

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

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**REPORT ON FINANCIAL STATEMENTS  
AND SUPPLEMENTAL DATA**

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**TWELVE MONTHS ENDED MARCH 31, 2020**

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

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## Independent Auditor's Report

Board of Commissioners  
Moline Housing Authority  
Moline, Illinois

I have audited the accompanying financial statements of the business type activities of Moline Housing Authority, as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Moline Housing Authority's basic financial statements as listed in the table of contents.

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

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

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Moline Housing Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Moline Housing Authority's internal control. Accordingly, I 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 the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Moline Housing Authority, as of March 31, 2020 and the changes in its net position and its cash flows for the year end in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 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. I have applied certain limited procedures on 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Moline Housing Authority's 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 (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Further, the financial data schedules shown on pages 36 to 40, and other supplemental information as listed in the table of contents are presented for purposes of additional analysis as required by *Uniform Financial Reporting Standards* issued by the U.S. Department of Housing and Urban Development, and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 my opinion, the above described supplemental information is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, I have also issued my report dated October 23, 2020 on my consideration of the Moline Housing Authority's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Moline Housing Authority's internal control over reporting and compliance.

Decatur, Illinois  
October 23, 2020

Certified Public Accountant

**MOLINE HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2020**

**Management's Discussion and Analysis**

As management of the Moline Housing Authority, we offer the readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the year ended March 31, 2020. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Moline Housing Authority, 4141 11<sup>th</sup> Ave. A, Moline, Illinois 61265. (309) 764-1819.

**Overview of The Financial Statements**

The financial statements included in this annual report are those of a special-purpose government agency engaged in a business-type activity. Project based accounting was used for the first time for year ended March 31, 2017. The following statements are included:

- Statement of Net Position – reports the Authority's current financial resources (short term spendable resources) with capital assets and long-term debt obligations.
- Statement of Revenue, Expenditures, and Changes in Fund Net Position - reports the Authority's operating and non-operating revenues, by major source along with operating and non-operating expenses and capital contributions.
- Statement of Cash Flows – reports the Authority's cash flows from operating, investing, capital and non-capital activities.

**Financial Highlights**

The Moline Housing Authority's net position decreased from \$7,445,678 to \$7,261,194, a decrease of \$184,484 or 3%. The total assets decreased by \$288,167.

Total revenues and contributions increased from \$4,656,884 to \$5,331,141, an increase of \$674,257, or 15%. Revenues comprised of rental income, HUD operating grants, HUD capital grants, other government grants, investment income and other revenue and contributions.

Total expenses increased by \$233,739 or 4% from \$5,253,686 to \$5,487,425 for the current year.

**MOLINE HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2020**

To fully understand the financial statements of the Housing Authority, one must start with an understanding of what the Authority actual does. The following is a brief description of the programs and services that the Authority provides for the residents of Moline, Illinois:

***Low Income Public Housing***

The Housing Authority owns 486 units at 3 sites in Moline, Illinois. Spring Valley has 182 elderly units, Springbrook has 184 family units and Hillside Heights has 120 elderly units. The Authority is responsible for the management, maintenance and utilities for all units and sites. On an annual basis, the Authority submits a request for funding known as the Calculation of Operating Fund Subsidy. The basic concept of the Calculation of Operating Subsidy is that the Authority has an Allowable Expense Level, Allowable Utilities Expense Level and Audit Costs and that HUD will fund the difference between the Allowable Expenses and the amount of rents that the Authority can charge the Authority's tenants.

***Section 8 Housing Choice Vouchers***

HUD has contracted with the Housing Authority through an Annual Contributions Contract to provide funding for 234 Housing Choice Vouchers. The Authority pays Housing Assistance Payments to independent landlords for a lease that sets the low-income participant's rent at 30% of adjusted income. The Housing Assistance Payment matches the difference between the total rent that the landlord can charge, at or below a fair market rent amount supplied by HUD, and the amount that the tenant can pay. For each unit that the Authority administers, HUD pays the Authority an administrative fee. The Housing Authority is not responsible for the upkeep and maintenance of the units and properties associated with this program.

***Capital Fund Program***

This grant program is awarded by HUD on an annual basis and is the primary funding source for physical and management improvements to the Authority's properties. The Authority requisitions funds from HUD as the Authority expends funds. The Authority is permitted four years to fully expend an annual award.

***Fiesta Manor***

The Housing Authority purchased a six (6) two (2) bedroom Project Based Section 8 housing under the U.S. Department of Housing and Urban Development (HUD) multi-family housing program. The Moline Housing Authority is amongst the few Housing Authorities in the country to operate both conventional low income public housing and multi-family housing and we are very proud of this achievement. This purchase is demonstration of the Housing Authority's commitment to providing additional housing to meet the need for affordable housing in the City of Moline.

**MOLINE HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2020**

**Condensed Comparative Financial Statements**

*Analysis of Entity Wide Net Position*

**Total Assets** for FYE 2019 was \$8,217,581 and at FYE 2020 the amount was \$7,929,414. This represents a net decrease of \$288,167.

**Cash** increased by \$141,664 or 17% due to the increase in cash provided through operations.

**Capital Assets** decreased by \$398,520. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

**Current Liabilities** decreased by \$207,562 or 36%. The reason for this change was renewal of the Fiesta Manor mortgage during the current fiscal year and a portion of it categorized as long term.

**Noncurrent Liabilities** increased by \$103,879 or 55% due to the mortgage on Fiesta Manor coming due in the current year and subsequent rollover into a multi-year mortgage.

The table below illustrates our analysis:

	<u>2020</u>	<u>2019</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	1,001,873	860,209	141,664	17%
Other Current Assets	308,776	340,087	(31,311)	-9%
Capital Assets	6,618,765	7,017,285	(398,520)	-6%
<b>Total Assets</b>	<b><u>7,929,414</u></b>	<b><u>8,217,581</u></b>	<b><u>(288,167)</u></b>	<b><u>-4%</u></b>
Deferred Outflows of Resources	0	0	0	0%
<b>TOTAL</b>	<b><u>7,929,414</u></b>	<b><u>8,217,581</u></b>	<b><u>(288,167)</u></b>	<b><u>-4%</u></b>
Current Liabilities	375,728	583,290	(207,562)	-36%
Noncurrent Liabilities	292,492	188,613	103,879	55%
<b>Total Liabilities</b>	<b><u>668,220</u></b>	<b><u>771,903</u></b>	<b><u>(103,683)</u></b>	<b><u>-13%</u></b>
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	6,377,417	6,766,197	(388,780)	-6%
Restricted	8,634	45,292	(36,658)	-81%
Unrestricted	875,143	634,189	240,954	38%
<b>Total Net Position</b>	<b><u>7,261,194</u></b>	<b><u>7,445,678</u></b>	<b><u>(184,484)</u></b>	<b><u>-3%</u></b>
<b>TOTAL</b>	<b><u>7,929,414</u></b>	<b><u>8,217,581</u></b>	<b><u>(288,167)</u></b>	<b><u>-4%</u></b>

**MOLINE HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2020**

*Analysis of Entity Wide Revenue*

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending March 31, 2020 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Public and Indian Housing	\$2,572,538
Section 8 Housing Choice Vouchers	\$1,526,789
Public Housing Capital Funds	\$1,159,193
Business Activities	\$3,232
Fiesta Manor – Section 8 HAP Special	\$69,389
Total	\$5,331,141

**Total Revenues and Contributions** for Fiscal Year Ending March 31, 2019 were \$4,656,884 as compared to the total revenues for Fiscal Year Ending March 31, 2020 of \$5,331,141. Revenues and contributions for 2020 exceeded 2019 by \$674,257.

	<u>2020</u>	<u>2019</u>	<u>Variances</u>	<u>Percentage Changes</u>
Total Tenant Revenue	1,808,730	1,747,788	60,942	4%
HUD Operating Grants	2,975,184	2,476,432	498,752	20%
HUD Capital Grants	488,911	249,318	239,593	96%
Other Government Grants	5,321	0	5,321	100%
Investment Income	6,529	8,473	(1,944)	-23%
Fraud Recovery	4,108	4,882	(774)	-16%
Other Revenue	42,358	180,494	(138,136)	-77%
Gain (loss) on sale of capital assets	0	(10,503)	10,503	100%
Total Revenue	<u>5,331,141</u>	<u>4,656,884</u>	<u>674,257</u>	<u>15%</u>



**MOLINE HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2020**

*Analysis of Entity Wide Expenditures*

**Total Expenditures** including depreciation for Fiscal Year Ending March 31, 2019 were \$5,253,686 as compared to \$5,487,425 total expenditures for Fiscal Year Ending March 31, 2020. Comparatively, Fiscal Year Ending 2020 expenditures were more than Fiscal Year Ending 2019 expenditures by \$233,739. Changes by major expense category will be presented below.

**Administrative** expenditures decreased by \$3,576 due to a decrease in overhead expenses.

**Tenant Services** increased by \$2,556.

**Utilities** decreased by \$45,502 or 9% due to fluctuations in consumption and price.

**Maintenance** expenditures increased by \$337,237 or 30% because of the increase in contract costs and material.

**General Expense and Interest** increased by \$8,489 because of the increase in interest expense and insurance.

**Housing Assistance Payments** increased by \$3,930 from last year.

**Depreciation Expense** decreased due to some capital items being fully depreciated.

The table below illustrates our analysis:

	<u>2020</u>	<u>2019</u>	<u>Variances</u>	<u>Percentage Changes</u>
Administrative	953,087	956,663	(3,576)	0%
Tenant Services	6,575	4,019	2,556	64%
Utilities	480,352	525,854	(45,502)	-9%
Maintenance	1,464,527	1,127,290	337,237	30%
General Expense and Interest	269,079	260,590	8,489	3%
Housing Assistance Payments	1,371,251	1,367,321	3,930	0%
HAP Port-In	42,115	87,644	(45,529)	-52%
Depreciation Expense	900,439	924,305	(23,866)	-3%
<b>Total Expenses</b>	<b><u>\$5,487,425</u></b>	<b><u>\$5,253,686</u></b>	<b><u>233,739</u></b>	<b><u>4%</u></b>

**MOLINE HOUSING AUTHORITY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDING MARCH 31, 2020**

**Budgetary Analysis**

The Authority adopts a consolidated annual operating budget for all programs. The budget for Low Income Public housing is adopted on the basis of accounting prescribed by the Housing and Urban Development, which differs in some respects from generally accepted accounting principles.

The Authority prepares a budget for each fiscal year of Capital Fund Grant Program that is approved by HUD. The Authority is permitted four years to expend these funds. Income is only recognized as funds are expended.

**Analysis of Capital Asset Activity**

	<u>2020</u>	<u>2019</u>	<u>Variances</u>	<u>Percentage Changes</u>
Land	117,331	117,331	0	0%
Buildings	27,113,623	27,112,478	1,145	0%
Furniture, Equipment, & Machinery - Dwellings	421,921	419,022	2,899	1%
Furniture, Equipment, & Machinery - Administration	947,564	947,564	0	0%
Leasehold Improvements	4,429,695	3,931,819	497,876	13%
Construction in Progress	0	0	0	0%
<b>Total Capital Assets</b>	<b><u>33,030,134</u></b>	<b><u>32,528,214</u></b>	<b><u>501,920</u></b>	<b><u>2%</u></b>
Accumulated Depreciation	26,411,369	25,510,929	900,440	4%
<b>Net Capital Assets</b>	<b><u>6,618,765</u></b>	<b><u>7,017,285</u></b>	<b><u>(398,520)</u></b>	<b><u>-6%</u></b>

Additional information regarding capital assets can be found in "Notes to Financial Statements".

**Outstanding Debt**

The Housing Authority borrowed \$272,000 to purchase Fiesta Manor in December 2016. The balance of that outstanding debt on March 31, 2019 was \$251,088. That mortgage was rolled over into a new mortgage during the current year at 4.75% with a November 20, 2024 maturity date.

The Housing Authority signed into a repayment agreement with HUD for HUD held reserves in the amount of \$169,393 on June 20, 2018. The Housing Authority agreed to pay \$28,663 for the year 2019 and installment payments in the amount of \$28,200 for four years thereafter. The last payment of \$27,930 is due in 2023.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
AS OF MARCH 31, 2020**

**ASSETS**

Cash - operating		\$ 917,062
Cash - restricted		84,811
Receivables (net)		83,608
Inventory (net)		73,451
Prepaid expenses		151,717
Capital assets:		
Land and improvements	\$ 117,331	
Other capital assets, net of depreciation	<u>6,501,434</u>	
Total Capital Assets		<u>\$ 6,618,765</u>
Total Assets		<u>\$ 7,929,414</u>

**DEFERRED OUTFLOWS OF RESOURCES** \$ 0

**TOTAL** \$ 7,929,414

**LIABILITIES**

Accounts payable		\$ 91,093
Other liabilities		250,739
Unearned revenue		24,135
Notes payable		9,761
Noncurrent liabilities:		
Notes payable		231,587
Earned compensated absences		<u>60,905</u>
Total Liabilities		<u>\$ 668,220</u>

**DEFERRED INFLOWS OF RESOURCES** \$ 0

**NET POSITION**

Net investment in capital assets		\$ 6,377,417
Restricted		8,634
Unrestricted		<u>875,143</u>
Total Net Position		<u>\$ 7,261,194</u>
<b>TOTAL</b>		<u>\$ 7,929,414</u>

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -  
PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2020**

Operating Income

Tenant rental revenue	\$ 1,680,562
Tenant revenue - other	<u>128,168</u>
Total Rental Income	\$ 1,808,730
HUD grants - operating	2,975,184
Other government grants	5,321
Fraud recovery	4,108
Other revenue	<u>42,358</u>
Total Operating Income	<u>\$ 4,835,701</u>

Operating Expenses

Administration	\$ 953,087
Tenant services	6,575
Utilities	480,352
Ordinary maintenance and operation	1,464,527
General expense	258,939
Housing assistance payments	1,413,366
Depreciation	<u>900,439</u>
Total Operating Expenses	<u>\$ 5,477,285</u>
Net Operating Income (Loss)	<u>\$ -641,584</u>

Nonoperating Income (Expense)

Interest income	\$ 6,529
Special payments to HUD	-28,200
Interest expense	<u>-10,140</u>
Nonoperating Income (Expense)	<u>\$ -31,811</u>

Capital Contributions (Note 15) \$ 488,911

Changes in net position	\$ -184,484
Net position, beginning of year	<u>7,445,678</u>
Net position, end of year	<u>\$ 7,261,194</u>

The notes to financial statements are an integral part of this statement.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2020**

Operating Activities

Operating grants	\$ 2,975,184
Tenant revenue	1,764,693
Other revenue	47,699
Housing assistance payments	-1,413,366
Payments to employees	-981,062
Payments to suppliers and contractors	<u>-2,196,925</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 196,223</u>

Investing Activities

Interest income	<u>\$ 6,529</u>
Net Cash Provided (Used) by Investing Activities	<u>\$ 6,529</u>

Capital and Related Financing Activities

HUD grants - capital	\$ 488,911
(Additions) deletions to fixed assets	-501,919
Retirement of debt	-9,740
HUD special items	-28,200
Interest expense	<u>-10,140</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ -61,088</u>

Net Change in Cash	\$ 141,664
Cash Balance at March 31, 2019	<u>860,209</u>
Cash Balance at March 31, 2020	<u>\$ 1,001,873</u>

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
TWELVE MONTHS ENDED MARCH 31, 2020**

Reconciliation of Operating Income (Loss) to Net Cash  
Provided (Used) by Operating Activities

Net operating income (loss)	\$ -641,584
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	900,439
(Increase) decrease in accounts receivables	65,741
(Increase) decrease in inventories	-27,461
(Increase) decrease in prepaid expenses	-6,969
Increase (decrease) in accounts payables	8,017
Increase (decrease) in other liabilities	52,492
Increase (decrease) in HUD payable	-169,393
Increase (decrease) in unearned revenues	<u>14,941</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 196,223</u>

The notes to financial statements are an integral part of this statement.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020**

Note 1 - Summary of Significant Accounting Policies

(a) Organization and Reporting Entity -

The Moline Housing Authority was established by the City of Moline pursuant to the laws of the State of Illinois, to transact business and to have powers as defined therein. The Housing Authority was established to provide low-rent housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development and other applicable Federal Agencies.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) had direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the program for the purpose of maintaining its low-rent character.

In evaluating the Authority as a reporting entity, management has addressed its relationship with the City of Moline and concluded that the City does not maintain an oversight responsibility for the Authority's operations. An independent Board of Commissioners, appointed by the Mayor, is responsible for the activities of the Authority. The Authority recruits and employs its executive staff and has substantial legal authority to control its affairs without requiring approval of the City government. Debt incurred by the Authority is not an obligation of the City; the City does not review or approve the Authority's budget, is not entitled to any surplus funds generated by the Authority's operations and is not responsible for any deficits incurred by the Authority.

The Authority is governed by a Board of Commissioners appointed by the office of the Mayor, and has governance responsibilities over all activities related to all housing activities within the City. The Board of Commissioners has decision making authority and the power to designate management. The members do not serve at the discretion of the Mayor, i.e. they can only be removed for cause. The Authority's Board elects its own chairperson.

Consequently, in accordance with evaluating the criteria set forth in Section 2100 and 2600 of the Governmental Accounting Standards Board Codification, management has concluded that the Moline Housing Authority is a separate reporting entity. All funds and programs of the Housing Authority are included in these statements. The Housing Authority has one component unit, Moline Housing Development Corporation reported as a blended unit of the Housing Authority.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(b) Component Unit -

Consistent with applicable guidance, the criteria used by the Authority to include component units within its reporting entity are financial accountability and the nature and significance of the relationship. The Authority included organizations as component units under the following financial accountability criteria:

1. Organizations for which the Authority appoints a voting majority of the organizations governing body and for which (a) the Authority is able to impose its will on the organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Authority.
2. A financial benefit or burden relationship between the Authority and the component unit.
3. Management of the Authority has operational responsibility for the activities of the component unit.

The following is a brief description of the blended component unit meeting the above criteria that is included in the PHA's financial reporting entity.

The Moline Housing Development Corporation is a not-for-profit subsidiary established to promote and advance the common good and welfare of Moline, Illinois residents by constructing, acquiring, owning, leasing and renting facilities. It provides low-rent housing to qualified individuals. The Component Unit is supported primarily through rental income receipts and HUD subsidy. All Component Unit employees also work for the Moline Housing Authority. The Component Unit's Section 8 rental subsidy is received under a special allocation program.

(c) Method of Accounting -

The financial statements of the Housing Authority have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables and other liabilities. The Housing Authority applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.



**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(d) Financial Statement Presentation

Although a formal policy has not been adopted, by practice the Authority distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Authority's principal ongoing operations. Principal operating revenues are tenant rents and HUD grants. Operating expenses include administration, maintenance, insurance, depreciation, utilities, housing assistance payments and other general expenses. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

(e) Funds -

Each of the programs of the Housing Authority are organized on a basis of fund accounting, using a separate set of self balancing accounts as prescribed by HUD. The programs of the Housing Authority are:

- \* Public and Indian Housing
- \* Public Housing Capital Funds
- \* Section 8 Housing Choice Vouchers
- \* Business Activities
- \* Section 8 Housing Assistance Payments Program (MCHD - Fiesta Manor)

These programs are all accounted for within the 'Proprietary' (enterprise) fund as described below:

*Proprietary Fund Types:*

Proprietary funds use the economic resources measurement focus and utilize the accrual basis of accounting. All assets and liabilities associated with a proprietary fund's activities are included on the fund statement. Proprietary fund equity is segregated into Net Investment in Capital Assets, Restricted and Unrestricted.

(f) Cash and Cash Equivalents -

For purposes of the statement of cash flows, the policy of the Housing Authority is to consider all highly liquid investments to be cash equivalents. The term "highly liquid" refers to investments with a maturity of three (3) months or less when purchased to be cash equivalents.

(g) Interprogram Receivables and Payables

During the course of operations, numerous transactions occur within individual programs that may result in amounts owed between these programs. These receivables and payables are classified as "due from other programs" or "due to other programs" on the combining statement of net position in the REAC Financial Data Schedule and have been eliminated in the basic financial statements.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(h) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2020, and does not take into consideration prepaid amounts. The Housing Authority provides for an allowance for doubtful accounts, based on the estimated collections of current accounts receivables. The Housing Authority periodically writes off uncollectible accounts receivable to the allowance account based on a review of the current status of existing receivables and the determination that the receivable will not be collected.

(i) Inventories and Materials -

Inventories and materials are stated at cost which approximates market determined on a first-in, first-out basis.

(j) Investments -

Investments are stated at cost which approximates market.

(k) Capital Assets -

For the purpose of determining, distinguishing and recording materials and non-expendable equipment and personal property purchased or acquired in connection with development, management, and maintenance of public housing developments owned or operated, the Housing Authority follows the following capitalization policy:

If anticipated life or useful life of said equipment or property is one thousand dollars (\$1,000) (with the exception of ranges and refrigerators) or and the anticipated life is more than one (1) year, the same shall be capitalized and recorded as non-expendable equipment and charged as a capital expenditure.

Land, buildings and equipment contains the following:

- 1) The total development construction costs incurred for each project at the end of the initial operating period,
- 2) nonexpendable equipment, and
- 3) property betterments and additions
- 4) land acquisitions.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(k) Capital Assets - (Continued)

These are recorded at cost. Depreciation of property and equipment is provided using the straight line method for financial reporting purposes at rates based on the following estimates:

Buildings	40	years
Transportation equipment	5	years
Furniture, fixtures and equipment	3-10	years
Leasehold improvements	15	years

(l) Net Position -

GASB Statement 63 requires the classification of net position into three components as defined below:

- 1) Net investment in capital assets - capital assets, net of accumulated depreciation, reduced by the outstanding balances of debt and deferred inflows of resources related to the acquisition, construction or improvement of those assets.
- 2) Restricted - restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
- 3) Unrestricted - amounts not required to be reported in the other components of net position.

(m) Income Tax -

The Authority, organized under Illinois state law as a municipal corporation subsidized by the Federal government, is exempt from Federal and State income taxes.

(n) Annual Contributions/Subsidies and Other Grants

Annual contributions and subsidies received from the Department of HUD are recorded as grant revenues.

Other grants (such as CFP grants) are recognized when program expenditures are incurred. Such revenue is subject to review by the Department of Housing and Urban Development and may result in disallowance in subsequent periods.

- (o) The Housing Authority adopts a budget annually. The budget is submitted to the Department of Housing and Urban Development for approval. The original budget was adopted by the Board of Commissioners on March 8, 2019.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (p) The preparation of financial statements in conformity with generally accepted accounting principles require the Housing Authority to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
- (q) Leasing activities (as lessor) - the Authority is the lessor of dwelling units mainly to low income and/or elderly and disabled residents. The rents under the lease are determined generally by the resident's income as adjusted by eligible deductions regulated by HUD, although the resident may elect for a flat rent option. Leases may be cancelled by the lessee at any time. The Authority may cancel the lease only for cause.
- (r) Rental income is recognized as rents become due.
- (s) At any time during the year and at year end, there are construction projects in process. These projects include modernizing rental units. The projects are funded by HUD and funds are requested periodically as costs are incurred.

Note 2 - Cash and Investments

Statutes authorize the Housing Authority to invest in certificates of deposit, money market funds, United States government securities and repurchase agreements fully collateralized by United States government securities.

All cash and investments are entirely insured or collateralized. The Department of Housing and Urban Development requires financial institutions to secure the PHA's deposits by pledging government securities as collateral. The Housing Authority may waive the collateral requirements that are fully insured by the Federal Deposit Insurance Corporation (FDIC) or the Federal Savings and Loan Insurance Corporation (FSLIC) or other equivalent insurance coverage.

*Custodial Credit Risk*

- a. Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to or that the Authority will not be able to recover collateral securities in the possession of an outside party.
- b. Investments - Custodial credit risk is the risk that in the event of the failure of the depository, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 2 - Cash and Investments (Continued)

*Credit Risk Investments, Concentration of Credit Risk and Interest Rate Risks - Investments*

*Credit Risk* is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority has no investment policy that limits its investment choices other than the limitation of state law and/or the Department of Housing and Urban Development regulations.

*Concentrations of Credit Risk* is the risk of loss attributed to the amount of the investment in a single issuer. The Authority does not have a formal investment policy covering the concentration of credit risk.

*Investment Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. The Housing Authority has no formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The cash deposits held at financial institutions can be categorized according to three levels of risk. These three levels of risk are as follows:

Category 1 - Deposits which are insured or collateralized with securities held by the Housing Authority or by its agent in the Housing Authority's name.

Category 2 - Deposits which are collateralized with securities held by the pledging financial institution's trust department or agent in the Housing Authority's name.

Category 3 - Deposits which are not collateralized or insured.

Based on the three levels of risk, all of the Housing Authority's funds are classified as Category 1.

<u>Program</u>	<u>Book Balance</u>	<u>Bank Balance</u>
Public and Indian Housing	\$ 802,338	\$ 872,294
Section 8 Housing Choice Vouchers	129,318	129,640
Business Activities - Highland Manor	43,794	43,794
Fiesta Manor - HAP Special Program	<u>26,423</u>	<u>27,335</u>
Total	<u>\$ 1,001,873</u>	<u>\$ 1,073,063</u>

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 3 - Compensated Absences

Personal Days

The Authority provides full-time employees seven (7) personal days per calendar year to attend to personal matters such as doctor and dentist appointments, children's school activities or other personal obligations or illnesses.

Full-time employees are eligible to take personal time after completing ninety (90) days of employment. Personal days are prorated during the first year of employment based on the employee's hire date and annually thereafter on January 1 of each year.

Unused personal days carry over from year-to-year, with a maximum accumulation of 120 hours (15 days). Personal days may not be cashed out in lieu of time off. Employees who provide a two week notice of resignation and work the notice period will be paid for any accrued and unused personal days in their final paycheck.

Vacation

*Eligibility*

All full-time employees are eligible to earn paid vacation time based on the schedule below.

Eligible employees begin to accrue vacation after 90 days of employment.

<u>Years of Continuous Employment</u>	<u>Vacation Time Accrued Per Pay Period</u>	<u>Vacation Earned Per Year</u>
91 days - less than 3 years	3.08 hours	10 days
3 - 14 years	4.62 hours	15 days
15 + years	6.18 hours	20 days

*Scheduling*

Unused vacation hours will carry-over from year-to-year, with a maximum accumulation of 240 hours (30 days). Vacation hours may not be 'cashed out' in lieu of time off.

*Pay*

Employees who provide a two week notice of resignation and work the notice period will be paid for any accrued and unused vacation time in their final paycheck.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 4 - Defined Contribution Plan

The Housing Authority provides pension benefits for all of its full-time employees through a defined contribution plan with American United Pension. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The plan, established by the board of Commissioners, can only be amended by the Board. Employees are eligible to participate after one month. The plan requires the Housing Authority to contribute 13% of covered wages, contributions totaled \$114,117 in the current fiscal year. Total annual payroll expense was \$981,062.

Housing Authority contributions forfeited by employees who leave employment prior to vesting are used to reduce current costs and contribution requirements. An employee shall be vested as set forth below:

<u>Years of Service</u>	<u>Vesting Percentage</u>
Less than 1	0%
1 but less than 2	20%
2 but less than 3	40%
3 but less than 4	60%
4 but less than 5	80%
5 or more	100%

If a Participant's termination of employment is because of his death or disability, he shall be 100% vested. However, if a Participant terminates employment prior to his death or disability, he shall be vested pursuant to the above schedule.

A Participant shall be 100% vested upon his attainment of the Normal Retirement Age. However, if a Participant terminates employment prior to his attainment of the Normal Retirement Age, he shall be vested pursuant to the above schedule.

Note 5 - Post-Employment Benefits

The Housing Authority does not provide post employment retirement benefits. As a result there are no disclosures included in these statements as required by GASB 45.

Note 6 - Restricted Assets

Cash has been restricted as follows:

	<u>Cash</u>
Housing Assistance Payments	\$ 7,373
Tenant security deposits	76,177
OIG reimbursements payable - participants	<u>1,261</u>
Total	<u>\$ 84,811</u>

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 7 - Accounts Receivable

Accounts receivable consists of the following accounts:

	<u>Cash</u>
Accounts receivable - PHA projects	\$ 4,405
Accounts receivable - HUD other projects	9,109
Accounts receivable - other government	3,613
Accounts receivable - miscellaneous	6,573
Tenants accounts receivable	61,399
Allowance for doubtful accounts - tenants	<u>-1,491</u>
Total	<u><u>\$ 83,608</u></u>

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 131,836
Other prepaid expenses	<u>19,881</u>
Total	<u><u>\$ 151,717</u></u>

Note 9 - Capital Assets

Balance as of March 31, 2020	\$ 6,618,765
Balance as of March 31, 2019	<u>7,017,285</u>
Net Increase (Decrease)	<u><u>\$ -398,520</u></u>

Reconciliation

Betterments and additions - CFP	\$ 488,908
Replacement of equipment	13,012
Current year depreciation expense	<u>-900,439</u> *
Net Increase (Decrease)	<u><u>\$ -398,520</u></u>



**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 9 - Capital Assets (Continued)

<u>Analysis</u>	04/01/2019 <u>Balance</u>	Additions/ <u>Transfers</u>	Deletions/ <u>Transfers</u>	03/31/2020 <u>Balance</u>
Land	\$ 117,331	\$ 0	\$ 0	\$ 117,331
Buildings	27,112,478	1,145	0	27,113,623
Equipment and furniture	1,366,587	2,898	0	1,369,485
Leasehold improvements	3,931,819	497,876	0	4,429,695
Construction in progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	\$ 32,528,215	\$ 501,919	\$ 0	\$ 33,030,134
Accumulated depreciation	<u>-25,510,930</u>	<u>0</u>	<u>900,439</u>	* <u>-26,411,369</u>
Net Assets	<u>\$ 7,017,285</u>	<u>\$ 501,919</u>	<u>\$ 900,439</u>	<u>\$ 6,618,765</u>

\* Current year depreciation expense

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 14,534
Accounts payable - HUD interest	312
Tenants security deposits	76,177
Other	<u>70</u>
Total	<u>\$ 91,093</u>

Note 11 - Other Liabilities

Accrued liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 32,707
Earned compensated absences	16,903
Accounts payable - PHA projects	169,393
Payment in lieu of taxes	15,645
Utilities/other payables	<u>16,091</u>
Total Current Portion	\$ 250,739

Noncurrent Portion:

Earned compensated absences	<u>60,905</u>
Total	<u>\$ 311,644</u>

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2020:

	04/01/2019 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	03/31/2020 <u>Balance</u>
Notes payable - long term	\$ 0	\$ 250,972	\$ 29,620	\$ 221,352
HUD repayment (HUD held reserves)	140,730	0	140,730	0
Earned compensated absences	<u>47,883</u>	<u>13,022</u>	<u>0</u>	<u>60,905</u>
Total	<u>\$ 188,613</u>	<u>\$ 263,994</u>	<u>\$ 170,3550</u>	<u>\$ 282,257</u>

Note 13 - Unearned Revenue

This classification consists of the following accounts:

Capital Fund grants	\$ 12,192
Tenants prepaid rent	<u>11,943</u>
Total	<u>\$ 24,135</u>

Note 14 - Long Term Debt

Real Estate loan dated November 20, 2019 for the refinancing of Fiesta Manor with Blackhawk Bank and Trust:

<u>Project</u>	<u>Due Date</u>	<u>Rate</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan #15799	11/20/24	3.97%	<u>\$ 9,761</u>	<u>\$ 221,352</u>	<u>\$ 241,318</u>

Debt service requirements for the long term debt for the next five years are as follows:

<u>Due Fiscal Year Ending</u>	<u>Principal</u>
2021	\$ 9,761
2022	10,234
2023	10,732
2024	11,253
2025	11,799
2026-2030	68,165
2031-2035	86,398
2036-2040	32,976

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 15 - Capital Contributions

The following capital contributions were received by the Housing Authority during the fiscal year end:

Capital Fund Program - HUD	\$ <u>488,911</u>
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Note 16 - Administrative Fee

The PHA receives an "Administrative Fee" as part of the annual contribution from HUD to cover the costs (including overhead) of administering the HAP Program. This fee is determined by HUD on a calendar year basis.

Note 17 - Allocation of Overhead Costs

The PHA allocated expenses not attributable to a specific program to all programs under management. The basis for this allocation was the number of units/bedrooms in each program. Management considers this to be an equitable method of allocation.

Note 18 - Contingencies

Federal Grants

In the normal course of operations, the Housing Authority receives grant funds from the Department of Housing and Urban Development. The programs are subject to audit by agents of HUD, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 19 - Contracts/Commitments

As of March 31, 2020, the Housing Authority had entered into the following pending capital fund projects in progress:

	Funds <u>Approved</u>	Funds Expended <u>To Date</u>
CFP 501-17	\$ 722,295	\$ 719,834
CFP 201-18	1,047,293	921,320
CFP 501-19	<u>1,051,985</u>	<u>210,397</u>
Total	<u>\$ 2,821,573</u>	<u>\$ 1,851,551</u>

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS  
TWELVE MONTHS ENDED MARCH 31, 2020  
(CONTINUED)**

Note 20 - Risk Management

The Housing Authority carries commercial insurance coverage (AHRMA) to cover exposure and the risk of losses related to torts, thefts, damages, destruction of assets, errors and omissions, injuries, natural disasters and defalcation.

Settled claims have not exceeded insurance coverage or the risk pool coverage in the current or past three years and there has been no significant reduction in insurance coverage during the fiscal year.

Note 21 - Economic Dependency

The Housing Authority received most of its revenue (62%) from the United State Department of Housing and Urban Development. This funding is subject to federal government appropriations and potential funding reductions.

Note 22 - Restricted Net Position

Restricted net position is restricted for the following:

HAP	\$ 7,373
OIG reimbursements payable - participants	<u>1,261</u>
Total	<u><u>\$ 8,634</u></u>

When both restricted and unrestricted reserves are available for use, the Housing Authority's policy is to use restricted resources to fund restricted costs and then unrestricted resources as they are needed.

## **SUPPLEMENTAL DATA**

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE TWELVE MONTHS ENDED MARCH 31, 2020**

<u>Federal Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Grant Period</u>	<u>Program Amount</u>	<u>Receipts or Revenue Recognized</u>	<u>Disbursements/ Expenditures</u>	<u>Expenditures to Sub-Recipients</u>
<u>U.S. Department of HUD</u>							
Direct Programs:							
Public and Indian Housing	14.850	C-979	FYE 03/31/20	\$ 760,252	\$ 760,252	\$ 760,252	\$ 0
Voucher Cluster: Housing Choice Vouchers*	14.871	C-1078V	FYE 03/31/20	\$ 1,483,184	\$ 1,483,184	\$ 1,483,184	\$ 0
Public Housing - Capital Funds	14.872	C-979	FYE 03/31/20	\$ 2,821,573	\$ 1,159,193	\$ 1,159,193	\$ 0
Section 8 Housing Assistance Payments Program	14.195		FYE 03/31/20	\$ 61,466	\$ 61,466	\$ 61,466	\$ 0
Total HUD Assistance				\$ 5,126,478	\$ 3,464,095	\$ 3,464,095	\$ 0

\*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)  
TWELVE MONTHS ENDED MARCH 31, 2020**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Moline Housing Authority (Authority) and is presented on the accrual basis of accounting.

The schedule summarizes the federal funds expended by the Authority under the programs of the federal government during the year ended March 31, 2020. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended March 31, 2020, the cost principals in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has not implemented the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Note 2 – Sources of Funding

The schedule includes all grants and contracts entered into directly between the Authority and agencies and departments of the federal government, as well as federal funds passed-through to the Authority by primary recipients. The Authority provided no part of its direct grant federal dollars to sub-recipients.

The Authority did not receive any non-cash assistance from federal funds, had no federal insurance, nor have any federal loan or loan guarantees outstanding as of March 31, 2020.



**Independent Auditor's 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  
Moline Housing Authority  
Moline, Illinois

I 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 Moline Housing Authority, which comprise the statement of net position as of March 31, 2020, and the related statements of changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Moline Housing Authority's basic financial statements and have issued my report thereon dated October 23, 2020.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Moline Housing Authority's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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



Certified Public Accountant

Decatur, Illinois  
October 23, 2020





## **Independent Auditor's Report on Compliance Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Commissioners  
Moline Housing Authority  
Moline, Illinois

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

I have audited the Moline Housing 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 Moline Housing Authority's major federal programs for the year ended March 31, 2020. The Moline Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

My responsibility is to express an opinion on compliance for each of the Moline Housing Authority's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my 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 I 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 material effect on the major federal programs occurred. An audit includes examining, on a test basis, evidence about the Moline Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In my opinion, the Moline Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2020.

## **Report on Internal Control Over Compliance**

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

*A deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirements of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or 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 the attention by those charged with governance.

My 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*. I did not identify any deficiencies in internal control over compliance that I consider to be *material weaknesses*, as defined above. 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 my testing of internal control over compliance and the results of my testing based on the requirements of *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountant

Decatur, Illinois  
October 23, 2020

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit report for the period ended March 31, 2019 contained no findings.

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY  
FOR THE YEAR ENDED MARCH 31, 2020**

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report:	Unmodified		
* Material weakness(es) identified?	_____	yes	<u>  X  </u> no
* Significant deficiency (ies) identified?	_____	yes	<u>  X  </u> none reported
Noncompliance material to financial statements noted	_____	yes	<u>  X  </u> no

*Federal Awards*

Internal control over major programs:			
* Material weakness(es) identified?	_____	yes	<u>  X  </u> no
* Significant deficiency (ies) identified?	_____	yes	<u>  X  </u> none reported

Type of auditor's report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)?	_____	yes	<u>  X  </u> no

**Identification of major programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Voucher Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>  750,000  </u>
Auditee qualified as low-risk auditee?	_____ yes <u>  X  </u> no

**MOLINE HOUSING AUTHORITY  
MOLINE, ILLINOIS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
CURRENT FINDINGS AND RECOMMENDATIONS**

**Section II - Financial Statement Findings**

There were no financial statement audit findings discussed with John Afoun, Executive Director and Maria Nino, Director of Finance, during the course of the audit and at an exit conference held October 23, 2020.

**Section III - Federal Award Findings and Questioned Costs**

There were no federal awards audit findings and questioned costs were discussed with John Afoun, Executive Director and Maria Nino, Director of Finance, during the course of the audit or at an exit conference held October 23, 2020.

Moline Housing Authority (IL020)

Moline, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$727,122	\$25,463	\$121,945	\$42,532	\$917,062		\$917,062
112 Cash - Restricted - Modernization and Development							
113 Cash - Other Restricted			\$7,373	\$1,261	\$8,634		\$8,634
114 Cash - Tenant Security Deposits	\$75,216	\$961			\$76,177		\$76,177
115 Cash - Restricted for Payment of Current Liabilities							
100 Total Cash	\$802,338	\$26,424	\$129,318	\$43,793	\$1,001,873	\$0	\$1,001,873
121 Accounts Receivable - PHA Projects			\$4,405		\$4,405		\$4,405
122 Accounts Receivable - HUD Other Projects	\$9,109				\$9,109		\$9,109
124 Accounts Receivable - Other Government			\$3,613		\$3,613		\$3,613
125 Accounts Receivable - Miscellaneous			\$6,573		\$6,573		\$6,573
126 Accounts Receivable - Tenants	\$60,768	\$631			\$61,399		\$61,399
126.1 Allowance for Doubtful Accounts - Tenants	-\$1,491	\$0	\$0		-\$1,491		-\$1,491
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current							
128 Fraud Recovery							
128.1 Allowance for Doubtful Accounts - Fraud							
129 Accrued Interest Receivable							
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$68,386	\$631	\$14,591	\$0	\$83,608	\$0	\$83,608
131 Investments - Unrestricted							
132 Investments - Restricted							
135 Investments - Restricted for Payment of Current Liability							
142 Prepaid Expenses and Other Assets	\$142,824	\$2,548	\$6,345		\$151,717		\$151,717
143 Inventories	\$75,871				\$75,871		\$75,871
143.1 Allowance for Obsolete Inventories	-\$2,420				-\$2,420		-\$2,420
144 Inter Program Due From	\$292,021				\$292,021	-\$292,021	\$0
145 Assets Held for Sale							
150 Total Current Assets	\$1,379,020	\$29,603	\$150,254	\$43,793	\$1,602,670	-\$292,021	\$1,310,649
161 Land	\$117,331				\$117,331		\$117,331
162 Buildings	\$26,732,235	\$315,029		\$66,359	\$27,113,623		\$27,113,623
163 Furniture, Equipment & Machinery - Dwellings	\$421,921				\$421,921		\$421,921
164 Furniture, Equipment & Machinery - Administration	\$897,610		\$49,954		\$947,564		\$947,564
165 Leasehold Improvements	\$4,429,695				\$4,429,695		\$4,429,695
166 Accumulated Depreciation	-\$26,320,008	-\$27,524	-\$44,759	-\$19,078	-\$26,411,369		-\$26,411,369
167 Construction in Progress							
168 Infrastructure							
160 Total Capital Assets, Net of Accumulated Depreciation	\$6,278,784	\$287,505	\$5,195	\$47,281	\$6,618,765	\$0	\$6,618,765
171 Notes, Loans and Mortgages Receivable - Non-Current							
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due							
173 Grants Receivable - Non Current							
174 Other Assets							
176 Investments in Joint Ventures							
180 Total Non-Current Assets	\$6,278,784	\$287,505	\$5,195	\$47,281	\$6,618,765	\$0	\$6,618,765
200 Deferred Outflow of Resources							
290 Total Assets and Deferred Outflow of Resources	\$7,657,804	\$317,108	\$155,449	\$91,074	\$8,221,435	-\$292,021	\$7,929,414

Moline Housing Authority (IL020)

Moline, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
311 Bank Overdraft							
312 Accounts Payable <= 90 Days	\$13,959	\$130	\$445		\$14,534		\$14,534
313 Accounts Payable >90 Days Past Due							
321 Accrued Wage/Payroll Taxes Payable	\$32,113		\$594		\$32,707		\$32,707
322 Accrued Compensated Absences - Current Portion	\$15,226		\$1,677		\$16,903		\$16,903
324 Accrued Contingency Liability							
325 Accrued Interest Payable			\$312		\$312		\$312
331 Accounts Payable - HUD PHA Programs				\$169,393	\$169,393		\$169,393
332 Account Payable - PHA Projects							
333 Accounts Payable - Other Government	\$15,645				\$15,645		\$15,645
341 Tenant Security Deposits	\$75,216	\$961			\$76,177		\$76,177
342 Unearned Revenue	\$24,135				\$24,135		\$24,135
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$9,761			\$9,761		\$9,761
344 Current Portion of Long-term Debt - Operating Borrowings							
345 Other Current Liabilities	\$70				\$70		\$70
346 Accrued Liabilities - Other	\$16,091				\$16,091		\$16,091
347 Inter Program - Due To	\$150,110		\$141,911		\$292,021	-\$292,021	\$0
348 Loan Liability - Current							
310 Total Current Liabilities	\$342,565	\$10,852	\$144,939	\$169,393	\$667,749	-\$292,021	\$375,728
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$231,587			\$231,587		\$231,587
352 Long-term Debt, Net of Current - Operating Borrowings							
353 Non-current Liabilities - Other							
354 Accrued Compensated Absences - Non Current	\$60,905				\$60,905		\$60,905
355 Loan Liability - Non Current							
356 FASB 5 Liabilities							
357 Accrued Pension and OPEB Liabilities							
350 Total Non-Current Liabilities	\$60,905	\$231,587	\$0	\$0	\$292,492	\$0	\$292,492
300 Total Liabilities	\$403,470	\$242,439	\$144,939	\$169,393	\$960,241	-\$292,021	\$668,220
400 Deferred Inflow of Resources							
508.4 Net Investment in Capital Assets	\$6,278,784	\$46,157	\$5,195	\$47,281	\$6,377,417		\$6,377,417
511.4 Restricted Net Position	\$0		\$7,373	\$1,261	\$8,634		\$8,634
512.4 Unrestricted Net Position	\$975,550	\$28,512	-\$2,058	-\$126,861	\$875,143		\$875,143
513 Total Equity - Net Assets / Position	\$7,254,334	\$74,669	\$10,510	-\$78,319	\$7,261,194	\$0	\$7,261,194
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$7,657,804	\$317,108	\$155,449	\$91,074	\$8,221,435	-\$292,021	\$7,929,414

**Moline Housing Authority (IL020)**  
**Moline, IL**  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$1,673,699	\$6,863			\$1,680,562		\$1,680,562
70400 Tenant Revenue - Other	\$127,108	\$1,060			\$128,168		\$128,168
70500 Total Tenant Revenue	\$1,800,807	\$7,923	\$0	\$0	\$1,808,730	\$0	\$1,808,730
70600 HUD PHA Operating Grants	\$1,430,534	\$61,466	\$1,483,184		\$2,975,184		\$2,975,184
70610 Capital Grants	\$488,911				\$488,911		\$488,911
70710 Management Fee							
70720 Asset Management Fee							
70730 Book Keeping Fee							
70740 Front Line Service Fee							
70750 Other Fees							
70700 Total Fee Revenue					\$0	\$0	\$0
70800 Other Government Grants	\$5,321				\$5,321		\$5,321
71100 Investment Income - Unrestricted	\$6,158		\$203	\$168	\$6,529		\$6,529
71200 Mortgage Interest Income							
71300 Proceeds from Disposition of Assets Held for Sale							
71310 Cost of Sale of Assets							
71400 Fraud Recovery			\$4,108		\$4,108		\$4,108
71500 Other Revenue			\$39,294	\$3,064	\$42,358		\$42,358
71600 Gain or Loss on Sale of Capital Assets							
72000 Investment Income - Restricted							
70000 Total Revenue	\$3,731,731	\$69,389	\$1,526,789	\$3,232	\$5,331,141	\$0	\$5,331,141
91100 Administrative Salaries	\$217,216		\$102,087		\$319,303		\$319,303
91200 Auditing Fees	\$9,414		\$1,046		\$10,460		\$10,460
91300 Management Fee							
91310 Book-keeping Fee							
91400 Advertising and Marketing	\$23				\$23		\$23
91500 Employee Benefit contributions - Administrative	\$65,616		\$21,116		\$86,732		\$86,732
91600 Office Expenses	\$176,784	\$3,476	\$13,768	\$525	\$194,553		\$194,553
91700 Legal Expense	\$37,026			\$300	\$37,326		\$37,326
91800 Travel		\$48			\$48		\$48
91810 Allocated Overhead	\$282,319				\$282,319		\$282,319
91900 Other	\$13,061	\$5,705	\$3,034	\$523	\$22,323		\$22,323
91000 Total Operating - Administrative	\$801,459	\$9,229	\$141,051	\$1,348	\$953,087	\$0	\$953,087
92000 Asset Management Fee							
92100 Tenant Services - Salaries	\$1,742				\$1,742		\$1,742
92200 Relocation Costs							
92300 Employee Benefit Contributions - Tenant Services							
92400 Tenant Services - Other	\$4,833				\$4,833		\$4,833
92500 Total Tenant Services	\$6,575	\$0	\$0	\$0	\$6,575	\$0	\$6,575



**Moline Housing Authority (IL020)**  
**Moline, IL**  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
93100 Water	\$102,537	\$1,385		\$38	\$103,960		\$103,960
93200 Electricity	\$200,111	\$350		\$540	\$201,001		\$201,001
93300 Gas	\$70,320				\$70,320		\$70,320
93400 Fuel							
93500 Labor							
93600 Sewer							
93700 Employee Benefit Contributions - Utilities							
93800 Other Utilities Expense	\$103,675	\$1,396			\$105,071		\$105,071
93000 Total Utilities	\$476,643	\$3,131	\$0	\$578	\$480,352	\$0	\$480,352
94100 Ordinary Maintenance and Operations - Labor	\$449,729				\$449,729		\$449,729
94200 Ordinary Maintenance and Operations - Materials and Other	\$194,953	\$2,283			\$197,236		\$197,236
94300 Ordinary Maintenance and Operations Contracts	\$641,282	\$19,164		\$1,335	\$661,781		\$661,781
94500 Employee Benefit Contributions - Ordinary Maintenance	\$155,781				\$155,781		\$155,781
94000 Total Maintenance	\$1,441,745	\$21,447	\$0	\$1,335	\$1,464,527	\$0	\$1,464,527
95100 Protective Services - Labor							
95200 Protective Services - Other Contract Costs							
95300 Protective Services - Other							
95500 Employee Benefit Contributions - Protective Services							
95000 Total Protective Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0
96110 Property Insurance	\$67,185				\$67,185		\$67,185
96120 Liability Insurance	\$21,908	\$2,169			\$24,077		\$24,077
96130 Workmen's Compensation	\$48,199				\$48,199		\$48,199
96140 All Other Insurance	\$8,955		\$7,604		\$16,559		\$16,559
96100 Total insurance Premiums	\$146,247	\$2,169	\$7,604	\$0	\$156,020	\$0	\$156,020
96200 Other General Expenses			\$1,575		\$1,575		\$1,575
96210 Compensated Absences			-\$3,783		-\$3,783		-\$3,783
96300 Payments in Lieu of Taxes	\$63,977	\$7,697		\$2,520	\$74,194		\$74,194
96400 Bad debt - Tenant Rents	\$31,460	-\$527			\$30,933		\$30,933
96500 Bad debt - Mortgages							
96600 Bad debt - Other							
96800 Severance Expense							
96000 Total Other General Expenses	\$95,437	\$7,170	-\$2,208	\$2,520	\$102,919	\$0	\$102,919
96710 Interest of Mortgage (or Bonds) Payable		\$10,140			\$10,140		\$10,140
96720 Interest on Notes Payable (Short and Long Term)							
96730 Amortization of Bond Issue Costs							
96700 Total Interest Expense and Amortization Cost	\$0	\$10,140	\$0	\$0	\$10,140	\$0	\$10,140
96900 Total Operating Expenses	\$2,968,106	\$53,286	\$146,447	\$5,781	\$3,173,620	\$0	\$3,173,620
97000 Excess of Operating Revenue over Operating Expenses	\$763,625	\$16,103	\$1,380,342	-\$2,549	\$2,157,521	\$0	\$2,157,521

**Moline Housing Authority (IL020)**  
**Moline, IL**  
**Entity Wide Revenue and Expense Summary**

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2020

	Project Total	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	14.871 Housing Choice Vouchers	1 Business Activities	Subtotal	ELIM	Total
97100 Extraordinary Maintenance							
97200 Casualty Losses - Non-capitalized							
97300 Housing Assistance Payments			\$1,371,251		\$1,371,251		\$1,371,251
97350 HAP Portability-In			\$42,115		\$42,115		\$42,115
97400 Depreciation Expense	\$888,694	\$8,008	\$2,078	\$1,659	\$900,439		\$900,439
97500 Fraud Losses							
97600 Capital Outlays - Governmental Funds							
97700 Debt Principal Payment - Governmental Funds							
97800 Dwelling Units Rent Expense							
90000 Total Expenses	\$3,856,800	\$61,294	\$1,561,891	\$7,440	\$5,487,425	\$0	\$5,487,425
10010 Operating Transfer In	\$210,397				\$210,397	-\$210,397	\$0
10020 Operating transfer Out	-\$210,397				-\$210,397	\$210,397	\$0
10030 Operating Transfers from/to Primary Government							
10040 Operating Transfers from/to Component Unit							
10050 Proceeds from Notes, Loans and Bonds							
10060 Proceeds from Property Sales							
10070 Extraordinary Items, Net Gain/Loss							
10080 Special Items (Net Gain/Loss)		\$42,244	-\$28,200	-\$42,244	-\$28,200		-\$28,200
10091 Inter Project Excess Cash Transfer In							
10092 Inter Project Excess Cash Transfer Out							
10093 Transfers between Program and Project - In							
10094 Transfers between Project and Program - Out							
10100 Total Other financing Sources (Uses)	\$0	\$42,244	-\$28,200	-\$42,244	-\$28,200	\$0	-\$28,200
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$125,069	\$50,339	-\$63,302	-\$46,452	-\$184,484	\$0	-\$184,484
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0		\$0
11030 Beginning Equity	\$7,379,403	\$24,330	\$73,812	-\$31,867	\$7,445,678		\$7,445,678
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0				\$0		\$0
11050 Changes in Compensated Absence Balance							
11060 Changes in Contingent Liability Balance							
11070 Changes in Unrecognized Pension Transition Liability							
11080 Changes in Special Term/Severance Benefits Liability							
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents							
11100 Changes in Allowance for Doubtful Accounts - Other							
11170 Administrative Fee Equity			-\$6,318		-\$6,318		-\$6,318
11180 Housing Assistance Payments Equity			\$16,828		\$16,828		\$16,828
11190 Unit Months Available	5832	18	2808		8658		8658
11210 Number of Unit Months Leased	5570	18	2551		8139		8139
11270 Excess Cash	\$610,996				\$610,996		\$610,996
11610 Land Purchases	\$0				\$0		\$0
11620 Building Purchases	\$0				\$0		\$0
11630 Furniture & Equipment - Dwelling Purchases	\$0				\$0		\$0
11640 Furniture & Equipment - Administrative Purchases	\$0				\$0		\$0
11650 Leasehold Improvements Purchases	\$488,911				\$488,911		\$488,911
11660 Infrastructure Purchases	\$0				\$0		\$0
13510 CFFP Debt Service Payments	\$0				\$0		\$0
13901 Replacement Housing Factor Funds	\$0				\$0		\$0



Board of Commissioners  
Moline Housing Authority  
Moline, Illinois

In planning and performing my audit of the financial statements of Moline Housing Authority as of and for the year ended March 31, 2020, in accordance with auditing standards generally accepted in the United States of America, I considered the Housing Authority's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Moline Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of Moline Housing Authority's internal control.

The administration of the Housing Authority is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgements by the administration are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

My study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. However, my study and evaluation disclosed certain conditions in the following areas of which you should be aware in order to improve operating efficiencies and strengthen internal controls:

1. The year end financial statements were not accurately reported in the year end report submitted to the Department of Housing and Urban Development/REAC. The report improperly included amounts in 'Deferred Flow of Resources' and 'Accounts Payable - PHA Projects' when no amounts should have been reported in those line items; however, it omitted reporting the year end interfund payables and offsetting receivables, deferred tenant revenues, allowance for doubtful accounts and the short term portion of the mortgage payable. The mortgage payable was reported as a 'Non-Current Liability - Other' rather than an outstanding mortgage.

The Housing Authority must make every effort to be sure that the reports submitted to HUD accurately reflect the financial position of the Housing Authority at year end. While the overall misstatements reported may not be material, the number of accounts misstated were material.

2. The audit procedures performed also revealed that several accounts were not properly reconciled. Vendor payables from the prior fiscal year were not reversed, overhead was improperly allocated, payroll withholding accounts were not reconciled to year end reports and accrued payroll accounts included the prior year liability as well as the current year liability.

The Housing Authority must make every effort to be sure that the reports submitted to HUD accurately reflect the financial position of the Housing Authority at year end. While the overall misstatements reported may not be material, the number of accounts misstated were material.

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the housing authority, and is not intended to be and should not be used by anyone other than these specified parties. Please feel free to contact me if you have any questions.



Certified Public Accountant

Decatur, Illinois  
October 23, 2020



John Afoun, Executive Director and Board of Commissioners  
Moline Housing Authority  
4141 11<sup>th</sup> Avenue A  
Moline, IL 61265

I have audited the financial statements of the business-type activities (and the aggregate discretely presented component units) of the Moline Housing Authority for the year ended March 31, 2020. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my engagement letter to you dated September 14, 2020. Professional standards also require that I communicate to you the following information related to my audit.

### **Significant Audit Findings**

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Moline Housing Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended March 31, 2020. I noted no transactions entered into by Moline Housing Authority during the year for which there is a lack of authoritative guidance and consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the Housing Authority's financial was:

Management's estimate of the depreciation expense is based on estimated useful lives of capital assets. I evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each program's financial statements taken as a whole.

### *Disagreement with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statement or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated October 28, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Moline Housing Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there was no such consultation with other accountants.

### *Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Moline Housing Authority's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

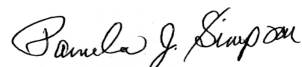
### **Other Matters**

I was engaged to report on the Schedule of Expenditures of Federal Awards, the Capital Fund Cost Certificate and the Financial Data Schedule, which accompany the financial statements but are not RSI. With respect to this supplementary information, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriated and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the information and use of the Board of Commissioners and management of Moline Housing Authority and is not intended to be, used by anyone other than specified parties.

Very truly yours,



Pamela J. Simpson, CPA