

DUPAGE HOUSING AUTHORITY
Wheaton, Illinois

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED JUNE 30, 2019 AND 2018



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**DUPAGE HOUSING AUTHORITY
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YEARS ENDED JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITORS' REPORT

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, 2019 and 2018, 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, 2019 and 2018, 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 4-8 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.

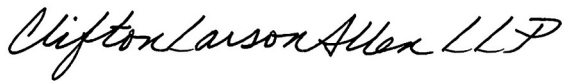
Other Information

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. The financial data schedules, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's 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

Oak Brook, Illinois
December 20, 2019

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

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 years ended June 30, 2019 and 2018. 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 2019, resulting in net deficit of \$3,640,621.

The Authority's cash and cash equivalents balance (including restricted and unrestricted) at June 30, 2019 was \$3,806,992 representing an increase of \$540,925 from June 30, 2018.

The Authority had revenues of \$32,272,926 from HUD operating grants, \$-0- from tenant rent, and \$8,184,757 from other revenue sources for the year ended June 30, 2019, compared to \$30,215,159, \$121,160, and \$9,278,489, respectively, for the year ended June 30, 2018.

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, 2019 AND 2018**

Using the Annual Report (Continued)

Basic Financial Statements (Continued)

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 9 through 11 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 41 of this report.

A combining HUD-developed and required Financial Data Schedule (FDS) is included. The FDS is a reporting format used to disclose to HUD all of the Authority's activities at the property and program level. The FDS begins on page 32.

The Authority as a Whole

The Authority's net position increased during the fiscal year ending June 30, 2019, as detailed on page 7. The Authority's revenues are primarily subsidies received from HUD and payments from other housing authorities for port-in clients. The Authority receives subsidies each month based on a pre-approved amount by HUD.

Significant account changes from 2018 to 2019 are detailed as follows:

- HUD Operating subsidies increased \$2,057,767 (from \$30,215,159 in 2018 to \$32,272,926 in 2019) primarily due to an increase in vouchers issued and the timing of HUD disbursements.
- Portability revenue decreased \$1,171,542 (from \$8,204,793 in 2018 to \$7,033,251 in 2019).
- Other government grants increased \$34,373 (from \$840,846 in 2018 to \$875,219 in 2019).
- Other revenues increased \$43,437 and were comparable to prior year amounts.

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

The Authority as a Whole (Continued)

- Capital assets (net) decreased \$101,054 primarily due current year depreciation.
- Total liabilities increased by \$183,696 due to an increase in unearned revenues. Unearned revenues increased due the receipt timing of housing assistance payments for the July through September period received for the State/Local program.
- Operating expenses decreased \$7,094,384 primarily as a result of the recognition of \$8,525,708 due to HUD in the prior year. This is discussed in greater detail in Note 7 to the Financial Statements.

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

**Table A-1
Entity Wide Assets, Liabilities, and Net Position (Deficit) Comparison
June 30, 2019, 2018, and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
ASSETS			
Current and Restricted Assets	\$ 4,201,705	\$ 3,417,820	\$ 2,538,717
Capital Assets	1,600,295	1,701,349	11,034,017
Total Assets	<u>5,802,000</u>	<u>5,119,169</u>	<u>13,572,734</u>
LIABILITIES			
Current Liabilities	1,060,829	9,108,758	743,362
Noncurrent Liabilities	8,381,792	150,167	13,603,656
Total Liabilities	<u>9,442,621</u>	<u>9,258,925</u>	<u>14,347,018</u>
NET POSITION (DEFICIT)			
Net Investment in Capital Assets	1,600,295	1,701,349	(1,370,637)
Restricted	606,886	414,449	517,434
Unrestricted	<u>(5,847,802)</u>	<u>(6,255,554)</u>	<u>78,919</u>
Total Net Position (Deficit)	<u>\$ (3,640,621)</u>	<u>\$ (4,139,756)</u>	<u>\$ (774,284)</u>

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

The Authority as a Whole (Continued)

Table A-2

**Change in Net Position (Deficit) Comparison
June 30, 2019, 2018, and 2017**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES			
Tenant Rent	\$ -	\$ 121,160	\$ 365,823
HUD PHA Operating Grants	32,272,926	30,215,159	30,219,093
Other Government Grants	875,219	840,846	783,575
Interest Income	42,434	9,878	447
Gain on Sale of Fixed Assets	-	4,516,337	-
Other Revenues	<u>7,309,538</u>	<u>8,437,643</u>	<u>8,017,407</u>
Total Revenues	<u>40,500,117</u>	<u>44,141,023</u>	<u>39,386,345</u>
EXPENSES			
Administration	2,953,716	3,115,802	3,257,750
Tenant Services	-	3,846	-
Utilities	17,133	53,494	78,337
Ordinary Repairs and Maintenance	57,633	141,451	290,275
Insurance Expense	48,386	72,980	93,506
Other General Expenses	815	8,562,155	48,871
Housing Assistance Payments	36,822,245	35,044,584	34,152,402
Depreciation and Amortization	101,054	219,429	426,586
Interest Expense	-	292,754	595,330
Total Expenses	<u>40,000,982</u>	<u>47,506,495</u>	<u>38,943,057</u>
NET CHANGE	499,135	(3,365,472)	443,288
Beginning Net Position (Deficit)	<u>(4,139,756)</u>	<u>(774,284)</u>	<u>(1,217,572)</u>
ENDING NET POSITION (DEFICIT)	<u>\$ (3,640,621)</u>	<u>\$ (4,139,756)</u>	<u>\$ (774,284)</u>

Budgetary Highlights

For the year ended June 30, 2019, 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, 2019 AND 2018**

Capital Assets and Debt Administration

1. Capital Assets

As of June 30, 2019, the Authority's capital assets were \$2,800,292, less accumulated depreciation of \$1,199,997. 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. Repayment Agreements

The HUD Office of Inspector General issued three reports on the operations of the Authority. They were dated September 2009, June 2010, and March 2011. Subsequently, the HUD Office of Housing Voucher Program Quality Assurance Division conducted three onsite financial management reviews. Within the financial management review, it was found during the period of 2010 through 2014 the Authority misused restricted funds and held insufficient cash to support the QAD-validated RNP and UNP balances as of March 31, 2018. The Authority signed into two repayment agreements in September 2019. The Authority must return \$7,309,757 over the period of 43 years. The Authority will pay \$146,195.14 for the first 21 years. Beginning the 22nd year, October 2040, the Authority will pay \$200,257 towards the program reserve account, and the final payment to the Program Reserve account of \$34,262.06 by October 2061. Beginning October 2061, the Authority will make payments to their Administration Fee reserve account of \$165,994.94 for the first year, then 4 payments of \$200,257, and a final payment to the administrative fee reserve account of \$160,366.06, for a total of \$1,127,389 to be returned to the Administrative Fee Reserve Account.

A Tier 1 repayment agreement was executed in April 2015 based on the repeat Independent Public Accountant (IPA) finding regarding the use of Restricted Housing Assistance Payment funds for the Fiscal Years ending 2010 through 2014. The IPA determined the Authority must return the amount of \$1,351,557 to the Authority's Program Reserve Account. The terms of the Tier 1 repayment agreement are annual installments beginning October 2015 in the amount of \$54,062.28 for 25 years. The Authority is currently paying according to the terms of the Tier 1 repayment agreement.

As required within each agreement, the Authority must fund the payments using non-HUD, non-Federal fund sources. Currently the Authority maintains enough reserves to fund 5 years of payments and receive enough non-HUD, non-Federal fund revenue to continue paying according to the terms of the agreements. This is discussed in greater detail in Note 7 to the Financial Statements.

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, 2019:

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.

**DUPAGE HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019 AND 2018**

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.

**DUPAGE HOUSING AUTHORITY
STATEMENTS OF NET POSITION (DEFICIT)
JUNE 30, 2019 AND 2018**

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 2,622,439	\$ 2,569,267
Cash and Cash Equivalents - Restricted	1,184,553	696,800
Total Cash and Cash Equivalents	3,806,992	3,266,067
Accounts Receivable, Net	373,107	129,508
Prepaid Expenses	21,606	22,245
Total Current Assets	4,201,705	3,417,820
NONCURRENT ASSETS		
Capital Assets, Net	1,600,295	1,701,349
Total Noncurrent Assets	1,600,295	1,701,349
 Total Assets	 \$ 5,802,000	 \$ 5,119,169
LIABILITIES AND NET POSITION (DEFICIT)		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 269,989	\$ 8,573,212
Accrued Compensated Absences, Current Portion	45,662	37,542
Unearned Revenue	467,965	167,213
Other Current Liabilities	277,213	330,791
Total Current Liabilities	1,060,829	9,108,758
NONCURRENT LIABILITIES		
Accrued Compensated Absences, Less Current Portion	136,985	150,167
Other Noncurrent Liabilities	8,244,807	-
Total Noncurrent Liabilities	8,381,792	150,167
 Total Liabilities	 9,442,621	 9,258,925
NET POSITION (DEFICIT)		
Net Investment in Capital Assets	1,600,295	1,701,349
Restricted	606,886	414,449
Unrestricted	(5,847,802)	(6,255,554)
Total Net Position (Deficit)	(3,640,621)	(4,139,756)
 Total Liabilities and Net Position (Deficit)	 \$ 5,802,000	 \$ 5,119,169

See accompanying Notes to Financial Statements.

DUPAGE HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (DEFICIT)
YEARS ENDED JUNE 30, 2019 AND 2018

	2019	2018
OPERATING REVENUES		
Tenant Rent	\$ -	\$ 121,160
HUD Subsidies	32,272,926	30,215,159
Other Government Grants	875,219	840,846
Portability Revenue	7,033,251	8,204,793
Other Revenues	276,287	232,850
Total Operating Revenues	40,457,683	39,614,808
OPERATING EXPENSES		
Administration	2,953,716	3,115,802
Tenant Services	-	3,846
Utilities	17,133	53,494
Ordinary Repairs and Maintenance	57,633	141,451
Insurance Expense	48,386	72,980
Other General Expenses	815	8,562,155
Housing Assistance Payments	36,822,245	35,044,584
Total Operating Expenses	39,899,928	46,994,312
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	557,755	(7,379,504)
Depreciation	101,054	219,429
TOTAL OPERATING INCOME (LOSS)	456,701	(7,598,933)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	42,434	9,878
Interest Expense	-	(292,754)
Gain on Sale of Fixed Assets	-	4,516,337
Total Nonoperating Revenues (Expenses)	42,434	4,233,461
CHANGE IN NET POSITION (DEFICIT)	499,135	(3,365,472)
Total Net Position (Deficit) - Beginning of Year	(4,139,756)	(774,284)
TOTAL NET POSITION (DEFICIT) - END OF YEAR	\$ (3,640,621)	\$ (4,139,756)

See accompanying Notes to Financial Statements.

**DUPAGE HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from HUD	\$ 32,272,926	\$ 30,215,159
Cash Received from Tenants and Others	8,241,910	9,369,971
Cash Paid for Payments to Employees	(2,196,310)	(2,398,126)
Cash Paid to Suppliers	(943,728)	(993,533)
Cash Paid for Housing Assistance Payments	(36,822,245)	(35,044,584)
Net Cash Provided by Operating Activities	552,553	1,148,887
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Payments on Long-Term Debt	-	(11,747,659)
Interest Paid	-	(292,754)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(12,040,413)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
HUD Repayment	(54,062)	(1,189,371)
Net Cash Used by Noncapital Financing Activities	(54,062)	(1,189,371)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from the Sale of Fixed Asset	-	12,972,581
Interest Income	42,434	9,878
Net Cash Provided by Investing Activities	42,434	12,982,459
INCREASE IN CASH AND CASH EQUIVALENTS	540,925	901,562
Cash and Cash Equivalents - Beginning of Year	3,266,067	2,364,505
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,806,992	\$ 3,266,067
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 456,701	\$ (7,598,933)
Adjustments to Reconcile Cash and Cash Equivalents Provided by Operating Activities:		
Depreciation	101,054	219,429
Effects of Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	(243,599)	24,963
Prepaid Expenses	639	(2,504)
Accounts Payable and Accrued Expenses	(4,354)	8,462,113
Tenant Security Deposits	-	(27,632)
Accrued Compensated Absences	(5,062)	(23,442)
Unearned Revenue	300,752	(27,009)
Other Current Liabilities	(53,578)	121,902
Net Cash Provided by Operating Activities	\$ 552,553	\$ 1,148,887

See accompanying Notes to Financial Statements.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 Governmental 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, 2019 AND 2018**

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. DI did not have any balance or activity as of and for the years ended June 30, 2019 and 2018; Management has refrained currently from using DI to invest and/or finance for the development of affordable housing in and round DuPage County.

DHA Development Inc. (DD) – DD was established to develop affordable housing in and around DuPage County. There was no activity shown in relation to DD during the year ended June 30, 2019.

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 received 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, 2019 AND 2018**

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. On December 13, 2017, the Authority sold Ogden Manor Apartments to Ogden Housing Partners LP for \$12.9 million. The proceeds of the sale of the property were used to make principal payments on \$12.4 million in outstanding debt. As of June 30, 2018, operations have ceased, as all capital assets have been disposed and related secured mortgages have been settled.

State and Local Program – The Authority administers a Rental Housing Support Program (RHSP) through the Illinois Housing Development Authority through the Illinois Department of Human Services. The programs assist qualified individuals in securing affordable housing. The Authority previously administered the Bridge Subsidy Program which ended its contract with Illinois Department of Human Services in December 2015.

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 (NSP). DHA Management, Inc. earns a management fee based on eligible program costs. The NSP program has not been active since 2015, with all previously owned properties transferred to other local low income housing providers.

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

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting (Continued)

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.

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 Nonexchange 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.

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.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

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

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, 2019 and 2018, 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 paid time off (PTO) leave earned in accordance with the Authority's Personnel Policy. Employees are compensated for accumulated earned PTO in the event of retirement or employment termination at their current salary up to a maximum of 60 workdays or 450 hours.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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’s 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, 2019 AND 2018**

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, 2019 and 2018, 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, 2019 and 2018, the carrying amount of the Authority's cash and cash equivalents was \$3,806,992 and \$3,226,067 and the bank balances were \$3,749,951 and \$3,297,353, respectively. The Authority's deposits with financial institutions were fully collateralized as of June 30, 2019 and 2018.

Cash and cash equivalents consist of the following:

<u>Cash Category</u>	<u>2019</u>	<u>2018</u>
Operating	\$ 2,622,439	\$ 2,569,267
Total Unrestricted	<u>\$ 2,622,439</u>	<u>\$ 2,569,267</u>
Section 8 HAP Reserves	\$ 444,059	\$ 249,943
Section 8 Current Liabilities	293,879	274,355
RHSP Funds	446,615	172,502
Total Restricted	<u>\$ 1,184,553</u>	<u>\$ 696,800</u>

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.

Credit Risk – The Authority's policy does not address credit risk. There are no deposits subject to credit risk as of June 30, 2019 and 2018.

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.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

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.

Rental Housing Support Program payments are restricted for use under guidelines administered by the IHDA.

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:

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.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 3 ACCOUNTS RECEIVABLE, NET

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

	2019	2018
HUD	\$ -	\$ 8,640
Other Governments	321,425	111,773
Miscellaneous	51,682	9,095
Total	\$ 373,107	\$ 129,508

The Authority has evaluated the collectability of the outstanding receivables. There are no allowances recorded and bad debt for the years ended June 30, 2019 and 2018 were \$815 and \$36,447, respectively.

NOTE 4 CAPITAL ASSETS

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

	Balance June 30, 2018	Additions	Transfers and Deletions	Balance June 30, 2019
Land	\$ 155,555	\$ -	\$ -	\$ 155,555
Total Assets Not Being Depreciated	155,555	-	-	155,555
Buildings and Improvements	2,344,177	-	-	2,344,177
Furniture and Equipment	300,560	-	-	300,560
Total Property and Equipment	2,644,737	-	-	2,644,737
Less Accumulated Depreciation	(1,098,943)	(101,054)	-	(1,199,997)
Net Book Value	\$ 1,701,349	\$ (101,054)	\$ -	\$ 1,600,295

	Balance June 30, 2017	Additions	Transfers and Deletions	Balance June 30, 2018
Land	\$ 1,495,555	\$ -	\$ (1,340,000)	\$ 155,555
Total Assets Not Being Depreciated	1,495,555	-	(1,340,000)	155,555
Buildings and Improvements	14,378,218	-	(12,034,041)	2,344,177
Furniture and equipment	427,424	-	(126,864)	300,560
Total Property and Equipment	14,805,642	-	(12,160,905)	2,644,737
Less Accumulated Depreciation	(5,267,180)	(219,429)	4,387,666	(1,098,943)
Net Book Value	\$ 11,034,017	\$ (219,429)	\$ (9,113,239)	\$ 1,701,349

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2019 and 2018, the Authority had accrued approximately \$182,647 and \$187,709, 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 consist of the following:

Balance June 30, 2018	Additions	Redemptions	Balance June 30, 2019	Due Within One Year
\$ 187,709	\$ 4,763	\$ (9,825)	\$ 182,647	\$ 45,662

Balance June 30, 2017	Additions	Redemptions	Balance June 30, 2018	Due Within One Year
\$ 211,151	\$ 5,691	\$ (29,133)	\$ 187,709	\$ 37,542

NOTE 6 LONG-TERM DEBT

There was no debt service activity for the year ended June 30, 2019.

Debt service activity for the year ended June 30, 2018 consisted of the following:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018
Ogden Manor Bonds	\$ 10,939,535	\$ -	\$ (10,939,535)	\$ -
2nd Mortgage Loan	124,311	-	(124,311)	-
3rd Mortgage Loan	139,376	-	(139,376)	-
4th Mortgage Loan	235,000	-	(235,000)	-
5th Mortgage Loan	750,000	-	(750,000)	-
6th Mortgage Loan	216,432	-	(216,432)	-
Total	<u>\$ 12,404,654</u>	<u>\$ -</u>	<u>\$ (12,404,654)</u>	<u>\$ -</u>

Ogden Manor Bonds

On December 13, 2017, the Authority sold Ogden Manor Apartments to Ogden Housing Partners LP for \$12.9 million. The proceeds of the sale of the property were used to make principal payments on \$12.4 million in outstanding debt. As of June 30, 2018, operations have ceased, as all capital assets have been disposed and related secured mortgages have been settled.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 7 OTHER NONCURRENT LIABILITIES

The HUD Office of Inspector General issued 3 reports on the operations of the Authority. They were dated September 2009, June 2010, and March 2011. These reports cited significant operational issues within the Authority. These issues were not addressed or not appropriately addressed by the Authority's management and its Board of Commissioners. Therefore, the Executive Director and Board of Commissioners were replaced in March 2011 by the Chairman of the DuPage County Board. Although a large portion of the funds identified in the Repayment Agreement were the result of incomplete information in client files, the missing documentation was not available. Other funds in the Repayment Agreement were from federal funds that were misspent. As of June 30, 2019 and 2018 the outstanding balance due to HUD was \$8,445,065 and \$8,515,079.

The future maturities of the liability due to HUD as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Balance</u>
2020	\$ 200,258
2021	200,258
2022	200,258
2023	200,258
2024	200,258
2025 – 2029	1,001,285
2030 – 2034	1,001,285
2035 – 2039	1,001,285
2040 – 2044	1,001,285
2045 – 2049	1,001,285
2050 – 2054	1,001,285
2055 – 2059	1,001,285
2060 – 2062	434,780
Total	<u>\$ 8,445,065</u>

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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 10% 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 2019 and 2018 was approximately \$1,396,455 and \$1,462,025, respectively. The Authority's contributions were calculated using a defined contribution pension plan. For the years ending June 30, 2019 and 2018, the Authority's portion approximated \$139,190 and \$147,411, respectively, which has been charged to the employee fringe benefit account.

NOTE 10 INTERPROGRAM BALANCES

Due To/From

The Authority accounts for interprogram transactions by using interprogram receivables and payables. As of June 30, 2019, the due to/from balances consisted of the following:

Component Units:	<u>Due to HCV</u>
Due from DHA Management	\$ 9,572,454

The HUD Office of Inspector General issued 3 reports on the operations of the Authority. They were dated September 2009, June 2010 and March 2011. These reports cited significant operational issues within the Authority. These issues were not addressed or not appropriately addressed by the Authority's management and its Board of Commissioners. Therefore, the Executive Director and Board of Commissioners were replaced in March 2011 by the Chairman of the DuPage County Board. Although a large portion of the funds identified in the Repayment Agreement were the result of incomplete information in client files, the missing documentation was not available. Other funds in the Repayment Agreement were from federal funds that were misspent. As of June 30, 2019, the outstanding balance due from DHA Management to the HCV was \$9,572,454.

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

NOTE 10 INTERPROGRAM BALANCES

Due To/From

The future maturities of the liability due from DHA Management to the HCV Program as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Balance</u>
2020	\$ 200,258
2021	200,258
2022	200,258
2023	200,258
2024	200,258
2025 – 2029	1,001,285
2030 – 2034	1,001,285
2035 – 2039	1,001,285
2040 – 2044	1,001,285
2045 – 2049	1,001,285
2050 – 2054	1,001,285
2055 – 2059	1,001,285
2060 – 2064	1,001,285
2065 – 2067	560,884
Total	<u>\$ 9,572,454</u>

Transfers In/Out

During the fiscal year ending June 30, 2019, the Authority's interprogram transfers consisted of the following

	<u>Transfer Out</u> <u>Section 8 Programs</u>
Component Units:	
Transfer In DHA Management	\$ <u>206,166</u>

The purpose of this transfer was to closeout the remaining funds associated with the sale of Ogden Manor which was executed in the previous fiscal year.

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

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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.

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. Management does not expect the amount to be material.

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.

NOTE 13 RESTRICTED NET POSITION

Restricted net position for the years ended June 30, 2019 and 2018 was restricted for the following purposes:

	<u>2019</u>	<u>2018</u>
Housing Choice Voucher Program	\$ 444,059	\$ 249,943
Escrow and Reserve Requirements	-	-
Other Housing Grant Activities	<u>162,827</u>	<u>164,506</u>
Total	<u><u>\$ 606,886</u></u>	<u><u>\$ 414,449</u></u>

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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, 2019 is provided as follows:

Condensed Statement of Net Position (Deficit) – June 30, 2019

	Blended Component Units				
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.	DuPage Housing Authority	Primary Government
ASSETS					
Current Assets	\$ 1,127,033	\$ -	\$ -	\$ 3,074,672	\$ 4,201,705
Interprogram Assets	-	-	-	-	-
Capital Assets, Net	-	-	-	1,600,295	1,600,295
Total Assets	<u>\$ 1,127,033</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,674,967</u>	<u>\$ 5,802,000</u>
LIABILITIES					
Interprogram Liabilities	\$ 9,572,454	\$ -	\$ -	\$ (9,572,454)	\$ -
Current Liabilities	1,638	-	-	1,059,191	1,060,829
Noncurrent Liabilities	-	-	-	8,381,792	8,381,792
Total Liabilities	<u>\$ 9,574,092</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (131,471)</u>	<u>\$ 9,442,621</u>
NET POSITION					
Net Investment in Capital					
Assets	\$ -	\$ -	\$ -	\$ 1,600,295	\$ 1,600,295
Restricted	-	-	-	606,886	606,886
Unrestricted	(8,447,059)	-	-	2,599,257	(5,847,802)
Total Net Position (Deficit)	<u>\$ (8,447,059)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,806,438</u>	<u>\$ (3,640,621)</u>

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

**Condensed Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
- Year Ended June 30, 2019**

	Blended Component Units			DuPage Housing Authority	Primary Government
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.		
OPERATING REVENUES					
Government Grants	\$ 80,508	\$ -	\$ -	\$ 33,067,637	\$ 33,148,145
Other Revenues	417,538	-	-	6,892,000	7,309,538
Total Operating Revenues	<u>498,046</u>	<u>-</u>	<u>-</u>	<u>39,959,637</u>	<u>40,457,683</u>
OPERATING EXPENSES					
Administration	232,830	-	-	2,720,886	2,953,716
Tenant Services	-	-	-	-	-
Utilities	-	-	-	17,133	17,133
Ordinary Maintenance and Operations	-	-	-	57,633	57,633
Insurance Expense	9,971	-	-	38,415	48,386
General Expenses	-	-	-	815	815
Housing Assistance Payments	-	-	-	36,822,245	36,822,245
Total Operating Expenses	<u>242,801</u>	<u>-</u>	<u>-</u>	<u>39,657,127</u>	<u>39,899,928</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	255,245	-	-	302,510	557,755
Depreciation	-	-	-	101,054	101,054
OPERATING INCOME (LOSS)	255,245	-	-	201,456	456,701
NONOPERATING REVENUES (EXPENSES)					
Interest Income	-	-	-	42,434	42,434
Interest Expense	-	-	-	-	-
Income (Loss) Before Transfers	<u>255,245</u>	<u>-</u>	<u>-</u>	<u>243,890</u>	<u>499,135</u>
TRANSFERS IN (OUT)	<u>206,166</u>	<u>-</u>	<u>-</u>	<u>(206,166)</u>	<u>-</u>
CHANGE IN NET POSITION (DEFICIT)	461,411	-	-	37,724	499,135
Total Net Position (Deficit) - Beginning of Year	<u>(8,908,470)</u>	<u>-</u>	<u>-</u>	<u>4,768,714</u>	<u>(4,139,756)</u>
TOTAL NET POSITION (DEFICIT) - END OF YEAR	<u><u>\$ (8,447,059)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,806,438</u></u>	<u><u>\$ (3,640,621)</u></u>

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

Condensed Statement of Cash Flows – Year Ended June 30, 2019

	Blended Component Units				
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.	DuPage Housing Authority	Primary Government
NET CASH PROVIDED (USED) BY					
Operating Activities	\$ 393,332	\$ -	\$ -	\$ 159,221	\$ 552,553
Noncapital Financing Activities	-	-	-	(54,062)	\$ (54,062)
Investing Activities	-	-	-	42,434	42,434
Net Increase (Decrease) in Cash	393,332	-	-	147,593	540,925
Cash and Cash Equivalents - Beginning of Year	733,701	-	-	2,586,428	3,266,067
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,127,033	\$ -	\$ -	\$ 2,734,021	\$ 3,806,992

Condensed combining information for the Authority's three blended component units as of and for the year ended June 30, 2018 is provided as follows:

Condensed Statement of Net Position (Deficit) – June 30, 2018

	Blended Component Units				
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.	DuPage Housing Authority	Primary Government
ASSETS					
Current Assets	\$ 733,701	\$ -	\$ -	\$ 2,684,119	\$ 3,417,820
Interprogram Assets	35,463	-	-	(35,463)	-
Capital Assets, Net	-	-	-	1,701,349	1,701,349
Total Assets	\$ 769,164	\$ -	\$ -	\$ 4,350,005	\$ 5,119,169
LIABILITIES					
Interprogram Liabilities	\$ 9,676,109	\$ -	\$ -	\$ (9,676,109)	\$ -
Current Liabilities	1,525	-	-	9,107,233	9,108,758
Noncurrent Liabilities	-	-	-	150,167	150,167
Total Liabilities	\$ 9,677,634	\$ -	\$ -	\$ (418,709)	\$ 9,258,925
NET POSITION					
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ 1,701,349	\$ 1,701,349
Restricted	-	-	-	414,449	414,449
Unrestricted	(8,908,470)	-	-	2,652,916	(6,255,554)
Total Net Position (Deficit)	\$ (8,908,470)	\$ -	\$ -	\$ 4,768,714	\$ (4,139,756)

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

**Condensed Statement of Revenues, Expenses, and Changes in Net Position (Deficit)
– Year Ended June 30, 2018**

	Blended Component Units			DuPage Housing Authority	Primary Government
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.		
OPERATING REVENUES					
Government Grants	\$ 79,236	\$ -	\$ -	\$ 30,976,769	\$ 31,056,005
Other Revenues	313,014	-	-	12,762,126	13,075,140
Total Operating Revenues	<u>392,250</u>	<u>-</u>	<u>-</u>	<u>43,738,895</u>	<u>44,131,145</u>
OPERATING EXPENSES					
Administration	210,901	-	-	2,904,901	3,115,802
Tenant Services	-	-	-	3,846	3,846
Utilities	-	-	-	53,494	53,494
Ordinary Maintenance and Operations	-	-	-	141,451	141,451
Insurance Expense	-	-	-	72,980	72,980
General Expenses	9,653,097	-	-	(1,090,942)	8,562,155
Housing Assistance Payments	-	-	-	35,044,584	35,044,584
Total Operating Expenses	<u>9,863,998</u>	<u>-</u>	<u>-</u>	<u>37,130,314</u>	<u>46,994,312</u>
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(9,471,748)	-	-	6,608,581	(2,863,167)
Depreciation	-	-	-	219,429	219,429
OPERATING INCOME (LOSS) BEFORE DEPRECIATION	(9,471,748)	-	-	6,389,152	(3,082,596)
NONOPERATING REVENUES (EXPENSES)					
Interest Income	-	-	-	9,878	9,878
Interest Expense	-	-	-	(292,754)	(292,754)
Loss Before Transfers Out	(9,471,748)	-	-	6,106,276	(3,365,472)
TRANSFERS IN (OUT)	1,491,456	-	(491,456)	491,456	1,491,456
CHANGE IN NET POSITION (DEFICIT)	(7,980,292)	-	(491,456)	5,106,276	(1,874,016)
Total Net Position (Deficit) - Beginning of Year	<u>315,255</u>	<u>-</u>	<u>491,456</u>	<u>(1,580,995)</u>	<u>(228,976)</u>
Prior Period Adjustment	(1,243,433)			1,243,433	
TOTAL NET POSITION (DEFICIT) - END OF YEAR	<u>\$ (8,908,470)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,768,714</u>	<u>\$ (4,139,756)</u>

**DUPAGE HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018**

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

Condensed Statement of Cash Flows – Year Ended June 30, 2018

	Blended Component Units			DuPage Housing Authority	Primary Government
	DHA Management Inc.	DHA Investment Inc.	DHA Development Inc.		
NET CASH PROVIDED (USED) BY					
Operating Activities	\$ 414,791	\$ -	\$ (33,932)	\$ 768,028	\$ 1,148,887
Capital and Related Financing Activities	-	-	-	(12,040,413)	(12,040,413)
Noncapital Financing Activities	-	-	-	(1,189,371)	(1,189,371)
Investing Activities	-	-	-	12,982,459	12,982,459
Net Increase (Decrease) in Cash	414,791	-	(33,932)	520,703	901,562
Cash and Cash Equivalents - Beginning of Year	318,910	-	33,932	2,065,725	2,364,505
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 733,701	\$ -	\$ -	\$ 2,586,428	\$ 3,266,067

SUPPLEMENTARY INFORMATION

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY
JUNE 30, 2019
(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	Elimination	Total
CURRENT ASSETS								
Cash:								
111	Cash - Unrestricted	\$ 1,503,632	\$ -	\$ -	\$ 1,127,033	\$ (8,226)	\$ -	\$ 2,622,439
112	Cash - Restricted - Modernization/Develop	-	-	-	-	-	-	-
113	Cash - Other Restricted	444,059	-	-	-	446,615	-	890,674
114	Cash - Tenant Security Deposits	-	-	-	-	-	-	-
115	Cash - Restricted for Payment of Current Liabilities	293,879	-	-	-	-	-	293,879
100	Total Cash	2,241,570	-	-	1,127,033	438,389	-	3,806,992
Receivables:								
121	Accounts Receivable - Other PHA Projects	-	-	-	-	-	-	-
122	Accounts Receivable - HUD	-	-	-	-	-	-	-
124	Accounts receivable - Other Government	321,425	-	-	-	-	-	321,425
125	Accounts receivable - Miscellaneous	51,690	-	-	-	(8)	-	51,682
126	Accounts receivable - Tenant	-	-	-	-	-	-	-
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-	-	-	-	-
128	Fraud Recovery	-	-	-	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	373,115	-	-	-	(8)	-	373,107
142	Prepaid expenses and Other Assets	21,606	-	-	-	-	-	21,606
144	Inter-Program - Due From	9,572,454	-	-	-	-	(9,572,454)	-
150	Total Current Assets	12,208,745	-	-	1,127,033	438,381	(9,572,454)	4,201,705
NONCURRENT ASSETS								
161	Land	155,555	-	-	-	-	-	155,555
162	Buildings	2,344,177	-	-	-	-	-	2,344,177
163	Furniture, Equipment, and Machinery - Dwell	-	-	-	-	-	-	-
164	Furniture, Equipment, and Machinery - Admin	300,560	-	-	-	-	-	300,560
166	Accumulated Depreciation	(1,199,997)	-	-	-	-	-	(1,199,997)
160	Total Fixed Assets, Net of Accumulated Depreciation	1,600,295	-	-	-	-	-	1,600,295
290	Total Assets	\$ 13,809,040	\$ -	\$ -	\$ 1,127,033	\$ 438,381	\$ (9,572,454)	\$ 5,802,000

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE BALANCE SHEET SUMMARY (CONTINUED)
JUNE 30, 2019
(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	Elimination	Total
CURRENT LIABILITIES								
312	Accounts Payable <= 90 Days	\$ 20,469	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,469
321	Accrued Wage/Payroll Taxes Payable	47,624	-	-	1,638	-	-	49,262
322	Accrued Compensated Absences - Current	45,662	-	-	-	-	-	45,662
331	Accounts Payable - HUD PHA Programs	200,258	-	-	-	-	-	200,258
333	Accounts Payable - Other Government	-	-	-	-	-	-	-
341	Tenant Security Deposits	-	-	-	-	-	-	-
342	Unearned Revenues	192,411	-	-	-	275,554	-	467,965
343	Current Portion of Long-Term Debt - Capital	-	-	-	-	-	-	-
345	Other Current Liabilities	277,213	-	-	-	-	-	277,213
346	Accrued Liabilities - Other	-	-	-	-	-	-	-
347	Inter-Program - Due To	-	-	-	9,572,454	-	(9,572,454)	-
310	Total Current Liabilities	<u>783,637</u>	<u>-</u>	<u>-</u>	<u>9,574,092</u>	<u>275,554</u>	<u>(9,572,454)</u>	<u>1,060,829</u>
NONCURRENT LIABILITIES								
351	Long-Term Debt, Net of Current - Capital Projects	-	-	-	-	-	-	-
353	Other Noncurrent Liabilities	8,244,807	-	-	-	-	-	8,244,807
354	Accrued Compensated Absences - Noncurrent	136,985	-	-	-	-	-	136,985
350	Total Noncurrent Liabilities	<u>8,381,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,381,792</u>
300	Total Liabilities	9,165,429	-	-	9,574,092	275,554	(9,572,454)	9,442,621
NET POSITION (DEFICIT)								
508.4	Net Investment in Capital Assets	1,600,295	-	-	-	-	-	1,600,295
511.4	Restricted Net Position	444,059	-	-	-	162,827	-	606,886
512.4	Unrestricted Net Position (Deficit)	2,599,257	-	-	(8,447,059)	-	-	(5,847,802)
513	Total Net Position (Deficit)	<u>4,643,611</u>	<u>-</u>	<u>-</u>	<u>(8,447,059)</u>	<u>162,827</u>	<u>-</u>	<u>(3,640,621)</u>
600	Total Liabilities an Net Position (Deficit)	<u>\$ 13,809,040</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,033</u>	<u>\$ 438,381</u>	<u>\$ (9,572,454)</u>	<u>\$ 5,802,000</u>

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY
YEAR ENDED JUNE 30, 2019
(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	Elimination	Total
REVENUES								
70300	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
70400	Tenant Revenue - Other	-	-	-	-	-	-	-
70500	Total Tenant Revenue	-	-	-	-	-	-	-
70600	HUD PHA Operating Grants	32,182,586	90,340	-	-	-	-	32,272,926
70610	Capital Grants	-	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	80,508	794,711	-	875,219
71100	Investment Income - Unrestricted	23,957	-	-	18,477	-	-	42,434
71400	Fraud Recovery	276,287	-	-	-	-	-	276,287
71500	Other Revenue	6,634,134	-	56	399,061	-	-	7,033,251
71600	Gain/Loss on Sale of Fixed Assets	-	-	-	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-	-	-	-
70000	Total Revenues	39,116,964	90,340	56	498,046	794,711	-	40,500,117
EXPENSES								
Administrative:								
91100	Administrative Salaries	1,396,455	68,758	-	85,233	-	-	1,550,446
91200	Auditing Fees	38,600	-	-	10,300	-	-	48,900
91300	Management Fees	-	-	-	-	-	-	-
91310	Bookkeeping fees	-	-	-	-	-	-	-
91400	Advertising Expenses	3,309	-	-	-	-	-	3,309
91500	Employee Benefit Contributions	586,783	21,582	-	32,437	-	-	640,802
91600	Office Expenses	121,699	-	-	-	-	-	121,699
91700	Legal Expenses	9,084	-	-	1,316	-	-	10,400
91800	Travel Expenses	43,701	-	-	-	-	-	43,701
91900	Other	349,026	-	-	103,544	81,889	-	534,459
	Total Administrative	2,548,657	90,340	-	232,830	81,889	-	2,953,716
Tenant Services:								
92100	Tenant Services - Salaries	-	-	-	-	-	-	-
92400	Tenant Services - Other	-	-	-	-	-	-	-
	Total Tenant Services	-	-	-	-	-	-	-
Utilities:								
93100	Water	1,664	-	-	-	-	-	1,664
93200	Electricity	12,041	-	-	-	-	-	12,041
93300	Gas	2,775	-	-	-	-	-	2,775
93600	Sewer	653	-	-	-	-	-	653
93800	Other Utilities Expense	-	-	-	-	-	-	-
	Total Utilities	17,133	-	-	-	-	-	17,133
Ordinary Maintenance and Operations:								
94100	Ordinary Maint and Oper - Labor	-	-	-	-	-	-	-
94200	Ordinary Maint and Oper - Materials/Other	722	-	-	-	-	-	722
94300	Ordinary Maint and Oper - Contract Costs	56,613	-	-	-	298	-	56,911
	Total Ordinary Maintenance and Operations	57,335	-	-	-	298	-	57,633

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED JUNE 30, 2019
(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	Elimination	Total
EXPENSES (Continued)								
Insurance Premiums:								
96110	Property Insurance	\$ 9,045	\$ -	\$ -	\$ 9,971	\$ -	\$ -	\$ 19,016
96120	Liability Insurance	1,639	-	-	-	-	-	1,639
96130	Workers' Compensation	-	-	-	-	-	-	-
96140	All Other Insurance	27,731	-	-	-	-	-	27,731
	Total Insurance Premiums	<u>38,415</u>	<u>-</u>	<u>-</u>	<u>9,971</u>	<u>-</u>	<u>-</u>	<u>48,386</u>
General Expenses:								
96200	Other General Expenses	-	-	-	-	-	-	-
96210	Compensated Absences	-	-	-	-	-	-	-
96300	Payments in Lieu of Taxes	-	-	-	-	-	-	-
96400	Bad Debt - Tenant Rents	-	-	-	-	-	-	-
96600	Bad Debt - Other	815	-	-	-	-	-	815
	Total General Expenses	<u>815</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>815</u>
Interest Expense:								
96710	Interest of Mortgage Payable	-	-	-	-	-	-	-
96720	Amortization of Bond Issue Costs	-	-	-	-	-	-	-
	Total Interest Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
96900	Total Operating Expenses	<u>2,662,355</u>	<u>90,340</u>	<u>-</u>	<u>242,801</u>	<u>82,187</u>	<u>-</u>	<u>3,077,683</u>
97000	Excess Operating Revenue Over Operating Expenses	<u>36,454,609</u>	<u>-</u>	<u>56</u>	<u>255,245</u>	<u>712,524</u>	<u>-</u>	<u>37,422,434</u>
97100	Extraordinary Maintenance	-	-	-	-	-	-	-
97300	Housing Assistance Payments	30,005,379	-	-	-	714,203	-	30,719,582
97350	HAP Portability - In	6,102,663	-	-	-	-	-	6,102,663
97400	Depreciation expense	101,054	-	-	-	-	-	101,054
90000	Total expenses	<u>38,871,451</u>	<u>90,340</u>	<u>-</u>	<u>242,801</u>	<u>796,390</u>	<u>-</u>	<u>40,000,982</u>
OTHER FINANCING SOURCES (USES)								
10010	Operating Transfer In	-	-	-	206,166	-	-	206,166
10020	Operating Transfer Out	-	-	(206,166)	-	-	-	(206,166)
10030	Operating Transfer From/To Primary Government	-	-	-	-	-	-	-
10040	Operating Transfer From/To Component Unit	-	-	-	-	-	-	-
10000	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(206,166)</u>	<u>206,166</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess (Deficiency) of Operating Revenues Over (Under) Expenses	<u>\$ 245,513</u>	<u>\$ -</u>	<u>\$ (206,110)</u>	<u>\$ 461,411</u>	<u>\$ (1,679)</u>	<u>\$ -</u>	<u>\$ 499,135</u>

DUPAGE HOUSING AUTHORITY
ENTITY-WIDE REVENUE AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED JUNE 30, 2019
(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	Elimination	Total
Memo Account Information:								
11020	Debt Principal Payments - Enterprise Funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	4,398,098	-	206,110	(8,908,470)	164,506	-	(4,139,756)
11040	Prior Period Adjustments, Equity Transfers, and Correction of Errors	-	-	-	-	-	-	-
11170	Administrative Fee Equity	4,591,211	-	-	-	-	-	4,591,211
11180	Housing Assistance Payments Equity	52,400	-	-	-	-	-	52,400
11190	Unit Months Available	36,205	-	-	-	864	-	37,069
11210	Number of Unit Months Leased	35,688	-	-	-	689	-	36,377
11270	Excess Cash	-	-	-	-	-	-	-
11620	Building Purchase	-	-	-	-	-	-	-



**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***

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, 2019, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated December 20, 2019.

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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the finding identified in our audit is 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

Oak Brook, Illinois
December 20, 2019



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

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 the Authority's major federal program for the year ended June 30, 2019. 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 its major federal program for the year ended June 30, 2019.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



CliftonLarsonAllen LLP

Oak Brook, Illinois
December 20, 2019

**DUPAGE HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)			
Housing Choice Voucher Program	14.871	Not Applicable	\$ 38,871,451
Family Self-Sufficiency Program	14.896	Not Applicable	<u>90,340</u>
Total Expenditures of Federal Awards			<u>\$ 38,961,791</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**DUPAGE HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) 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, 2019.

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, 2019.

**DUPAGE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified? _____ yes x none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance (2 CFR 200.516(a))? _____ yes x no

Identification of Major Federal Programs

CFDA Number(s)

14.871

Name of Federal Program or Cluster

Housing Choice Voucher Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 1,168,853

Auditee qualified as low-risk auditee?

 x yes _____ no

**DUPAGE HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

Section II – Financial Statement Findings

2019–001 AUDIT ADJUSTMENT

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: Authority management is responsible for establishing and maintaining internal controls over the fair presentation of the financial statements in accordance with Generally Accepted Accounting Principles (GAAP) as set by the Government Accounting Standards Board (GASB).

Criteria or specific requirement: The Authority's internal controls should be designed to adequately reconcile and adjust accounting records to present them in the Authority's financial statement in accordance with GAAP.

Context: Certain state and local receipts that were collected by the Authority prior to the end of the fiscal year were not properly recognized as unearned revenue in the amount of \$275,554.

Effect: An adjusting journal entry was required to be proposed to fairly present State/Local revenues and unearned revenues as of June 30, 2019.

Cause: Recognition of the fiscal year 2020 first quarter Rural Housing Stability Assistance Program (RHSP) earnings were not appropriately recognized as of June 30, 2019. The financial close and reporting process failed to identify the misstatement.

Repeat Finding: No

Recommendation: We recommend that the Authority evaluate internal procedures to ensure appropriate reconciliations are prepared and reviewed to ensure that the financial statements are presented appropriately in accordance with GAAP.

Views of responsible officials and planned corrective actions: Management agrees with the adjustment and will design a process to address this going forward.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

**DUPAGE HOUSING AUTHORITY
CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2019**

U.S Department of Housing and Urban Development

DuPage Housing Authority respectfully submits the following corrective action plan for the year ended 2019 June 30, 2019.

Audit period: July 1, 2018 – June 30, 2019.

The findings from the schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS—FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

2019-001 AUDIT ADJUSTMENTS

Recommendation: We recommend that the Authority evaluate internal procedures to ensure appropriate reconciliations are prepared and reviewed to ensure that the financial statements are presented appropriately in accordance with GAAP.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Action planned in response to finding: The Authority will implement a secondary review process and as HUD funding allows, continue to review the ability to add an additional person to the Finance department staff..

Name(s) of the contact person(s) responsible for corrective action: Christine Celeste-Wade

Planned completion date for corrective action plan: 9/30/19

If the U.S. Department of Housing and Urban Development has questions regarding this plan, please contact Christine Celeste-Wade at cwade@dupagehousing.org.

**DUPAGE HOUSING AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

U.S Department of Housing and Urban Development

DuPage Housing Authority respectfully submits the following summary schedule of prior audit findings for the year ended June 30, 2018.

Audit period: July 1, 2018 - June 30, 2019

The findings from the prior audit's schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the prior year.

FINDINGS—FINANCIAL STATEMENT AUDIT

See Finding 2018-001.

FINDINGS— FEDERAL AWARD PROGRAMS AUDITS

2018 – 001 – Housing Choice Voucher Program

Condition: During our testing, we noted that previous administrations did not properly monitor the use of funds from the Housing Choice Voucher Program.

Status: The Authority has entered into multiple repayment agreements with HUD to be paid over the next 50 years. The Authority has implemented many checks and balances as corrective action to ensure the funds are properly used and monitored.

If the U.S. Department of Housing and Urban Development has questions regarding this schedule, please contact Christine Celeste-Wade at cwade@dupagehousing.org.