586	388,753	534,491
Recognition of HUD repayment agreement	-	-	936,592
Interest expense	<u>595,330</u>	<u>629,972</u>	<u>647,204</u>
Total expenses	<u>38,943,057</u>	<u>36,507,957</u>	<u>37,221,739</u>
Net change	443,288	(89,036)	(1,079,798)
Beginning net position (deficit)	<u>(1,217,572)</u>	<u>(1,128,536)</u>	<u>(48,738)</u>
Ending net position (deficit)	<u>\$ (774,284)</u>	<u>\$ (1,217,572)</u>	<u>\$ (1,128,536)</u>

Budgetary Highlights

For the year ended June 30, 2017, individual program budgets were prepared by the Authority and were approved by the Board of Commissioners. The budgets were primarily used as management tools and have no legal stature. Also, the Authority adopted a comprehensive annual budget. The budgets were prepared in accordance with the accounting procedures prescribed by the applicable funding agency.

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016**

Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2017 the Authority's capital assets were \$16,301,197, less accumulated depreciation of \$5,267,180. This investment in capital assets includes land, buildings, and equipment less accumulated depreciation. Additional information on the Authority's capital assets can be found in the notes to the financial statements, which is included in this report.

2. Long-Term Debt

The Authority issued \$12.14 million in bonds through the Illinois Housing Development Agency for the purchase of Ogden Manor Apartments in January 2007. The Authority makes monthly payments of \$61,708, including interest at 5.39%.

The Authority maintains interest-bearing debt as follows:

	<u>June 30, 2016</u>	<u>Principal Issued</u>	<u>Principal Payments</u>	<u>June 30, 2017</u>
Ogden Manor Bonds	\$ 11,085,669	\$ -	\$ (146,134)	\$ 10,939,535
2nd Mortgage Loan	130,524	-	(6,213)	124,311
3rd Mortgage Loan	144,020	-	(4,644)	139,376
4th Mortgage Loan	235,000	-	-	235,000
5th Mortgage Loan	750,000	-	-	750,000
6th Mortgage Loan	<u>216,432</u>	<u>-</u>	<u>-</u>	<u>216,432</u>
Total Ogden Manor Debt	<u>12,561,645</u>	<u>-</u>	<u>(156,991)</u>	<u>12,404,654</u>
Total DHA Debt	<u>\$ 12,561,645</u>	<u>\$ -</u>	<u>\$ (156,991)</u>	<u>\$ 12,404,654</u>

For more details on the Authority's long-term debt, please refer to Note 6 of the financial statements.

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017 and 2016**

Economic Factors and Next Year's Budget and Rates

The following factors were considered in preparing the Authority's budget for the fiscal year ending June 30, 2017.

1. The Federal budget and the possible cutback on HUD subsidies for both housing assistance payments and administrative fees.
2. The lack of available cash to fund any shortfalls rising from a possible economic downturn and reduced subsidies and grants.

Contacting the Authority's Financial Management

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, DuPage Housing Authority, 711 East Roosevelt Road, Wheaton, Illinois 60187, or call (630) 690-3555.

FINANCIAL STATEMENTS

DUPAGE HOUSING AUTHORITY
STATEMENTS OF NET POSITION (DEFICIT)
June 30, 2017 and 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents - unrestricted	\$ 1,690,785	\$ 749,316
Cash and cash equivalents - restricted	673,720	1,107,389
Total cash and cash equivalents	2,364,505	1,856,705
Accounts receivable, net	154,471	237,107
Prepaid expenses	19,741	19,829
Total current assets	2,538,717	2,113,641
NONCURRENT ASSETS		
Capital assets, net	11,034,017	11,283,113
Total noncurrent assets	11,034,017	11,283,113
TOTAL ASSETS	\$ 13,572,734	\$ 13,396,754
LIABILITIES AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 111,099	\$ 128,839
Tenant security deposits	27,632	28,365
Accrued compensated absences, current portion	42,230	33,476
Unearned revenue	194,222	282,156
Current portion of long-term debt	159,290	151,193
Other current liabilities	208,889	203,874
Total current liabilities	743,362	827,903
NONCURRENT LIABILITIES		
Accrued compensated absences, less current portion	168,921	132,538
Other noncurrent liabilities	1,189,371	1,243,433
Long-term debt, net of current portion	12,245,364	12,410,452
Total noncurrent liabilities	13,603,656	13,786,423
Total liabilities	14,347,018	14,614,326
NET POSITION (DEFICIT)		
Net investment in capital assets	(1,370,637)	(1,278,532)
Restricted	517,434	767,459
Unrestricted	78,919	(706,499)
Total net position (deficit)	(774,284)	(1,217,572)
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	\$ 13,572,734	\$ 13,396,754

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

DUPAGE HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)
June 30, 2017 and 2016

	2017	2016
OPERATING REVENUES		
Tenant rent	\$ 365,823	\$ 356,993
HUD subsidies	30,219,093	27,715,284
Other government grants	783,575	489,311
Portability revenue	7,781,599	7,646,521
Other revenues	235,808	210,457
Total operating revenues	39,385,898	36,418,566
OPERATING EXPENSES		
Administration	3,257,750	3,013,149
Tenant services	-	29
Utilities	78,337	87,053
Ordinary repairs and maintenance	290,275	401,704
Insurance expense	93,506	86,643
Other general expenses	48,871	-
Housing assistance payments	34,152,402	31,900,654
Total operating expenses	37,921,141	35,489,232
Operating income (loss) before depreciation	1,464,757	929,334
Depreciation	426,586	388,753
Total operating income (loss)	1,038,171	540,581
NONOPERATING REVENUES (EXPENSES)		
Interest income	447	355
Interest expense	(595,330)	(629,972)
Total nonoperating revenues (expenses)	(594,883)	(629,617)
CHANGE IN NET POSITION (DEFICIT)	443,288	(89,036)
TOTAL NET POSITION (DEFICIT), BEGINNING OF YEAR	(1,217,572)	(1,128,536)
TOTAL NET POSITION (DEFICIT), END OF YEAR	\$ (774,284)	\$ (1,217,572)

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

**DUPAGE HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
June 30, 2017 and 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from HUD	\$ 30,219,093	\$ 27,715,284
Cash received from tenants and others	9,160,774	9,074,273
Cash paid for payments to employees	(2,448,002)	(2,303,200)
Cash paid to suppliers	(1,288,237)	(1,251,995)
Cash paid for housing assistance payments	(34,152,402)	(31,900,654)
Net cash provided by operating activities	1,491,226	1,333,708
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of equipment	(177,490)	(212,974)
Proceeds from the sale of equipment	-	(60)
Issuance of notes payable	-	-
Principal paid on notes payable	(156,991)	(804,559)
Interest paid	(595,330)	(629,972)
Net cash used in capital and related financing activities	(929,811)	(1,647,565)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
HUD repayment agreement paid	(54,062)	(54,062)
Net cash used in capital and related financing activities	(54,062)	(54,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	447	355
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	507,800	(367,564)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,856,705	2,224,269
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 2,364,505	\$ 1,856,705
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income (loss)	\$ 1,038,171	\$ 540,581
Adjustments to reconcile cash and cash equivalents provided by operating activities:		
Depreciation	426,586	388,753
Effects of changes in operating assets and liabilities:		
Accounts receivable, net	82,636	288,622
Prepaid expenses	88	22,779
Accounts payable and accrued expenses	(17,740)	(73,878)
Tenant security deposits	(733)	(1,118)
Accrued compensated absences	45,137	31,285
Unearned revenue	(87,934)	83,487
Other current liabilities	5,015	53,197
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,491,226	\$ 1,333,708

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

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The DuPage Housing Authority (the Authority) is a governmental, public corporation created under federal and state housing laws for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in DuPage County, Illinois (the County). The Authority is responsible for administering the Housing Choice Voucher (HCV) Program and operating certain low-rent housing programs in the County under programs administered by the U.S. Department of Housing and Urban Development (HUD), the state of Illinois and DuPage County. These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The Authority is governed by a board of commissioners which is essentially autonomous but is responsible to HUD and the DuPage County Board. An Executive Director is appointed by the Authority's board to manage the day-to-day operations of the Authority.

Use of Estimates in Preparing Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the allowance for doubtful accounts and depreciable lives of properties and equipment and contingencies. Actual results could differ significantly from these estimates.

Reporting Entity

In accordance with Section 2100 and 2600 of the Government Accounting Standards Board (GASB), *Codification of Governmental Accounting and Financial Reporting Standards*, the Authority's financial statements include those of the DuPage Housing Authority (HCV Program, Section 8 New Construction Substantial Rehabilitation Program, State/Local Program) and any component units. Component units are legally separate, tax-exempt organizations that meet all of the following criteria:

1. The economic resources received by the separate organization are almost entirely for the direct benefit of the Authority.
2. The Authority has the ability to access a majority of the economic resources held by the separate organization.
3. The economic resources as referred to below are significant to the Authority.

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (continued)

Based upon the application of these criteria, this report includes the following blended component units:

DHA Management Inc. (DM) – DM was established to provide property management services to landlords in and around DuPage County and to administer the Neighborhood Stabilization Program which was established for the purpose of stabilizing communities that have suffered from foreclosures and abandonment through the purchase and redevelopment of foreclosed and abandoned homes and residential properties.

DHA Investment Inc. (DI) – DI was established to invest in and/or finance the development of affordable housing in and around DuPage County.

DHA Development Inc. (DD) – DD was established to develop affordable housing in and around DuPage County.

Furthermore, the Authority is not included in any other reporting entity on the basis of such criteria.

Description of Program

The Authority maintains its accounting records by program. A summary of the significant programs operated by the Authority is as follows:

Housing Choice Vouchers Program

The Authority administers a program of rental assistance payments to private building owners on behalf of eligible low-income families under Section 8 of the Housing and Urban Development Act of 1974. The program provides payments covering the difference between the maximum rental on a dwelling unit, as approved by HUD, and the amount of rent contribution by a participating family.

Family Self-Sufficiency Program

The Authority administers a program to promote the development of local strategies to coordinate the use of assistance under the Housing Choice Voucher and Public Housing programs with public and private resources to enable participating families to increase earned income and financial literacy, reduce or eliminate the need for welfare assistance, and make progress toward economic independence and self-sufficiency.

Section 8 New Construction Substantial Rehabilitation Program

On January 2, 2007, the Authority purchased a 108-unit development known as Ogden Manor Apartments (the Project). The Project receives a housing assistance payment contract through HUD. The Project was purchased through the issuance of \$12.14 million in bonds and \$1.53 million in other state and local government loans.

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Description of Program (continued)

Section 8 New Construction Substantial Rehabilitation Program (continued)

The Section 8 New Construction and Substantial Rehabilitation program allows for the construction, purchase, and rehabilitation of low-income housing units to be subsidized for a contracted period of time. Both for profit and not-for-profit developers may provide low-income housing under this program. Developers must obtain their own financing and HUD subsidized rents once the units are occupied.

State and Local Program

The Authority administers a Rental Housing Support Program (RHSP) through the Illinois Housing Development Authority and a Bridge Subsidy Program (BSP) through the Illinois Department of Human Services. The programs assist qualified individuals in securing affordable housing.

Business Activities

The Authority created the Business Activities program to account for the transactions that have been generated as a result of the repayment agreement that the Authority has entered into with HUD. Further details with respect to the agreement have been disclosed in Note 7 – Other Noncurrent Liabilities in the notes to the financial statements.

Neighborhood Stabilization Program

DHA Management, Inc., a component unit of the Authority, has entered into developer agreements with the County of DuPage, Illinois and the Illinois Housing Development Authority (IHDA) to perform specific activities needed to execute the Neighborhood Stabilization Program. DHA Management, Inc. earns a management fee based on eligible program costs.

The program's grant activity is recorded as revenue and expenses in the financial statements.

Measurement Focus and Basis of Accounting

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

Each program is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, net position (program equity), revenues, and expenses. The individual programs account for the governmental resources allocated to them for the purpose of carrying out specific programs in accordance with laws, regulations, or other restrictions, including those imposed by HUD. The funds of the Authority are all considered enterprise funds that are used to account for activities that are operated in a manner similar to those found in the private sector.

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (continued)

All enterprise funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, and losses from assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The Authority's primary source of non-exchange revenue relates to grants and subsidies. In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions* (GASB 33), grant and subsidy revenue are recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements.

Both administrative fees and HAP revenue continue to be recognized under the guidelines set forth in GASB 33. Accordingly, both the time and purpose restrictions as defined by GASB 33 are met when these funds are available and measurable, not when these funds are expended.

Any investment income earned on these funds is reflected in the net position account on which the investment income was earned. That is, investment income earned on housing assistance payments (HAP) cash balances are credited to the HAP restricted net position account and investment income earned on administrative fee cash balances are credited to the unrestricted net position account.

Budgets and Budgetary Accounting

The Authority adopts annual operating budgets for all its programs receiving federal expenditure awards. All budgets are prepared on an accrual basis, which is materially consistent with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For the statements of cash flows, cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at time of purchase.

HUD requires that deposits be fully collateralized at all times. Acceptable collateralization includes Federal Deposit Insurance Corporation (FDIC) insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

HUD also requires housing authorities to invest excess funds in obligations of the United States, Certificates of Deposit or any other federally insured investment.

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from HUD represents reimbursable grant subsidies earned that have not been collected as of June 30, 2017 and 2016, and are considered by management to be fully collectable. Amounts due from other public housing authorities (PHAs) under the HCV portability program are also considered by management to be fully collectable. Some amounts received reflect overpayments made by other PHAs or may require further research to apply to the correct tenant. These amounts are reflected as unearned revenue until identified. Rents are due from tenants on the first day of each month. As a result, tenants receivable balances primarily consist of rents past due and vacated tenants. An allowance for doubtful accounts is established to provide for all accounts, which may not be collected in the future for any reason.

Prepaid Expenses

Prepaid expenses represent amounts paid as of year-end that will benefit future operations.

Capital Assets

Capital assets are stated at cost. Expenditures for repairs and maintenance are charged directly to expense as they are incurred. Upon the sale or retirement of capital assets, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the statements of revenues, expenses, and changes in net position (deficit). Expenditures determined to represent additions or betterments are capitalized. Depreciation is calculated using the straight-line method based on the estimated useful lives of the following asset groups:

Fixtures and equipment	5 years
Site improvements	15 years
Buildings	40 years

The Authority has established a capitalization threshold of \$5,000 for use beginning July 1, 2015. Prior to this date, the Authority used a capitalization threshold of \$1,000. The change was implemented prospectively.

Compensated Absences

Compensated absences represent amounts to which employees are entitled based on accumulated vacation and sick leave earned in accordance with the Authority's Personnel Policy. Employees are compensated for accumulated earned vacation time and sick leave in the event of retirement or employment termination at their current salary up to a maximum of 48 work days for vacation time and up to 58 work days for sick leave depending on the employee's length of service.

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxes

The Authority is a unit of local government under Illinois state law and is exempt from real estate, sales, and income taxes.

Inter-program Receivables and Payables

Inter-program receivables/payables are current, and are the result of the use of the Section 8 Program as the common paymaster for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances net zero. In accordance with GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, inter-program receivables and payables are eliminated for financial statement purposes.

Net Position (Deficit)

Net position (deficit) is displayed in three components:

Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – Net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of management or the Authority Board or may otherwise be limited by contractual agreements with outside parties.

On January 30, 2008, HUD issued *PHI Notice 2008-9* which among other things clarifies HUD's reporting position that unused HAP under proprietary fund reporting should be reported as restricted, with the associated cash and investments also being reported as restricted. Any unused administrative fees should be reported as unrestricted net position, with the associated assets being reported on the Financial Data Schedule (FDS) as unrestricted.

Certain assets including cash may be classified as restricted on the statement of net position (deficit) because their use is restricted for specific purposes. It is the Authority’s policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Operating Revenues and Expenses

The Authority defines its operating revenues as government subsidies and grants used for operating purposes as well as income derived from charges to residents. Operating expenses are costs incurred in the operation of its program activities to provide services to residents. The Authority classifies all other revenues as nonoperating.

NOTE 2 – CASH AND CASH EQUIVALENTS

At June 30, 2017 and 2016, the Authority had funds on deposit in checking accounts with financial institutions. Deposits with financial institutions are deposit accounts in banks and financial management institutions. All deposits of the Authority are secured as required under HUD regulations.

For the fiscal years ended June 30, 2017 and 2016, the carrying amount of the Authority's cash and cash equivalents was \$2,364,505 and \$1,856,705 and the bank balances were \$2,382,655 and \$1,886,898, respectively. The Authority's deposits with financial institutions were fully collateralized as of June 30, 2017 and 2016.

Cash and cash equivalents consist of the following:

<u>Cash Category</u>	<u>2017</u>	<u>2016</u>
Operating	\$ 1,690,785	\$ 749,316
Total unrestricted	\$ 1,690,785	\$ 749,316
Tenant security deposits	\$ 27,632	\$ 28,365
Section 8 HAP Reserves	26,187	130,263
Family Self Sufficiency Deposits	-	13,080
Section 8 Current Liabilities	154,828	143,816
Bridge Subsidy/RHSP Funds	139,562	335,724
Ogden Manor Escrow	325,511	456,141
Total restricted	\$ 673,720	\$ 1,107,389

Interest rate risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority typically limits its investment portfolio to maturities three months or less. The Authority has no specific policy regarding interest rate risk. The Authority does not have any deposits or investments subject to interest rate risk.

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Credit risk – The Authority’s policy does not address credit risk. There are no deposits subject to credit risk as of June 30, 2017 and 2016.

Custodial credit risk – For an investment, the custodial risk is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All investments in money markets are collateralized by the securities and are held by the counterparty, or by its trust department. The Authority has no policy on custodial credit risk.

Restrictions of Cash

Housing assistance payment reserves are restricted for use only in the HCV Program for future housing assistance payments.

Family Self Sufficiency (FSS) program escrows are restricted for use in the Housing Choice Voucher Program for FSS program participants.

Bridge Subsidy Funds are restricted for payments of monthly rent for individuals that meet the qualifications set by the Illinois Department of Mental Health. Rental Housing Support Program payments are restricted for use under guidelines administered by the IHDA.

DHA Management cash is restricted to perform specific activities needed to execute the Neighborhood Stabilization Program.

Ogden Manor escrows are restricted for use to make payments for debt, insurance, and replacements for Ogden Manor Apartments.

Fair Value Measurements

The Authority uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The Authority follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the Authority has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 2 – CASH AND CASH EQUIVALENTS (CONTINUED)

Fair Value Measurements (continued)

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity’s own assumptions about the assumptions market participants and would use in pricing the asset.

The Authority does not have any assets that are subject to fair value measurements.

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Accounts receivable, net consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
HUD	\$ 21,097	\$ 16,050
Other governments	90,439	157,980
Miscellaneous	<u>42,935</u>	<u>63,077</u>
Total	<u>\$ 154,471</u>	<u>\$ 237,107</u>

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 4 – CAPITAL ASSETS

A summary of the changes in capital assets is as follows:

	Balance, June 30, 2016	Additions	Transfers and Deletions	Balance, June 30, 2017
Land	\$ 1,495,555	\$ -	\$ -	\$ 1,495,555
Total assets not being depreciated	<u>1,495,555</u>	<u>-</u>	<u>-</u>	<u>1,495,555</u>
Buildings and improvements	14,234,205	144,013	-	14,378,218
Furniture and equipment	<u>422,881</u>	<u>33,477</u>	<u>(28,934)</u>	<u>427,424</u>
Total property and equipment	<u>14,657,086</u>	<u>177,490</u>	<u>(28,934)</u>	<u>14,805,642</u>
Less accumulated depreciation	<u>(4,869,528)</u>	<u>(426,586)</u>	<u>28,934</u>	<u>(5,267,180)</u>
Net book value	<u>\$ 11,283,113</u>	<u>\$ (249,096)</u>	<u>\$ -</u>	<u>\$ 11,034,017</u>
	Balance, June 30, 2015	Additions	Transfers and Deletions	Balance, June 30, 2016
Land	\$ 1,495,555	\$ -	\$ -	\$ 1,495,555
Total assets not being depreciated	<u>1,495,555</u>	<u>-</u>	<u>-</u>	<u>1,495,555</u>
Buildings and improvements	14,122,174	112,031	-	14,234,205
Furniture and equipment	<u>331,637</u>	<u>100,943</u>	<u>(9,699)</u>	<u>422,881</u>
Total property and equipment	<u>14,453,811</u>	<u>212,974</u>	<u>(9,699)</u>	<u>14,657,086</u>
Less accumulated depreciation	<u>(4,490,534)</u>	<u>(388,753)</u>	<u>9,759</u>	<u>(4,869,528)</u>
Net book value	<u>\$ 11,458,832</u>	<u>\$ (175,779)</u>	<u>\$ 60</u>	<u>\$ 11,283,113</u>

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 5 – COMPENSATED ABSENCES

The Authority uses the vesting method for the recording of compensated absences whereas benefits are accrued at the balance sheet date for which payment is probable. As of June 30, 2017 and 2016, the Authority had accrued approximately \$211,151 and \$166,014, respectively. Compensated absence expenses are included as other general expenses in the statements of revenues, expenses, and changes in net position (deficit). Compensated absences activity for the years ended June 30 consisted of the following:

	<u>2017</u>	<u>2016</u>
Beginning compensated absences	\$ 166,014	\$ 134,729
Addition (redemption) of compensated absences	<u>45,137</u>	<u>31,285</u>
Total	<u>\$ 211,151</u>	<u>\$ 166,014</u>

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2017</u>	<u>2016</u>
Bonds issued by the Illinois Housing Development Authority in the original amount of \$12,140,000 in connection with the purchase of Ogden Manor Apartments payable in monthly installments of \$61,708 including interest at 5.39%. The bonds mature in January 2047.	\$ 10,939,535	\$ 11,085,669
2nd mortgage loan in the original amount of \$138,418, payable in forty annual installments of \$3,460, subject to available cash flow. The interest free loan matures January 2, 2048.	124,311	130,524
3rd mortgage loan in the original amount of \$185,834, payable in forty annual installments of \$4,645, subject to available cash flow. The interest free loan matures January 2, 2048.	139,376	144,020
4th mortgage loan in the original amount of \$235,000. Interest shall not accrue and the loan will be forgiven January 2, 2027 if the property is maintained as affordable housing.	235,000	235,000
5th mortgage loan in the original amount of \$750,000. Interest shall not accrue and the loan will be forgiven January 2, 2027 if the property is maintained as affordable housing.	750,000	750,000
6th mortgage loan in the original amount of \$216,432. Interest shall not accrue and the loan will be forgiven January 2, 2027 if the property is maintained as affordable housing.	<u>216,432</u>	<u>216,432</u>
Total long-term debt	12,404,654	12,561,645
Less: current portion	<u>(159,290)</u>	<u>(151,193)</u>
Long-term debt, net of current portion	<u>\$ 12,245,364</u>	<u>\$ 12,410,452</u>

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Annual debt service for principal and interest over the next five years and in five-year increments thereafter are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 159,290	585,858	\$ 745,148
2019	167,834	577,313	745,147
2020	176,851	568,297	745,148
2021	186,365	558,782	745,147
2022	196,406	548,742	745,148
2023-2027	2,354,589	2,572,581	4,927,170
2028-2032	1,501,762	2,223,977	3,725,739
2033-2037	1,957,918	1,767,819	3,725,737
2038-2042	2,554,808	1,170,929	3,725,737
2043-2047	3,024,105	392,673	3,416,778
2048-2052	124,726	-	124,726
Total	<u>\$ 12,404,654</u>	<u>\$ 10,966,971</u>	<u>\$ 23,371,625</u>

Debt service activity for the years ended June 30, 2017 and 2016 consisted of the following:

	<u>Balance, June 30, 2016</u>	<u>Advances</u>	<u>Principal Payments</u>	<u>Balance, June 30, 2017</u>
Ogden Manor bonds	\$ 11,085,669	\$ -	\$ (146,134)	\$ 10,939,535
2nd mortgage loan	130,524	-	(6,213)	124,311
3rd mortgage loan	144,020	-	(4,644)	139,376
4th mortgage loan	235,000	-	-	235,000
5th mortgage loan	750,000	-	-	750,000
6th mortgage loan	216,432	-	-	216,432
Total Ogden Manor debt	<u>12,561,645</u>	<u>-</u>	<u>(156,991)</u>	<u>12,404,654</u>
Total	<u>\$ 12,561,645</u>	<u>\$ -</u>	<u>\$ (156,991)</u>	<u>\$ 12,404,654</u>

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 6 – LONG-TERM DEBT (CONTINUED)

	Balance, June 30, 2015	Advances	Principal Payments	Balance, June 30, 2016
Ogden Manor bonds	\$ 11,224,543	\$ -	\$ (138,874)	\$ 11,085,669
2nd mortgage loan	130,524	-	-	130,524
3rd mortgage loan	148,666	-	(4,646)	144,020
4th mortgage loan	235,000	-	-	235,000
5th mortgage loan	750,000	-	-	750,000
6th mortgage loan	216,432	-	-	216,432
Total Ogden Manor debt	<u>12,705,165</u>	<u>-</u>	<u>(143,520)</u>	<u>12,561,645</u>
Mortgage loan	661,039	-	(661,039)	-
Total 711 E. Roosevelt Office debt	<u>661,039</u>	<u>-</u>	<u>(661,039)</u>	<u>-</u>
Total	<u>\$ 13,366,204</u>	<u>\$ -</u>	<u>\$ (804,559)</u>	<u>\$ 12,561,645</u>

NOTE 7 – OTHER NONCURRENT LIABILITIES

HUD Repayment Agreement

On June 1, 2010, the Authority signed a repayment agreement with HUD. The agreement is based on the results of audit findings detailed in an Office of Inspector General (OIG) report dated March 31, 2008 that states that the Authority performed improper and unauthorized disbursements from Section 8 Housing Choice Voucher program to fund expenses and legal fees related to the lawsuit filed against the Village of Oakbrook in September 2002 for \$478,518. The Authority was reimbursing \$15,951 from non-Federal, non-Section 8 sources annually. As of June 30, 2014, \$414,965 remained payable from the blended component units to the Housing Choice Voucher program.

On April 15, 2015, the Authority entered into an agreement to amend the repayment agreement signed on June 1, 2010.

Under the terms of the new agreements, the Authority agrees to pay \$54,062 out of non-HUD, non-federal funds, in Annual installments for 25 years. Payments are to be made on or before the 31st day of October. The Authority must reimburse HUD \$54,062 from non-Federal, non-Section 8 sources annually. The new agreement includes the \$399,014 due from the June 1, 2010 agreement as of April 15, 2015 and an additional \$952,794 resulting from the continued finding for the remaining deficiency in restricted cash. As of the date of the amended agreement, the Authority had returned \$79,755 of the original \$1,431,312, leaving \$1,351,557 to be returned to the Authority's Program Reserve Account. As of June 30, 2017, \$1,243,433 remained payable to HUD, with \$54,062 being the current portion.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 7 – OTHER NONCURRENT LIABILITIES (CONTINUED)

HUD Repayment Agreement (continued)

Certain reservation of rights exists if the Authority fails to submit a payment within 60 days of its due date, HUD reserves the right to charge a 3% monthly interest charge on the total amount owed from the beginning of the repayment term October 2015 throughout its balance and to initiate enforcement action including appropriate administrative sanctions. If the Authority submits a payment more than 90 days late and/or breaches any other part of this agreement, HUD reserves the right to declare this agreement null and void and to pursue appropriate administrative sanctions and appropriate legal remedies. As of June 30, 2017, the Authority has complied with the agreement.

NOTE 8 – DEFERRED COMPENSATION PLAN

The Authority administers a Section 457 deferred compensation program that allows employees to defer a portion of their salaries to future years. All compensation deferred under the plan and income attributable are 100% vested to the participant.

NOTE 9 – DEFINED CONTRIBUTION PENSION PLAN

The Authority provides pension benefits for all its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amount contributed to the plan plus investment earnings. Employees are eligible to participate after the first 90 days of employment. The Authority contributes 6% of the employee's base salary each month, while the employee does not contribute.

Employees fully vest in the Authority's contributions (and interest allocated to the employee's account) after five years of continuous service. Authority contributions for, and interest forfeited by, employees who leave employment before vesting are used to reduce the Authority's current-period contribution requirement.

The Authority's total covered payroll in fiscal years 2017 and 2016 was approximately \$1,607,122 and \$1,606,924 respectively. The Authority's contributions were calculated using a defined contribution pension plan. For the years ending June 30, 2017 and 2016, the Authority's portion approximated \$160,712 and \$93,558, respectively, which has been charged to the employee fringe benefit account.

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 10 – INTERPROGRAM BALANCES

Due to/from

The Authority accounts for interprogram transactions by using interprogram receivables and payables. As of June 30, 2017, the *Section 8 New Construction Substantial Rehabilitation Program* is owed \$453,869 from the DHA Development Component Unit.

Generally, interprogram balances resulted from the time lag between the dates that 1) interprogram goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Transfers in/out

During the fiscal year ending June 30, 2017, the Authority transferred \$89,486 from the Component Unit – DHA Development to the HCV Program. The purpose of this transfer was to reimburse the HCV Program for office remodeling costs. In addition, the Authority transferred \$54,062 from the Component Unit – DHA Development to the Business Activities to fund the necessary amount for the current year payment on HUD liability disclosed in Note 7 to these financial statements.

All intercompany activity has been eliminated for the purpose of the presentation of the Authority's basic financial statements.

NOTE 11 – CONTINGENCIES

The Authority is involved in various legal proceedings and litigation arising in the normal course of business. Management does not believe that the settlement of any such claims or litigation will have a material adverse effect on the Authority's financial position or results of operations.

As of June 30, 2017, the Authority is currently subject to review by HUD. The Section 8 Housing Choice Voucher Program expenditures are being reviewed for the purpose of determining a potential repayment agreement between HUD and the Authority. At this time, the probability and extent of the potential liability are not determinable. As a result, no additional liability beyond that disclosed in Note 7 been recorded at this time.

The Authority has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Other than HUD repayment agreement disclosed in Note 7, management believes such disallowances, if any, would be immaterial.

NOTE 12 – RISK MANAGEMENT

Significant losses are covered by commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage except for deductibles for the past three years.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016**

NOTE 13 – RESTRICTED NET POSITION

Restricted net position for the years ended June 30, 2017 and 2016 was restricted for the following purposes:

	<u>2017</u>	<u>2016</u>
Housing choice voucher program	\$ 26,187	\$ 143,343
Escrow and reserve requirements	325,511	456,141
Other housing grant activities	<u>165,736</u>	<u>167,975</u>
Total	<u>\$ 517,434</u>	<u>\$ 767,459</u>

NOTE 14 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS

Condensed combining information for the Authority's three blended component units as of and for the year ended June 30, 2017 is provided as follows:

Condensed Statement of Net Position (Deficit) – June 30, 2017

	<u>Blended Component Units</u>				
	<u>DHA Management Inc.</u>	<u>DHA Investment Inc.</u>	<u>DHA Development Inc.</u>	<u>DuPage Housing Authority</u>	<u>Primary Government</u>
ASSETS					
Current assets	\$ 315,255	\$ -	\$ 37,587	\$ 2,185,875	\$ 2,538,717
Interprogram assets	-	-	453,869	(453,869)	-
Capital assets, net	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,034,017</u>	<u>11,034,017</u>
Total assets	<u>\$ 315,255</u>	<u>\$ -</u>	<u>\$ 491,456</u>	<u>\$ 12,766,023</u>	<u>\$ 13,572,734</u>
LIABILITIES					
Current liabilities	\$ -	\$ -	\$ -	\$ 743,362	\$ 743,362
Noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,603,656</u>	<u>13,603,656</u>
Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,347,018</u>	<u>\$ 14,347,018</u>
NET POSITION					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ (1,370,637)	\$ (1,370,637)
Restricted	-	-	-	517,434	517,434
Unrestricted	<u>315,255</u>	<u>-</u>	<u>491,456</u>	<u>(727,792)</u>	<u>78,919</u>
Total net position (deficit)	<u>\$ 315,255</u>	<u>\$ -</u>	<u>\$ 491,456</u>	<u>\$ (1,580,995)</u>	<u>\$ (774,284)</u>

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 14 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS
(CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position (Deficit) –
June 30, 2017

	Blended Component Units				
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.	DuPage Housing Authority	Primary Government
OPERATING REVENUES					
Government grants	\$ -	\$ -	\$ -	\$31,002,668	\$31,002,668
Other revenues	280,299	-	1,400	8,101,531	8,383,230
Total operating revenues	280,299	-	1,400	39,104,199	39,385,898
OPERATING EXPENSES					
Administration	13,883	-	1,190	3,242,677	3,257,750
Utilities	-	-	-	78,337	78,337
Ordinary maintenance and operations	-	-	-	290,275	290,275
Insurance expense	-	-	-	93,506	93,506
General expenses	-	-	-	48,871	48,871
Housing assistance payments	-	-	-	34,152,402	34,152,402
Total operating expenses	13,883	-	1,190	37,906,068	37,921,141
Operating income (loss) before depreciation	266,416	-	210	1,198,131	1,464,757
Depreciation	-	-	-	426,586	426,586
Total operating income (loss)	266,416	-	210	771,545	1,038,171
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	-	-	447	447
Interest expense	-	-	-	(595,330)	(595,330)
Loss before transfers out	266,416	-	210	176,662	443,288
TRANSFERS IN (OUT)	-	-	(54,062)	54,062	-
CHANGE IN NET POSITION (DEFICIT)	266,416	-	(53,852)	230,724	443,288
TOTAL NET POSITION (DEFICIT), BEGINNING OF YEAR	48,839	-	545,308	(1,811,719)	(1,217,572)
TOTAL NET POSITION (DEFICIT), END OF YEAR	\$ 315,255	\$ -	\$ 491,456	\$ (1,580,995)	\$ (774,284)

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 14 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS
(CONTINUED)

Condensed Statement of Cash Flows – June 30, 2017

	<u>Blended Component Units</u>				
	<u>DHA Management Inc.</u>	<u>DHA Investment Inc.</u>	<u>DHA Development Inc.</u>	<u>DuPage Housing Authority</u>	<u>Primary Government</u>
Net cash provided by (used in)					
Operating activities	\$ 266,416	\$ -	\$ 210	\$ 1,224,600	\$ 1,491,226
Capital and related financing activities	-	-	(66,032)	(863,779)	(929,811)
Noncapital financing activities	-	-	-	(54,062)	(54,062)
Investing activities	-	-	-	447	447
Net increase/(decrease) in cash	266,416	-	(65,822)	307,206	507,800
Cash and cash equivalents, beginning of year	<u>52,494</u>	<u>-</u>	<u>99,754</u>	<u>1,758,519</u>	<u>1,856,705</u>
Cash and cash equivalents, end of year	<u>\$ 318,910</u>	<u>\$ -</u>	<u>\$ 33,932</u>	<u>\$ 2,065,725</u>	<u>\$ 2,364,505</u>

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 14 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS
(CONTINUED)

Condensed combining information for the Authority’s three blended component units as of and for the year ended June 30, 2016 is provided as follows:

Condensed Statement of Net Position – June 30, 2016

	Blended Component Units				
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.	DuPage Housing Authority	Primary Government
ASSETS					
Current assets	\$ 51,694	\$ -	\$ 101,296	\$ 1,960,651	\$ 2,113,641
Interprogram assets	-	-	447,054	(447,054)	-
Capital assets	-	-	-	11,283,113	11,283,113
Total assets	<u>\$ 51,694</u>	<u>\$ -</u>	<u>\$ 548,350</u>	<u>\$ 12,796,710</u>	<u>\$ 13,396,754</u>
LIABILITIES					
Interprogram liabilities	\$ -	\$ -	\$ 742	\$ (742)	\$ -
Current liabilities	2,855	-	2,300	822,748	827,903
Noncurrent liabilities	-	-	-	13,786,423	13,786,423
Total liabilities	<u>\$ 2,855</u>	<u>\$ -</u>	<u>\$ 3,042</u>	<u>\$ 14,608,429</u>	<u>\$ 14,614,326</u>
NET POSITION					
Net investment in capital assets	\$ -	\$ -	\$ -	\$ (1,278,532)	\$ (1,278,532)
Restricted	-	-	-	767,459	767,459
Unrestricted	48,839	-	545,308	(1,300,646)	(706,499)
Total net position (deficit)	<u>\$ 48,839</u>	<u>\$ -</u>	<u>\$ 545,308</u>	<u>\$ (1,811,719)</u>	<u>\$ (1,217,572)</u>

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 14 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS
(CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position (Deficit) –
June 30, 2016

	<u>Blended Component Units</u>				
	<u>DHA</u> <u>Management</u> <u>Inc.</u>	<u>DHA</u> <u>Investment</u> <u>Inc.</u>	<u>DHA</u> <u>Development</u> <u>Inc.</u>	<u>DuPage</u> <u>Housing</u> <u>Authority</u>	<u>Primary</u> <u>Government</u>
OPERATING REVENUES					
Government grants	\$ -	\$ -	\$ -	\$28,204,595	\$28,204,595
Other revenues	<u>49,556</u>	<u>-</u>	<u>8,196</u>	<u>8,156,219</u>	<u>8,213,971</u>
Total operating revenues	<u>49,556</u>	<u>-</u>	<u>8,196</u>	<u>36,360,814</u>	<u>36,418,566</u>
OPERATING EXPENSES					
Administration	3,011	-	36,574	2,973,564	3,013,149
Tenant services	-	-	-	29	29
Utilities	61	-	-	86,992	87,053
Ordinary maintenance and operations	-	-	-	401,704	401,704
Insurance expense	-	-	-	86,643	86,643
General expenses	1,400	-	-	(1,400)	-
Housing assistance payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,900,654</u>	<u>31,900,654</u>
Total operating expenses	<u>4,472</u>	<u>-</u>	<u>36,574</u>	<u>35,448,186</u>	<u>35,489,232</u>
Operating income (loss) before depreciation	45,084	-	(28,378)	912,628	929,334
Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>388,753</u>	<u>388,753</u>
Total operating income (loss)	<u>45,084</u>	<u>-</u>	<u>(28,378)</u>	<u>523,875</u>	<u>540,581</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	-	-	-	355	355
Interest expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(629,972)</u>	<u>(629,972)</u>
Loss before transfers out	45,084	-	(28,378)	(105,742)	(89,036)
TRANSFERS IN (OUT)	<u>-</u>	<u>-</u>	<u>(143,558)</u>	<u>143,558</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	45,084	-	(171,936)	37,816	(89,036)
TOTAL NET POSITION (DEFICIT), BEGINNING OF YEAR	<u>3,755</u>	<u>-</u>	<u>717,244</u>	<u>(1,849,535)</u>	<u>(1,128,536)</u>
TOTAL NET POSITION (DEFICIT), END OF YEAR	<u>\$ 48,839</u>	<u>\$ -</u>	<u>\$ 545,308</u>	<u>\$ (1,811,719)</u>	<u>\$ (1,217,572)</u>

DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
June 30, 2017 and 2016

NOTE 14 – CONDENSED COMBINING INFORMATION FOR BLENDED COMPONENT UNITS
(CONTINUED)

Condensed Statement of Cash Flows – June 30, 2016

	Blended Component Units				
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.	DuPage Housing Authority	Primary Government
Net cash provided by (used in)					
Operating activities	\$ 50,140	\$ -	\$ (267,256)	\$ 1,550,824	\$ 1,333,708
Capital and related financing activities	-	-	(143,558)	(1,504,007)	(1,647,565)
Noncapital financing activities	-	-	-	-	(54,062)
Investing activities	-	-	-	355	355
Net increase/(decrease) in cash	50,140	-	(410,814)	47,172	(367,564)
Cash and cash equivalents, beginning of year	2,354	-	510,568	1,711,347	2,224,269
Cash and cash equivalents, end of year	<u>\$ 52,494</u>	<u>\$ -</u>	<u>\$ 99,754</u>	<u>\$ 1,758,519</u>	<u>\$ 1,856,705</u>

NOTE 15 – SUBSEQUENT EVENTS

On December 13, 2017, the Authority entered into a Sale and Purchase Agreement with a third party for the sale of the Ogden Manor Apartments for cash consideration of \$12,998,005. Additionally, \$656,995 of the existing 5th mortgage loan described in Note 6 was transferred to the new owner under a new repayment agreement. The proceeds were used to satisfy the remaining outstanding mortgages in the amount of \$11,443,281, to pay rental prorations, deposits, and fees of \$105,856, and the remaining \$1,448,868 became an asset of the Authority.

SUPPLEMENTARY INFORMATION

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
June 30, 2017
(See Independent Auditors' Report)

Line Item No.	Account Description	Housing Choice Vouchers	Family Self-Sufficiency Program	N/C S/R Section 8 Programs	Blended Component Units	State/Local	Business Activities	Elimination	Total
CURRENT ASSETS									
Cash:									
111	Cash - unrestricted	\$ 1,092,299	\$ -	\$ 80,581	\$ 352,842	\$ 165,063	\$ -	\$ -	\$ 1,690,785
113	Cash - other restricted	26,187	-	325,511	-	139,562	-	-	491,260
114	Cash - tenant security deposits	-	-	27,632	-	-	-	-	27,632
115	Cash - restricted for payment of current liabilities	154,828	-	-	-	-	-	-	154,828
100	Total cash	<u>1,273,314</u>	<u>-</u>	<u>433,724</u>	<u>352,842</u>	<u>304,625</u>	<u>-</u>	<u>-</u>	<u>2,364,505</u>
Receivables:									
122	Accounts receivable - HUD	-	21,097	-	-	-	-	-	21,097
124	Accounts receivable - other government	90,439	-	-	-	-	-	-	90,439
125	Accounts receivable - miscellaneous	25,680	-	-	-	673	-	-	26,353
126	Accounts receivable - tenant	-	-	16,582	-	-	-	-	16,582
120	Total receivables, net of allowances for doubtful accounts	<u>116,119</u>	<u>21,097</u>	<u>16,582</u>	<u>-</u>	<u>673</u>	<u>-</u>	<u>-</u>	<u>154,471</u>
142	Prepaid expenses and other assets	18,444	-	1,297	-	-	-	-	19,741
144	Inter program- due from	-	-	-	453,869	-	-	(453,869)	-
150	Total current assets	<u>1,407,877</u>	<u>21,097</u>	<u>451,603</u>	<u>806,711</u>	<u>305,298</u>	<u>-</u>	<u>(453,869)</u>	<u>2,538,717</u>
NONCURRENT ASSETS									
161	Land	155,555	-	1,340,000	-	-	-	-	1,495,555
162	Buildings	2,344,177	-	12,034,041	-	-	-	-	14,378,218
163	Furniture, equipment, and machinery-dwell	-	-	126,864	-	-	-	-	126,864
164	Furniture, equipment, and machinery - admin	300,560	-	-	-	-	-	-	300,560
166	Accumulated depreciation	(989,094)	-	(4,278,086)	-	-	-	-	(5,267,180)
160	Total fixed assets, net of accumulated depreciation	<u>1,811,198</u>	<u>-</u>	<u>9,222,819</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,034,017</u>
290	TOTAL ASSETS	<u>\$ 3,219,075</u>	<u>\$ 21,097</u>	<u>\$ 9,674,422</u>	<u>\$ 806,711</u>	<u>\$ 305,298</u>	<u>\$ -</u>	<u>\$ (453,869)</u>	<u>\$ 13,572,734</u>

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY (CONTINUED)
June 30, 2017
(See Independent Auditors' Report)

Line Item No.	Account Description	Housing Choice Vouchers	Family Self- Sufficiency Program	N/C S/R Section 8 Programs	Blended Component Units	State/Local	Business Activities	Elimination	Total
CURRENT LIABILITIES									
312	Accounts payable <= 90 days	\$ 13,151	\$ 21,097	\$ 37,223	\$ -	\$ -	\$ -	\$ -	\$ 71,471
321	Accrued wage/payroll taxes payable	39,628	-	-	-	-	-	-	39,628
322	Accrued compensated absences - current	42,230	-	-	-	-	-	-	42,230
341	Tenant security deposits	-	-	27,632	-	-	-	-	27,632
342	Unearned revenues	51,283	-	3,377	-	139,562	-	-	194,222
343	Current portion of long-term debt - capital	-	-	159,290	-	-	-	-	159,290
345	Other current liabilities	154,827	-	-	-	-	54,062	-	208,889
347	Inter program - due to	-	-	453,869	-	-	-	(453,869)	-
310	Total current liabilities	<u>301,119</u>	<u>21,097</u>	<u>681,391</u>	<u>-</u>	<u>139,562</u>	<u>54,062</u>	<u>(453,869)</u>	<u>743,362</u>
NONCURRENT LIABILITIES									
351	Long-term debt, net of current - capital projects	-	-	12,245,364	-	-	-	-	12,245,364
353	Other noncurrent liabilities	-	-	-	-	-	1,189,371	-	1,189,371
354	Accrued compensated absences - noncurrent	<u>168,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>168,921</u>
350	Total noncurrent liabilities	<u>168,921</u>	<u>-</u>	<u>12,245,364</u>	<u>-</u>	<u>-</u>	<u>1,189,371</u>	<u>-</u>	<u>13,603,656</u>
300	Total liabilities	<u>470,040</u>	<u>21,097</u>	<u>12,926,755</u>	<u>-</u>	<u>139,562</u>	<u>1,243,433</u>	<u>(453,869)</u>	<u>14,347,018</u>
NET POSITION (DEFICIT)									
508.4	Net investment in capital assets	1,811,198	-	(3,181,835)	-	-	-	-	(1,370,637)
511.4	Restricted net position	26,187	-	325,511	-	165,736	-	-	517,434
512.4	Unrestricted net position (deficit)	<u>911,650</u>	<u>-</u>	<u>(396,009)</u>	<u>806,711</u>	<u>-</u>	<u>(1,243,433)</u>	<u>-</u>	<u>78,919</u>
513	Total net position (deficit)	<u>2,749,035</u>	<u>-</u>	<u>(3,252,333)</u>	<u>806,711</u>	<u>165,736</u>	<u>(1,243,433)</u>	<u>-</u>	<u>(774,284)</u>
600	TOTAL LIABILITIES AND NET POSITION (DEFICIT)	<u>\$ 3,219,075</u>	<u>\$ 21,097</u>	<u>\$ 9,674,422</u>	<u>\$ 806,711</u>	<u>\$ 305,298</u>	<u>\$ -</u>	<u>\$ (453,869)</u>	<u>\$ 13,572,734</u>

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
June 30, 2017
(See Independent Auditors' Report)

Line Item No.	Account Description	Housing Choice Vouchers	Family Self-Sufficiency Program	N/C S/R Section 8 Programs	Blended Component Units	State/Local	Business Activities	Elimination	Total
REVENUES									
70300	Net tenant rental revenue	\$ -	\$ -	\$ 356,175	\$ -	\$ -	\$ -	\$ -	\$ 356,175
70400	Tenant revenue - other	-	-	9,648	-	-	-	-	9,648
70500	Total tenant revenue	-	-	365,823	-	-	-	-	365,823
70600	HUD PHA operating grants	29,114,082	75,787	1,029,224	-	-	-	-	30,219,093
70800	Other government grants	78,913	-	-	-	704,662	-	-	783,575
71100	Investment income - unrestricted	447	-	-	-	-	-	-	447
71400	Fraud recovery	235,808	-	-	-	-	-	-	235,808
71500	Other revenue	7,498,742	-	1,158	281,699	-	-	-	7,781,599
70000	Total revenues	36,927,992	75,787	1,396,205	281,699	704,662	-	-	39,386,345
EXPENSES									
Administrative:									
91100	Administrative salaries	1,607,122	53,832	82,811	-	-	-	-	1,743,765
91200	Auditing fees	39,340	-	11,010	-	-	-	-	50,350
91400	Advertising expenses	3,784	-	-	232	-	-	-	4,016
91500	Employee benefit contributions	618,253	18,445	35,270	-	-	-	-	671,968
91600	Office expenses	162,740	-	-	-	-	-	-	162,740
91700	Legal expenses	13,072	-	17,109	-	-	-	-	30,181
91800	Travel expenses	46,678	-	-	40	-	-	-	46,718
91900	Other	373,401	3,510	89,447	2,741	78,913	-	-	548,012
	Total administrative	2,864,390	75,787	235,647	3,013	78,913	-	-	3,257,750
Utilities:									
93100	Water	1,843	-	32,296	-	-	-	-	34,139
93200	Electricity	12,264	-	16,139	-	-	-	-	28,403
93300	Gas	2,487	-	12,728	-	-	-	-	15,215
93600	Sewer	580	-	-	-	-	-	-	580
	Total utilities	17,174	-	61,163	-	-	-	-	78,337
Ordinary maintenance and operations:									
94100	Ordinary maint and oper - labor	-	-	77,406	-	-	-	-	77,406
94200	Ordinary maint and oper - materials/other	221	-	37,918	-	-	-	-	38,139
94300	Ordinary maint and oper - contract costs	43,675	-	131,055	-	-	-	-	174,730
	Total ordinary maintenance and operations	43,896	-	246,379	-	-	-	-	290,275

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
June 30, 2017
(See Independent Auditors' Report)

Line Item No.	Account Description	Housing Choice Vouchers	Family Self-Sufficiency Program	N/C S/R Section 8 Programs	Blended Component Units	State/Local	Business Activities	Elimination	Total
EXPENSES (continued)									
Insurance premiums:									
96110	Property insurance	\$ 8,404	\$ -	\$ 56,850	\$ 12,060	\$ -	\$ -	\$ -	\$ 77,314
96120	Liability insurance	1,831	-	-	-	-	-	-	1,831
96140	All other insurance	14,361	-	-	-	-	-	-	14,361
	Total Insurance premiums	<u>24,596</u>	<u>-</u>	<u>56,850</u>	<u>12,060</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>93,506</u>
General expenses:									
96600	Bad debt - other	48,871	-	-	-	-	-	-	48,871
	Total general expenses	<u>48,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>48,871</u>
Interest expense:									
96710	Interest of mortgage payable	-	-	595,330	-	-	-	-	595,330
	Total interest expense	<u>-</u>	<u>-</u>	<u>595,330</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>595,330</u>
96900	Total operating expenses	<u>2,998,927</u>	<u>75,787</u>	<u>1,195,369</u>	<u>15,073</u>	<u>78,913</u>	<u>-</u>	<u>-</u>	<u>4,364,069</u>
97000	Excess operating revenue over operating expenses	<u>33,929,065</u>	<u>-</u>	<u>200,836</u>	<u>266,626</u>	<u>625,749</u>	<u>-</u>	<u>-</u>	<u>35,022,276</u>
97300	Housing assistance payments	26,824,030	-	-	-	627,988	-	-	27,452,018
97350	HAP portability - in	6,700,384	-	-	-	-	-	-	6,700,384
97400	Depreciation expense	163,591	-	262,995	-	-	-	-	426,586
90000	Total expenses	<u>36,686,932</u>	<u>75,787</u>	<u>1,458,364</u>	<u>15,073</u>	<u>706,901</u>	<u>-</u>	<u>-</u>	<u>38,943,057</u>
Other Financing Sources (Uses)									
10030	Operating transfer from/to primary government	-	-	-	(54,062)	-	-	54,062	-
10040	Operating transfer from/to component unit	-	-	-	-	-	54,062	(54,062)	-
10000	Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(54,062)</u>	<u>-</u>	<u>54,062</u>	<u>-</u>	<u>-</u>
10000	Excess (deficiency) of operating revenues over (under) expenses	<u>\$ 241,060</u>	<u>\$ -</u>	<u>\$ (62,159)</u>	<u>\$ 212,564</u>	<u>\$ (2,239)</u>	<u>\$ 54,062</u>	<u>\$ -</u>	<u>\$ 443,288</u>
Memo Account Information									
11020	Debt principal payments - enterprise funds	\$ -	\$ -	\$ 156,991	\$ -	\$ -	\$ -	\$ -	\$ 156,991
11030	Beginning equity	2,507,975	-	(3,190,174)	594,147	167,975	(1,297,495)	-	(1,217,572)
11170	Administrative fee equity	911,511	-	-	-	-	-	-	911,511
11180	Housing assistance payments equity	26,286	-	-	-	-	-	-	26,286
11190	Unit months available	35,280	-	1,296	-	-	-	-	36,576
11210	Number of unit months leased	33,841	-	1,257	-	-	-	-	35,098

SINGLE AUDIT REPORT



**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
DuPage Housing Authority
Wheaton, 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 the DuPage Housing Authority (the Authority), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated January 18, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2017-001.

Authority's Response to Findings

The Authority's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Milwaukee, Wisconsin
January 18, 2018



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

To the Board of Commissioners
DuPage Housing Authority
Wheaton, Illinois

Report on Compliance for Each Major Federal Program

We have audited DuPage Housing Authority (the Authority)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal program for the year ended June 30, 2017. The Authority's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the 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 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 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 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 Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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 June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2017-001. Our opinion on each major federal program is not modified with respect to these matters.

The Authority's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the 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 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 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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2017-001, which we consider to be a significant deficiency.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Milwaukee, Wisconsin
January 18, 2018

**DUPAGE HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ended June 30, 2017**

	<u>CFDA Number</u>	<u>Pass-Through Agency Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development (HUD)			
Housing Choice Voucher Program	14.871	not applicable	\$ 36,686,932
Section 8 New Construction and Substantial Rehabilitation	14.182	not applicable	1,029,224
Family Self-Sufficiency Program	14.896	not applicable	<u>75,787</u>
TOTAL FEDERAL EXPENDITURES			<u>\$ 37,791,943</u>

The accompanying notes are an integral part of this schedule.

DUPAGE HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2017

NOTE 1 – BASIS OF PRESENTATION

The accompanying “Schedule of Expenditures of Federal Awards” includes the federal grant activity of the DuPage Housing Authority and is presented in accordance with Title 2 U.S. Code of Federal Regulations 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 preparation of the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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.

NOTE 3 – NONCASH FEDERAL ASSISTANCE

The Authority did not receive any noncash Federal assistance for the year ended June 30, 2017.

NOTE 4 – INDIRECT COSTS

The Authority has elected to not use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 5 – SUBRECIPIENTS

The Authority did not pass any federal or state grant funding to any subrecipients for the year ended June 30, 2017.

**DUPAGE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

I. Summary of Independent Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes _____ No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? X Yes _____ No

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X Yes _____ No

Identification of Major Programs

Name of Federal Program	CFDA Number
Housing Choice Voucher Program	14.871

Dollar threshold used to distinguish between type A and type B programs: \$1,133,758

Auditee qualified as low-risk auditee? X Yes _____ No

**DUPAGE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

II. Financial Statement Findings

See finding 2017-001.

III. Federal Award Findings and Questioned Costs

Finding 2017-001	Housing Choice Voucher Program, CFDA #14.871
Federal Agency:	U.S. Department of Housing and Urban Development
Compliance Requirement:	Activities Allowed or Unallowed
Type of Finding:	Noncompliance, Significant Deficiency

Condition/Context

HUD cited previous administrations of the Authority for improper and unauthorized transfers of restricted funds from the Housing Choice Voucher Program to pay for the expenses of other programs.

Criteria

24 CFR Section 985.109 states that housing assistance payment (HAP) funding can only be used to support the payment of HAP expenses. Transfers of HAP funds advanced to the Authority, even temporarily, to support another program are not allowed. HUD also issued Public and Indian Housing (PIH) Notice 2008-9 which requires PHAs to maintain sufficient cash to cover HAP Equity.

Cause

The Authority previously performed improper and unauthorized transfers of \$1,431,312 from the Section 8 Housing Choice Voucher Program to pay for expenses of other programs. The current administration of the Authority, in accordance with a repayment agreement signed on April 15, 2015, stipulates the Authority must make repayments by October 31st of each year an annual payment of \$54,062 from non-Federal funds until the balance is repaid. The Authority had repaid \$79,755 at the time of the repayment agreement, leaving \$1,351,557 as an outstanding balance. In addition, the current administration is working with HUD to complete the review of all previous administration expenses and any additional repayments required.

Effect

The Authority continues to make payments in accordance with the agreement and is working with HUD to complete the review of all previous administration expenses and any additional repayments required. A balance of \$1,243,433 remains due to HUD as of June 30, 2017

Questioned Costs

The repayment agreement in effect is not a new finding, but is required to be reported until all repayments have been resolved. There are no new or additional questioned costs to be reported.

Recommendation

We recommend the Authority continue to comply with the repayment agreement by making the annual payments as scheduled. We also recommend the Authority continue to work with HUD to complete the review of previous administration expenses and any additional repayments required.

**DUPAGE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Management's Response

DuPage Housing Authority will continue to comply with the repayment agreement by making the annual payment of \$54,062. The first installment was paid on October 30, 2015. The Authority will also continue to work with HUD to complete the review of previous administration expenses and any additional repayments required.

Anticipated Completion Date

June 30, 2018

Person Responsible

Barbara Chen, Finance Director

**DUPAGE HOUSING AUTHORITY
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2017**

Finding 2016-001

This finding is repeated as documented in finding 2017-001.