

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**REPORT ON FINANCIAL STATEMENTS
AND SUPPLEMENTAL DATA**

TWELVE MONTHS ENDED MARCH 31, 2018

**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, 2018, 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, 2018 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 38 to 42, the Certification of Actual Modernization Costs on page 28, 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 September 25, 2018 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
September 25, 2018

Certified Public Accountant

**MOLINE HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2018**

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, 2018. 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 11th 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 \$8,818,907 to \$8,042,480, a decrease of \$776,427 or 9%. The total assets decreased by \$733,533.

Total revenues and contributions decreased from \$5,562,015 to \$4,182,914, a decrease of \$1,379,101, or 25%. Revenues comprised of rental income, HUD operating grants and capital grants, interest income and other revenue and contributions.

Total expenses increased by \$245,764 or 5% from \$4,713,577 to \$4,959,341 for the current year.

**MOLINE HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2018**

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, 2018**

Condensed Comparative Financial Statements

Analysis of Entity Wide Net Position

Total Assets for FYE 2018 was \$8,791,516 and at FYE 2017 the amount was \$9,525,049. This represents a net decrease of \$733,533.

Cash decreased by \$283,630 or 24% due to the increase in expenditures.

Capital Assets decreased by \$435,437. The change in Capital Assets will be presented in the section of this analysis entitled Analysis of Capital Assets.

Current Liabilities decreased by \$80,129 or 21%. The reason for the change was due to payables recorded for elevator project in fiscal year 2017.

Noncurrent Liabilities increased by \$123,023 or 37% due to the new long- term portion of the repayment agreement due to HUD.

The table below illustrates our analysis:

	<u>2018</u>	<u>2017</u>	<u>Variances</u>	<u>Percentage Change</u>
Cash	904,144	1,187,774	(283,630)	-24%
Other Current Assets	210,367	224,833	(14,466)	-6%
Capital Assets	7,677,005	8,112,442	(435,437)	-5%
Total Assets	8,791,516	9,525,049	(733,533)	-8%
Deferred Outflows of Resources	0	0	0	0%
TOTAL	8,791,516	9,525,049	(733,533)	-8%
Current Liabilities	294,648	374,777	(80,129)	-21%
Noncurrent Liabilities	454,388	331,365	123,023	37%
Total Liabilities	749,036	706,142	42,894	6%
Deferred Inflows of Resources	0	0	0	0%
Net Investment in Capital Assets	7,416,423	7,842,623	(426,200)	-5%
Restricted	30,344	110,177	(79,833)	-73%
Unrestricted	595,713	866,107	(270,394)	-31%
Total Net Position	8,042,480	8,818,907	(776,427)	-9%
TOTAL	8,791,516	9,525,049	(733,533)	-8%

**MOLINE HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2018**

Analysis of Entity Wide Revenue

The Authority administers the following programs and the revenues generated from these programs during Fiscal Year Ending March 31, 2018 were as follows:

<u>Program</u>	<u>Revenues Generated</u>
Public and Indian Housing	\$2,386,314
Section 8 Housing Choice Vouchers	\$1,394,798
Public Housing Capital Funds	\$334,418
Business Activities	\$7,496
Fiesta Manor – Section 8 HAP Special	\$59,888

Total Revenues and Contributions for Fiscal Year Ending March 31, 2017 were \$5,562,015 as compared to the total revenues for Fiscal Year Ending March 31, 2018 of \$4,182,914. Revenues and contributions for 2017 exceeded 2018 by \$1,379,101.

	2018	2017	Net Change	Percentage Change
Total Tenant Revenue	1,700,745	1,746,424	(45,679)	-3%
HUD Operating Grants	2,059,258	2,214,008	(154,750)	-7%
Capital Grants	334,418	1,487,355	(1,152,937)	-78%
Investment Income	6,705	8,763	(2,058)	-24%
Fraud Recovery	2,040	5,508	(3,468)	-63%
Other Revenue	79,748	99,957	(20,209)	-20%
Total Revenues and Contributions	<u>4,182,914</u>	<u>5,562,015</u>	<u>(1,379,101)</u>	<u>-25%</u>

**MOLINE HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2018**

Analysis of Entity Wide Expenditures

Total Expenditures including depreciation for Fiscal Year Ending March 31, 2017 were \$4,713,577 as compared to \$4,959,341 total expenditures for Fiscal Year Ending March 31, 2018. Comparatively, Fiscal Year Ending 2018 expenditures were above Fiscal Year Ending 2017 expenditures by \$245,764. Changes by major expense category will be presented below.

Administrative expenditures decreased by \$74,288 or 9% due to expenses charged to allocated overhead.

Tenant Services decreased by \$8,014 or 38% due to budget constraints.

Utilities increased by \$15,186 or 3% due to fluctuation in consumption.

Maintenance expenditures decreased by \$59,760 or 6% because of the decrease in contract costs.

General Expense and Interest increased by \$15,211 or 6% because of the increase in interest expense.

Housing Assistance Payments increased by 15% from last year.

Depreciation Expense increased due to some capital funding projects being completed and subject to depreciation.

The table below illustrates our analysis:

	2018	2017	Net Change	Percent Variances
Administrative	754,519	828,807	(74,288)	-9%
Tenant Services	13,189	21,203	(8,014)	-38%
Utilities	495,217	480,031	15,186	3%
Maintenance	936,361	996,121	(59,760)	-6%
General Expense and Interest	269,852	254,641	15,211	6%
Casualty Losses	0	5,000	(5,000)	100%
Housing Assistance Payments	1,324,813	1,150,437	174,376	15%
HAP Port-In	14,456	0	14,456	100%
Depreciation Expense	981,541	977,337	4,204	0%
Special Items	169,393	0	169,393	100%
Total Expenses	\$4,959,341	\$4,713,577	245,764	5%

**MOLINE HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
FISCAL YEAR ENDING MARCH 31, 2018**

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

	2018	2016	Net Change	Percent Variances
Land	117,331	117,331	0	0%
Buildings	27,402,833	26,987,504	415,329	2%
Furniture, Equipment, & Machinery - Dwelling	340,424	339,925	499	0%
Furniture, Equipment, & Machinery - Admin	967,282	1,002,098	(34,816)	-4%
Leasehold Improvements	3,394,410	3,334,360	60,050	2%
Construction in Progress	75,641	23,695	51,946	219%
Total Capital Assets	32,297,921	31,804,913	493,008	2%
Accumulated Depreciation	24,620,916	23,692,471	928,445	4%
Net Capital Assets	7,677,005	8,112,442	(435,437)	-5%

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 at March 31, 2018 is \$260,582. More detail regarding that debt can be found in "Notes to Financial Statements."

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 agrees to pay \$28,663 for fiscal year 2019 and installment payments in the amount of \$28,200 for four years. The last payment of \$27,930 is due fiscal year 2023.

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
AS OF MARCH 31, 2018**

ASSETS

Cash - operating	\$ 801,643
Cash - restricted	102,501
Receivables, net	38,328
Inventory	32,892
Prepaid expenses	139,147
Capital assets:	
Land and construction in progress	\$ 192,972
Other capital assets, net of depreciation	<u>7,484,033</u>
Total Capital Assets	<u>\$ 7,677,005</u>
Total Assets	<u>\$ 8,791,516</u>

DEFERRED OUTFLOWS OF RESOURCES \$ 0

TOTAL \$ 8,791,516

LIABILITIES

Accounts payable	\$ 84,730
Other liabilities	161,883
Unearned revenue	9,762
Notes payable	9,610
HUD repayment (HUD held reserves)	28,663
Noncurrent liabilities:	
Notes payable	250,972
HUD repayment (HUD held reserves)	140,730
Earned compensated absences	<u>62,686</u>
Total Liabilities	<u>\$ 749,036</u>

DEFERRED INFLOWS OF RESOURCES \$ 0

NET POSITION

Net investment in capital assets	\$ 7,416,423
Restricted	30,344
Unrestricted	<u>595,713</u>
Total Net Position	<u>\$ 8,042,480</u>
TOTAL	<u><u>\$ 8,791,516</u></u>

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION -
PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2018**

Operating Income

Tenant rental revenue	\$ 1,647,506
Tenant revenue - other	<u>53,239</u>
 Total Rental Income	 \$ 1,700,745
 HUD grants - operating	 2,059,258
Fraud recovery	2,040
Other revenue	<u>79,748</u>
 Total Operating Income	 <u>\$ 3,841,791</u>

Operating Expenses

Administration	\$ 754,519
Tenant services	13,189
Utilities	495,217
Ordinary maintenance and operation	936,361
General expense	259,310
Housing assistance payments	1,339,269
Depreciation	<u>981,541</u>
 Total Operating Expenses	 <u>\$ 4,779,406</u>
 Net Operating Income (Loss)	 <u>\$ -937,615</u>

Nonoperating Income (Expense)

Interest income	\$ 6,705
Interest expense	-10,542
Special items	<u>-169,393</u>
 Nonoperating Income (Expense)	 <u>\$ -173,230</u>

Capital Contributions (Note 15) \$ 334,418

Changes in net position	\$ -776,427
Net position, beginning of year	<u>8,818,907</u>
 Net position, end of year	 <u><u>\$ 8,042,480</u></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, 2018**

Operating Activities

Operating grants	\$ 2,231,449
Tenant revenue	1,688,543
Other revenue	81,788
Housing assistance payments	-1,339,269
Payments to employees	-862,820
Payments to suppliers and contractors	<u>-1,689,168</u>

Net Cash Provided (Used) by Operating Activities \$ 110,523

Investing Activities

Interest income	<u>\$ 6,705</u>
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Net Cash Provided (Used) by Investing Activities \$ 6,705

Capital and Related Financing Activities

HUD grants - capital	\$ 334,418
Retirement of debt	-9,237
Interest expense	-10,542
Special items	-169,393
(Additions) deletions to fixed assets	<u>-546,104</u>

Net Cash Provided (Used) by
Capital and Related Financing Activities \$ -400,858

Net Change in Cash \$ -283,630

Cash Balance at March 31, 2017 1,187,774

Cash Balance at March 31, 2018 \$ 904,144

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
TWELVE MONTHS ENDED MARCH 31, 2018**

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

Net operating income (loss)	\$ -937,615
Adjustment to Reconcile Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Depreciation	981,541
(Increase) decrease in accounts receivables	857
(Increase) decrease in inventories	14,200
(Increase) decrease in prepaid expenses	-591
Increase (decrease) in accounts payables	177,652
Increase (decrease) in other liabilities	-117,083
Increase (decrease) in unearned revenues	<u>-8,438</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 110,523</u></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, 2018**

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 no active component units. The Moline Housing Development Corporation was established as a component unit but conducted no business during the fiscal year.

(b) 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, 2018
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(c) 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.

(d) 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 (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.

(e) 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.

(f) 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, 2018
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(g) Accounts Receivable -

The tenants accounts receivable discloses the gross amount due from the tenants at March 31, 2018, 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.

(h) Inventories and Materials -

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

(i) Investments -

Investments are stated at cost which approximates market.

(j) 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, 2018
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

(j) 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

(k) 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.

(l) 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.

(m) 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.

- (n) 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 20, 2017.

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2018
(CONTINUED)**

Note 1 - Summary of Significant Accounting Policies

- (o) 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.
- (p) 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.
- (q) Rental income is recognized as rents become due.
- (r) 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, 2018
(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	\$ 708,229	\$ 756,840
Section 8 Housing Choice Vouchers	103,100	103,490
Highland Manor	72,682	72,731
Fiesta Manor - HAP Special Program	<u>20,133</u>	<u>21,208</u>
Total	<u>\$ 904,144</u>	<u>\$ 954,269</u>

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2018
(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, 2018
(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 \$108,369 in the current fiscal year. Total annual payroll expense was \$863,883.

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	\$ 28,568
Tenant security deposits	62,395
OIG reimbursements payable - participants	1,776
Unearned revenues - tenants	<u>9,762</u>
Total	<u><u>\$ 102,501</u></u>

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2018
(CONTINUED)**

Note 7 - Accounts Receivable

Accounts receivable consists of the following accounts:

Accounts receivable - HUD projects	\$ 383
HUD - other projects	7,128
Tenants accounts receivable	37,756
Allowance for doubtful accounts - tenants	-10,097
Fraud recovery	<u>3,158</u>
Total	<u>\$ 38,328</u>

Note 8 - Prepaid Expenses

This classification includes the following accounts:

Prepaid insurance	\$ 124,858
Other prepaid expenses	<u>14,289</u>
Total	<u>\$ 139,147</u>

Note 9 - Capital Assets

Balance as of March 31, 2018	\$ 7,677,005
Balance as of March 31, 2017	<u>8,112,442</u>
Net Increase (Decrease)	<u>\$ -435,437</u>

Reconciliation

Betterments and additions	\$ 527,325
Replacement of equipment	18,779
Current year depreciation expense	<u>-981,541</u> *
Net Increase (Decrease)	<u>\$ -435,437</u>

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2018
(CONTINUED)**

Note 9 - Capital Assets (Continued)

<u>Analysis</u>	<u>04/01/2017 Balance</u>	<u>Additions/ Transfers</u>	<u>Deletions/ Transfers</u>	<u>03/31/2018 Balance</u>
Land	\$ 117,331	\$ 0	\$ 0	\$ 117,331
Buildings	26,987,504	415,329	0	27,402,833
Equipment and furniture	1,342,023	18,779	53,096	1,307,706
Leasehold improvements	3,334,360	60,050	0	3,394,410
Construction in progress	<u>23,695</u>	<u>51,946</u>	<u>0</u>	<u>75,641</u>
Total Assets	\$ 31,804,913	\$ 546,104	\$ 53,096	\$ 32,297,921
Accumulated depreciation	<u>-23,692,471</u>	<u>53,096</u>	<u>981,541</u>	* <u>-24,620,916</u>
Net Assets	<u>\$ 8,112,442</u>	<u>\$ 599,200</u>	<u>\$ 1,034,637</u>	<u>\$ 7,677,005</u>

* Current year depreciation expense

Note 10 - Accounts Payable

This classification includes the following accounts:

Vendors and contractors	\$ 22,023
Accounts payable - HUD interest	312
Tenants security deposits	<u>62,395</u>
Total	<u>\$ 84,730</u>

Note 11 - Other Liabilities

Accrued liabilities consists of the following:

Current Portion:

Wages/payroll taxes payable	\$ 51,242
Earned compensated absences	20,309
Payment in lieu of taxes	82,386
Utilities/other payables	<u>7,946</u>
Total Current Portion	\$ 161,883

Noncurrent Portion:

Earned compensated absences	<u>62,686</u>
Total	<u>\$ 224,569</u>

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2018
(CONTINUED)**

Note 12 - Summary of Long Term Liabilities

A summary of long term liabilities as of March 31, 2018:

	04/01/2017 <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	03/31/2018 <u>Balance</u>
Notes payable	\$ 260,871	\$ 0	\$ 9,899	\$ 250,972
HUD repayment (HUD held reserves)	0	140,730	0	140,730
Earned compensated absences	<u>70,494</u>	<u>31,282</u>	<u>39,090</u>	<u>62,686</u>
Total	<u>\$ 331,365</u>	<u>\$ 172,012</u>	<u>\$ 48,989</u>	<u>\$ 454,388</u>

Note 13 - Unearned Revenue

This classification consists of the following accounts:

Tenants prepaid rent	<u>\$ 9,762</u>
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Note 14 - Long Term Debt

Promissory note dated December 20, 2017 for the purchase of Fiesta Manor:

<u>Project</u>	<u>Due Date</u>	<u>Rate</u>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Loan #15799	12/20/19	3.97%	<u>\$ 9,610</u>	<u>\$ 250,972</u>	<u>\$ 260,582</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>	<u>Interest</u>
2019	\$ 9,610	\$ 10,169
2020	250,972	9,780

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2018
(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>\$ 334,418</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 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, 2018, the Housing Authority had entered into the following pending capital fund projects in progress:

	<u>Funds Approved</u>	<u>Funds Expended To Date</u>
CFP 501-17	\$ 722,295	\$ 324,031
CFP 501-18	<u>1,047,293</u>	<u>0</u>
Total	<u>\$ 1,769,588</u>	<u>\$ 324,031</u>

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.

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**NOTES TO FINANCIAL STATEMENTS
TWELVE MONTHS ENDED MARCH 31, 2018
(CONTINUED)**

Note 21 - Economic Dependency

The Housing Authority received most of its revenue (57%) 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	\$ 28,568
OIG reimbursements payable - participants	<u>1,776</u>
Total	<u><u>\$ 30,344</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, 2018**

<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 03/31/18	\$ 629,520	\$ 629,520	\$ 629,520	\$ 0
Voucher Cluster:			FYE				
Housing Choice Vouchers*	14.871	C-1078V	03/31/18	\$ 1,376,824	\$ 1,376,824	\$ 1,376,824	\$ 0
Public Housing - Capital Funds	14.872	C-979	FYE 03/31/18	\$ 2,491,709	\$ 334,418	\$ 334,418	\$ 0
Section 8 Housing Assistance Payments Program	14.195		FYE 03/31/18	\$ 52,914	\$ 52,914	\$ 52,914	\$ 0
Total HUD Assistance				\$ 4,225,795	\$ 2,393,676	\$ 2,393,676	\$ 0

*Denotes major program.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS (SEFA)
TWELVE MONTHS ENDED MARCH 31, 2018**

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, 2018. The schedule of expenditures of federal awards displays the Authority's expenditures charged to federal programs for the year ended March 31, 2018, 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, 2018.

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**PHA's STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
PHASE IL06P020501-16**

1. The Actual Modernization Costs of Phase IL06P020501-16 are as follows:

Funds approved	\$ 722,121
Funds expended	<u>722,121</u>
Excess of Funds Approved	<u><u>\$ 0</u></u>
Funds advanced	
Grants	\$ 722,121
Funds expended	<u>722,121</u>
Excess of Funds Advanced	<u><u>\$ 0</u></u>

2. The distribution of costs by project, as shown on the final Statement of Modernization Cost, dated September 12, 2017, accompanying the Actual Modernization Cost Certificate submitted to HUD for approval, is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.



**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, 2018, 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 September 25, 2018.

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* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be *material weaknesses*. However, I identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that I consider to be a *significant deficiency* as item: Finding 2018-001.

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*.

The Moline Housing Authority's responses to the findings identified in my audit are described in the accompanying schedule findings and questioned costs. I did not audit the Moline Housing Authority's responses and, accordingly, I express no opinion on them.

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.

Decatur, Illinois
September 25, 2018



Certified Public Accountant



**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, 2018. 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, 2018.

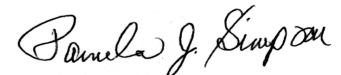
Report on Internal Control Over Compliance

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
September 25, 2018

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

STATUS OF PRIOR AUDIT FINDINGS

The prior audit report for the period ended March 31, 2017 contained no findings.

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS - SUMMARY
FOR THE YEAR ENDED MARCH 31, 2018**

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?	_____ <u>X</u> _____	yes	_____	none reported

Noncompliance material to financial statements noted	_____	yes	_____ <u>X</u> _____	no
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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
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Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

14.871

Voucher Cluster

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

\$ _____ 750,000

Auditee qualified as low-risk auditee?

_____	yes	_____ <u>X</u> _____	no
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**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

CURRENT FINDINGS AND RECOMMENDATIONS

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

Section II - Financial Statement Findings

The following financial statement audit findings were discussed with John Afoun, Executive Director and Maria Nino, Director of Finance, during the course of the audit and at an exit conference held September 25, 2018.

Finding 2018-001: Lack of Reconciliations and Internal Controls over Financial Statement Preparation - Significant Deficiency

CFDA #: 14.850 Public and Indian Housing, 14.872 Capital Funds, 14.871 Housing Choice Vouchers and 14.195 Section 8 Housing Assistance Payments Program

Questioned Costs: None

Condition: Sound, adequate internal controls, as well as HUD rules and regulations require adequate, accurate accounting and record keeping for financial statement preparation and reporting. While auditing several accounts, it was determined that detailed data, reconciliations and/or subsidiary ledgers did not support the balances recorded in the general ledger at year end and reported to HUD.

I noted that the following accounts were not properly reconciled, supported with subsidiary ledgers or other schedules or recorded in accordance with GAAP and Housing Authority policies: (a) three months of overhead costs were recorded as 'administrative sundry' costs on AMP 2 therefore the total overhead costs incurred in the Central Office Cost Center could not be reconciled to the totals reported as allocated, (b) no allowance for doubtful accounts was recorded in accordance with GAAP and housing authority policy, (c) no allowance for obsolete inventory was recorded in accordance with GAAP and housing authority policy, (d) no PILOT or real estate tax expense was recorded for Fiesta Manor, (e) Port-In HAP expenses were not properly separated from regular HAP expenses and as a result the financial reporting does not reconcile to the VMS reporting (f) the payable to the Department of Housing and Urban Development as agreed upon in the Corrective Action Plan was not recorded (g) inventory was not properly adjusted to the year end physical inventory detail and (h) accrued absence expense reflects only the change in the liability not the actual expense incurred.

As a result of the accounts not being properly reconciled or adjusted, the financial statements were significantly misstated.

Criteria: The Authority is required to have sufficient internal controls in place to ensure all accounts are consistently reconciled to supporting documentation and subsidiary ledgers. All transactions, journal entries and balances must be fully supported by underlying documentation. If the financial statements do not reflect the underlying work papers, schedules and subsidiary ledgers, the financial statements cannot be relied upon.

Effect: The financial statements and year end reports submitted to REAC and HUD were not accurate and did not properly report the financial position of the Housing Authority. Significant adjustments had to be made to the financial statements.

**MOLINE HOUSING AUTHORITY
MOLINE, ILLINOIS**

CURRENT FINDINGS AND RECOMMENDATIONS

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

Section II - Financial Statement Findings (Continued)

Finding 2018-001: Lack of Reconciliations and Internal Controls over Financial Statement Preparation - Significant Deficiency

Cause: The Housing Authority employs an outside fee accounting service to assist with the financial statement preparation. During the current fiscal year, financial statements were not being prepared or provided in a timely manner. The Housing Authority worked with multiple employees of the outside service to get the statements completed. The Housing Authority personnel could not review financial statements in a timely fashion and did not realize that the outside fee accountant had not recorded year end information accurately as reflected in the subsidiary ledgers and schedules provided.

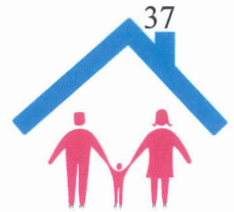
Auditor's Recommendation: The Housing Authority is ultimately responsible for the preparation of their own financial statements. Too much reliance has been placed on the contractual accountant that was not preparing accurate, timely financial statements. The Housing Authority must demand that financial statements are prepared timely and accurately.

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 September 25, 2018.

Moline Housing Authority

4141 11th Avenue A ▪ Moline, Illinois 61265
Phone (309) 764-1819 ▪ Fax (309) 764-2120



CORRECTIVE ACTION PLAN

Section II - Financial Statement Findings

Finding 2018-001: Lack of Reconciliations and Internal Controls over Financial Statement Preparation - Significant Deficiency

Corrective Action Plan: The Housing Authority Executive Director, John Afoun will require timely financial statements be provided from the contractual accountant. The requirements of the current contract will be emphasized. The internal accounting staff will be instructed to work closely with the fee accountant and to review all reports provided for accuracy. If the financial statements do not reconcile to supporting schedules, difference will be investigated and adjustments recorded accordingly.

EXECUTIVE DIRECTOR

John Afoun

BOARD OF COMMISSIONERS

Melvin Grimes
Chairperson

Kathy York
Vice-Chairperson

Chuck Capan

Leslie Stange-Crotty

David Parker, Jr.



“Providing housing and opportunities”

www.molinehousing.com

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.195 Section 8 Housing Assistance Payments Program_Special Allocations	Subtotal	Total
111 Cash - Unrestricted	\$637,106	\$74,532	\$70,906	\$19,099	\$801,643	\$801,643
112 Cash - Restricted - Modernization and Development						
113 Cash - Other Restricted		\$28,568	\$1,776		\$30,344	\$30,344
114 Cash - Tenant Security Deposits	\$61,367			\$1,028	\$62,395	\$62,395
115 Cash - Restricted for Payment of Current Liabilities	\$9,756			\$6	\$9,762	\$9,762
100 Total Cash	\$708,229	\$103,100	\$72,682	\$20,133	\$904,144	\$904,144
121 Accounts Receivable - PHA Projects		\$383			\$383	\$383
122 Accounts Receivable - HUD Other Projects	\$7,128				\$7,128	\$7,128
124 Accounts Receivable - Other Government						
125 Accounts Receivable - Miscellaneous						
126 Accounts Receivable - Tenants	\$37,474			\$282	\$37,756	\$37,756
126.1 Allowance for Doubtful Accounts - Tenants	-\$10,097			\$0	-\$10,097	-\$10,097
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0		\$0	\$0	\$0
127 Notes, Loans, & Mortgages Receivable - Current						
128 Fraud Recovery		\$3,158			\$3,158	\$3,158
128.1 Allowance for Doubtful Accounts - Fraud		\$0			\$0	\$0
129 Accrued Interest Receivable						
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$34,505	\$3,541	\$0	\$282	\$38,328	\$38,328
131 Investments - Unrestricted						
132 Investments - Restricted						
135 Investments - Restricted for Payment of Current Liability						
142 Prepaid Expenses and Other Assets	\$133,235	\$3,995		\$1,917	\$139,147	\$139,147
143 Inventories	\$34,623				\$34,623	\$34,623
143.1 Allowance for Obsolete Inventories	-\$1,731				-\$1,731	-\$1,731
144 Inter Program Due From	\$34,538		\$42,244		\$76,782	\$76,782
145 Assets Held for Sale						
150 Total Current Assets	\$943,399	\$110,636	\$114,926	\$22,332	\$1,191,293	\$1,191,293
161 Land	\$117,331				\$117,331	\$117,331
162 Buildings	\$27,024,230		\$66,359	\$312,244	\$27,402,833	\$27,402,833
163 Furniture, Equipment & Machinery - Dwellings	\$340,424				\$340,424	\$340,424
164 Furniture, Equipment & Machinery - Administration	\$917,328	\$49,954			\$967,282	\$967,282
165 Leasehold Improvements	\$3,394,410				\$3,394,410	\$3,394,410
166 Accumulated Depreciation	-\$24,552,844	-\$40,603	-\$15,760	-\$11,709	-\$24,620,916	-\$24,620,916
167 Construction in Progress	\$75,641				\$75,641	\$75,641
168 Infrastructure						
160 Total Capital Assets, Net of Accumulated Depreciation	\$7,316,520	\$9,351	\$50,599	\$300,535	\$7,677,005	\$7,677,005
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	\$7,316,520	\$9,351	\$50,599	\$300,535	\$7,677,005	\$7,677,005
200 Deferred Outflow of Resources						
290 Total Assets and Deferred Outflow of Resources	\$8,259,919	\$119,987	\$165,525	\$322,867	\$8,868,298	\$8,868,298

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.195 Section 8 Housing Assistance Payments Program Special Allocations	Subtotal	Total
311 Bank Overdraft						
312 Accounts Payable <= 90 Days	\$18,986	\$2,829		\$208	\$22,023	\$22,023
313 Accounts Payable >90 Days Past Due						
321 Accrued Wage/Payroll Taxes Payable	\$49,268	\$1,974			\$51,242	\$51,242
322 Accrued Compensated Absences - Current Portion	\$15,672	\$4,637			\$20,309	\$20,309
324 Accrued Contingency Liability						
325 Accrued Interest Payable						
331 Accounts Payable - HUD PHA Programs		\$312	\$28,663		\$28,975	\$28,975
332 Account Payable - PHA Projects						
333 Accounts Payable - Other Government	\$82,386				\$82,386	\$82,386
341 Tenant Security Deposits	\$61,367			\$1,028	\$62,395	\$62,395
342 Unearned Revenue	\$9,756			\$6	\$9,762	\$9,762
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				\$9,610	\$9,610	\$9,610
344 Current Portion of Long-term Debt - Operating Borrowings						
345 Other Current Liabilities						
346 Accrued Liabilities - Other	\$7,946				\$7,946	\$7,946
347 Inter Program - Due To		\$34,538		\$42,244	\$76,782	\$76,782
348 Loan Liability - Current						
310 Total Current Liabilities	\$245,381	\$44,290	\$28,663	\$53,096	\$371,430	\$371,430
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue				\$250,972	\$250,972	\$250,972
352 Long-term Debt, Net of Current - Operating Borrowings						
353 Non-current Liabilities - Other			\$140,730		\$140,730	\$140,730
354 Accrued Compensated Absences - Non Current	\$62,686				\$62,686	\$62,686
355 Loan Liability - Non Current						
356 FASB 5 Liabilities						
357 Accrued Pension and OPEB Liabilities						
350 Total Non-Current Liabilities	\$62,686	\$0	\$140,730	\$250,972	\$454,388	\$454,388
300 Total Liabilities	\$308,067	\$44,290	\$169,393	\$304,068	\$825,818	\$825,818
400 Deferred Inflow of Resources						
508.4 Net Investment in Capital Assets	\$7,316,520	\$9,351	\$50,599	\$39,953	\$7,416,423	\$7,416,423
511.4 Restricted Net Position		\$28,568	\$1,776		\$30,344	\$30,344
512.4 Unrestricted Net Position	\$635,332	\$37,778	-\$56,243	-\$21,154	\$595,713	\$595,713
513 Total Equity - Net Assets / Position	\$7,951,852	\$75,697	-\$3,868	\$18,799	\$8,042,480	\$8,042,480
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$8,259,919	\$119,987	\$165,525	\$322,867	\$8,868,298	\$8,868,298

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

40

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.195 Section 8 Housing Assistance Payments Program Special Allocations	Subtotal	Total
70300 Net Tenant Rental Revenue	\$1,641,002			\$6,504	\$1,647,506	\$1,647,506
70400 Tenant Revenue - Other	\$52,769			\$470	\$53,239	\$53,239
70500 Total Tenant Revenue	\$1,693,771	\$0	\$0	\$6,974	\$1,700,745	\$1,700,745
70600 HUD PHA Operating Grants	\$629,520	\$1,376,824		\$52,914	\$2,059,258	\$2,059,258
70610 Capital Grants	\$334,418				\$334,418	\$334,418
70710 Management Fee						
70720 Asset Management Fee						
70730 Book Keeping Fee						
70740 Front Line Service Fee						
70750 Other Fees						
70700 Total Fee Revenue						
70800 Other Government Grants						
71100 Investment Income - Unrestricted	\$6,190	\$358	\$157		\$6,705	\$6,705
71200 Mortgage Interest Income						
71300 Proceeds from Disposition of Assets Held for Sale						
71310 Cost of Sale of Assets						
71400 Fraud Recovery		\$2,040			\$2,040	\$2,040
71500 Other Revenue	\$56,833	\$15,576	\$7,339		\$79,748	\$79,748
71600 Gain or Loss on Sale of Capital Assets						
72000 Investment Income - Restricted						
70000 Total Revenue	\$2,720,732	\$1,394,798	\$7,496	\$59,888	\$4,182,914	\$4,182,914
91100 Administrative Salaries	\$133,211	\$87,985			\$221,196	\$221,196
91200 Auditing Fees		\$1,070			\$1,070	\$1,070
91300 Management Fee						
91310 Book-keeping Fee						
91400 Advertising and Marketing	\$71			\$179	\$250	\$250
91500 Employee Benefit contributions - Administrative	\$56,770	\$19,075			\$75,845	\$75,845
91600 Office Expenses	\$96,834			\$2,068	\$98,902	\$98,902
91700 Legal Expense	\$11,873	\$1,580			\$13,453	\$13,453
91800 Travel	\$5,078		\$3,276	\$165	\$8,519	\$8,519
91810 Allocated Overhead	\$282,059				\$282,059	\$282,059
91900 Other	\$19,187	\$31,617	\$558	\$1,863	\$53,225	\$53,225
91000 Total Operating - Administrative	\$605,083	\$141,327	\$3,834	\$4,275	\$754,519	\$754,519
92000 Asset Management Fee						
92100 Tenant Services - Salaries						
92200 Relocation Costs						
92300 Employee Benefit Contributions - Tenant Services						
92400 Tenant Services - Other	\$13,189				\$13,189	\$13,189
92500 Total Tenant Services	\$13,189	\$0	\$0	\$0	\$13,189	\$13,189

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

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Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.195 Section 8 Housing Assistance Payments Program Special Allocations	Subtotal	Total
93100 Water	\$101,259		\$38	\$1,419	\$102,716	\$102,716
93200 Electricity	\$212,109		\$594	\$426	\$213,129	\$213,129
93300 Gas	\$79,691			\$69	\$79,760	\$79,760
93400 Fuel						
93500 Labor						
93600 Sewer						
93700 Employee Benefit Contributions - Utilities						
93800 Other Utilities Expense	\$98,221			\$1,391	\$99,612	\$99,612
93000 Total Utilities	\$491,280	\$0	\$632	\$3,305	\$495,217	\$495,217
94100 Ordinary Maintenance and Operations - Labor	\$411,550				\$411,550	\$411,550
94200 Ordinary Maintenance and Operations - Materials and Other	\$151,403	\$42		\$5,777	\$157,222	\$157,222
94300 Ordinary Maintenance and Operations Contracts	\$190,818		\$1,330	\$5,870	\$198,018	\$198,018
94500 Employee Benefit Contributions - Ordinary Maintenance	\$169,571				\$169,571	\$169,571
94000 Total Maintenance	\$923,342	\$42	\$1,330	\$11,647	\$936,361	\$936,361
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
96110 Property Insurance	\$66,048				\$66,048	\$66,048
96120 Liability Insurance	\$21,437				\$21,437	\$21,437
96130 Workmen's Compensation	\$45,284				\$45,284	\$45,284
96140 All Other Insurance	\$8,574	\$2,946			\$11,520	\$11,520
96100 Total insurance Premiums	\$141,343	\$2,946	\$0	\$0	\$144,289	\$144,289
96200 Other General Expenses		\$2,662			\$2,662	\$2,662
96210 Compensated Absences						
96300 Payments in Lieu of Taxes	\$82,386		\$2,415	\$7,438	\$92,239	\$92,239
96400 Bad debt - Tenant Rents	\$20,120				\$20,120	\$20,120
96500 Bad debt - Mortgages						
96600 Bad debt - Other						
96800 Severance Expense						
96000 Total Other General Expenses	\$102,506	\$2,662	\$2,415	\$7,438	\$115,021	\$115,021
96710 Interest of Mortgage (or Bonds) Payable				\$10,542	\$10,542	\$10,542
96720 Interest on Notes Payable (Short and Long Term)						
96730 Amortization of Bond Issue Costs						
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$10,542	\$10,542	\$10,542
96900 Total Operating Expenses	\$2,276,743	\$146,977	\$8,211	\$37,207	\$2,469,138	\$2,469,138
97000 Excess of Operating Revenue over Operating Expenses	\$443,989	\$1,247,821	-\$715	\$22,681	\$1,713,776	\$1,713,776

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

42

Submission Type: Audited/Single Audit

Fiscal Year End: 03/31/2018

	Project Total	14.871 Housing Choice Vouchers	1 Business Activities	14.195 Section 8 Housing Assistance Payments Program Special Allocations	Subtotal	Total
97100 Extraordinary Maintenance						
97200 Casualty Losses - Non-capitalized						
97300 Housing Assistance Payments		\$1,324,813			\$1,324,813	\$1,324,813
97350 HAP Portability-In		\$14,456			\$14,456	\$14,456
97400 Depreciation Expense	\$971,037	\$1,039	\$1,659	\$7,806	\$981,541	\$981,541
97500 Fraud Losses						
97600 Capital Outlays - Governmental Funds						
97700 Debt Principal Payment - Governmental Funds						
97800 Dwelling Units Rent Expense						
90000 Total Expenses	\$3,247,780	\$1,487,285	\$9,870	\$45,013	\$4,789,948	\$4,789,948
10010 Operating Transfer In						
10020 Operating transfer Out						
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)			-\$169,393		-\$169,393	-\$169,393
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	\$0	-\$169,393	\$0	-\$169,393	-\$169,393
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$527,048	-\$92,487	-\$171,767	\$14,875	-\$776,427	-\$776,427
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$8,478,900	\$168,184	\$167,899	\$3,924	\$8,818,907	\$8,818,907
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors						
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		\$47,129			\$47,129	\$47,129
11180 Housing Assistance Payments Equity		\$28,568			\$28,568	\$28,568
11190 Unit Months Available	5832	2808	0	18	8658	8658
11210 Number of Unit Months Leased	5688	2580	0	18	8286	8286
11270 Excess Cash	\$339,026				\$339,026	\$339,026
11610 Land Purchases	\$0				\$0	\$0
11620 Building Purchases	\$194,312				\$194,312	\$194,312
11630 Furniture & Equipment - Dwelling Purchases	\$499				\$499	\$499
11640 Furniture & Equipment - Administrative Purchases	\$7,890				\$7,890	\$7,890
11650 Leasehold Improvements Purchases	\$60,050				\$60,050	\$60,050
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, 2018, 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 and the year end financial report submitted to REAC did not properly account for the accrued compensated absence expense. Per the HUD Financial Data Schedule Line Definition Guide, the Housing Authorities should report amounts expensed for vacation and sick leave as a separate line item (FDS line 96100) . The Housing Authority should provide the number of hours earned in a year for all employees to the fee accountant so compensated absence expense can be calculated and properly reported.
2. While reviewing the Housing Authority's depreciation schedules it was noted that items under the capitalization threshold (\$1,000) are listed on the current depreciation schedule. The schedules should be reviewed along with the current policy and adjusted accordingly.

3. A current Declaration of Trust (DOT), in a form acceptable to HUD, must be recorded against all public housing property owned that has been acquired, developed, maintained, or assisted with funds from the US Housing Act of 1937. A DOT is a legal instrument that grants HUD an interest in public housing property. PIH Notice 2009-28 required that all PHA's ensure that current (unexpired) DOTs were recorded against all of their public housing within months of the date of the PHAs's next fiscal year commencing on October 1, 2009. The Housing Authority could not provide a recent DOT, therefore, I recommend that a current DOT be filed.
4. While reviewing actual vs. budgeted expenditures, I noted that the Housing Authority incurred budget overruns in both the Public Housing Program and the Housing Choice Voucher Program. The budget overruns were noted in all major expenditure categories such as Administration, Tenant Services, Maintenance and General Expenses. Board minutes indicate that the Board and Management review the budget vs. actual expenditures monthly, however, no budget revisions were approved or discussed to avoid budget overruns. As a result of the budget overruns, the Housing Authority has seriously depleted its operating reserves.

If actual expenditures exceed the approved/adopted budget amounts by more than five (5) percent, sound financial Management requires a budget revision be approved and adopted. In times of reduced funding, cost conscious spending should be at the forefront of management decisions.

During subsequent fiscal periods, the Housing Authority needs to be very mindful of the actual expenditures versus the approved budgeted amounts. The agency is currently operating with few reserves, continued reduced federal funding and has been designated as a trouble agency by HUD. Accurate, realistic budgets may help control spending in tight budget periods, but only if they are monitored and adhered to properly.

Additionally, there is no budget developed for the allocated overhead. A comprehensive budget should be prepared that includes the overhead so that those expenditures are also monitored.

5. Salaries and benefits of housing intake personnel are being classified in the financial statements as "tenant service" expenditures. Per the definitions found in the 'Financial Assessment Subsystem - Public Housing (FASS-PH)' Crosswalk Guide they should be coded to Administrative Salaries and Benefits. Tenant services is defined as related to "providing residents and program related families with services that contribute to achieving social objective". That is not what the intake staff is doing.
6. Central Office Cost Center expenses were meant to be an accumulation of shared administrative overhead that were to be distributed to other programs according to a planned allocation method. During the current year, I noted that the shared expenses were only distributed to Amp 1 and Amp 2. During an analysis of the expenditures allocated I noted the following expenses were not being allocated to the Housing Choice Voucher program to Fiesta Manor:
 - A. General legal expenses (not related to collections or evictions that can be specifically identified with each program).
 - B. Dues to housing organizations such as NAHRO
 - C. Advertising for open positions, such as Chief Operating Officer.
 - D. Auto and phone allowances that are paid to administrative staff that work in all programs.
 - E. Media Com services used by the administrative offices.
7. My testing of cash disbursements identified several items charged to maintenance costs that are by definition (defined in the 'Financial Assessment Subsystem - Public Housing (FASS-PH)' Crosswalk Guide) are administrative costs. Those items include (a) maintenance uniforms (b) copy machine lease payments and maintenance fees and (c) software maintenance fees.

8. The year end Financial Data Schedule (FDS) submitted to REAC/HUD was reviewed and compared to the year end financial statements. While all assets, liabilities, revenues and expenses were reported, it was noted that many items were reported on the on the wrong lines.

Incorrect classifications noted were as follows:

- A. Interfund receivables were reported as cash while the offsetting interfund payable was shown as a liability. This overstated the year end cash balance of the agency.
 - B. More than \$1,000,000 of completed capital fund projects were reported as 'construction in progress' when there were ongoing construction/modernization projects of only \$75,000.
 - C. An outstanding mortgage was reported as an "other long term liability", giving the appearance that there was no mortgage.
 - D. The restricted net position (NRP) of the Housing Choice Voucher program was reported as unrestricted net position.
 - E. Depreciation expense for the Housing Choice Voucher program was reported on the line marked "Housing Assistance Port-In". And the actual HAP port in expense was reported as regular HAP.
9. Interfunds between Fiesta Manor and the Business Activities program have not been paid back. If it is the intent of the Housing Authority to treat these as permanent transfer, the fee accountant should be provided a copy of a Board resolution with instructions to post the proper reclassification entries.

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.



Decatur, Illinois
September 25, 2018

Certified Public Accountant



John Afoun, Executive Director and Board of Commissioners
Moline Housing Authority
4141 11th 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, 2018. 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 March 31, 2018. 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, 2018. 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 September 25, 2018.

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.

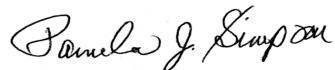
Other Matters

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,

A handwritten signature in cursive script that reads "Pamela J. Simpson".

Pamela J. Simpson, CPA