

**HOUSING AUTHORITY OF
CHAMPAIGN COUNTY**

**FINANCIAL STATEMENTS
AND
REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

FOR YEAR ENDED DECEMBER 31, 2018

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
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FOR THE YEAR ENDED DECEMBER 31, 2018**

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Independent Auditor's Report

Board of Commissioners
Housing Authority of Champaign County

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and aggregate discretely presented component unit of the Housing Authority of Champaign County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Housing Authority of Champaign County'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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards*.

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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of Champaign County as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1-5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Housing Authority of Champaign County's basic financial statements. The Financial Data Schedule, required by Uniform Financial Reporting Standards issued by the U.S. Department of Housing and Urban Development and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Financial Data Schedule, and the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Data Schedule and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated August 13, 2019 on our consideration of the Housing Authority of Champaign County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of Champaign County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Maletta & Company". The signature is written in a cursive, flowing style.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
August 13, 2019

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Our discussion and analysis of the Housing Authority of Champaign County's (the Authority) financial performance provides an overview of the Primary Government's financial activities for the year ended December 31, 2018. Please review it in conjunction with the Authority's basic financial statements, which begin on page 6.

FINANCIAL HIGHLIGHTS

- Significant activity occurred on several of the Authority's commitments in accordance to its goal of expanding housing opportunities. Sale finalized of the former Public Housing site known as Skelton Place for approximately \$5 million. Proceeds from sale were then invested in the new redevelopment project to be known as Haven at Market Place. The Authority provided an additional \$786,355 through the IHDA tax credit program and has an additional \$4.2 committed to this development. In addition, the Authority invested another \$2.5 million in the Bristol Place development project.
- The Authority applied for additional HUD vouchers under HUD's Mainstream program and was awarded 28 additional vouchers effective November 2018. However, leasing of these vouchers did not occur until 2019. Further, the Authority's overall Voucher utilization rate was 85% for the year, a slight overall decrease from the prior year. The Authority expects a significant increase in 2019 and 2020 due the new vouchers and additional vouchers committed to ongoing developments.
- The Authority's basic financial statements reflect a current ratio, adjusted to remove restricted elements, of 10.6:1 in the current year, up slightly from 10.5:1 in the prior year. Current ratio measures an entity's liquidity and is computed by dividing current assets by current liabilities. A ratio of greater than one generally signifies a high performing entity as assets are available to pay liabilities. Expectations are for this ratio to continue to dip significantly as the Authority continues investing accumulated funding into various projects and anticipation of HUD implementation of cash management requirements for Moving-to-Work agencies (requiring use of current reserves over HUD held funding). However, it is anticipated that a healthy ratio will continue in the foreseeable future.
- The Authority's Change in Net Position increased \$13,815,992. The surplus primarily resulted from certain capital and one-time funding sources during 2018 as follows: gain recognized on sale of Skelton of \$3.8 million and \$8.3 million in additional HUD funding resulting from HUD Held Reserve reconciliation of MTW costs (multiple years) and funding for the Haven at Market Place project (capital activity). All such activity is not expected to recur on a year to year basis.
- Grant revenues, primarily in the form of HUD grants, accounted for \$22.56 million or 81 percent of all revenues. Tenant Rental and Fees for Services accounted for \$1.15 million or 4.1 percent of all revenues. This represents a decrease in dependence on government funding since MTW conversion, as the Authority was around 95% dependent prior to conversion, an indicator that the agency is making progress towards reducing its dependence on government grants to fund activities.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position and Statement of Cash Flows (on pages 6-9) provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. Financial information by program is included in the supplemental information starting on page 22 This information tells how these services were financed in the short term as well as what remains for future spending. Program financial information also reports the Authority's operations in more detail than the government-wide statements by providing information about the Authority's most financially significant programs.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

The Statements of Net Position and Revenues, Expenses and Changes in Net Position

The Statements provide information about the Authority as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting that is used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Authority's net position and changes in them. The difference between assets and liabilities or net position is one way to measure the Authority's financial health. Over time, increases or decreases in the net position are one indicator of whether its financial position is improving or deteriorating.

The higher the net position figure is, generally, the better the financial position. However, this information does not reflect ongoing fluctuations in the economic climate, regulatory changes, or other external forces that impact an entity's financial position, but which may not be quantifiable as of the financial statement date.

The Authority's total net position was \$45,318,343 as of December 31, 2018.

**Table 1
Statement of Net Position (in Thousands)**

	2018	2017	Change
Cash & Investments	\$ 9,530	\$ 6,524	\$ 3,006
Other Current Assets	664	394	270
Noncurrent Assets and Deferred Outflow	40,147	27,578	12,569
Total Assets and Deferred Outflows	50,341	34,496	15,845
Current Liabilities	941	640	301
Noncurrent Liabilities	4,408	2,680	1,728
Total Liabilities	5,349	3,320	2,029
Invested in Capital Assets	17,411	14,920	2,491
Restricted	799	858	(59)
Unrestricted	26,782	15,398	11,384
Total Net Position	\$ 44,992	\$ 31,176	\$ 13,816

The increase in Cash and Investments of \$3,006 thousand relates primarily to \$4 million in HUD funding received near yearend that was subsequently invested in the Haven at Market Place development subsequent to yearend. Otherwise, cash reserves would have decreased due to investment in various development activities during the year.

The increase in Noncurrent Assets of \$12,569 thousand is due to significant investment in development projects (noncurrent receivables) and renovation work at RAD developments.

The increase in Current Liabilities of \$301 thousand relates unpaid construction activities, including retention, incurred towards the end of the year. Payments of such payables was made with the release of restricted Cash funds after the year.

The increase in Unrestricted Net Position of \$11,384 thousand relates to approximately \$8 million in additional HUD funding drawn to support development activities plus another \$5 million related to the Sale of Capital Assets that were invested in development activities as long term note receivables.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

Table 2 compares the 2018 Change in Net Position to the 2017 Change in Net Position.

**Table 2
Changes in Net Position (in Thousands)**

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues			
Government Grants	\$ 22,555	\$ 14,987	\$ 7,568
Rental Income	819	894	(75)
General Revenue	5,106	1,240	3,866
Total Revenue	<u>28,480</u>	<u>17,121</u>	<u>11,359</u>
Expenses			
Administrative & Tenant Services	2,597	1,985	612
Maintenance	827	726	101
Utilities	311	389	(78)
General	740	612	128
Housing Assistance Payments	9,512	10,011	(499)
Financing	43	10	33
Depreciation	634	563	71
Total Expenses	<u>14,664</u>	<u>14,296</u>	<u>368</u>
Change in Net Position	<u>\$ 13,816</u>	<u>\$ 2,825</u>	<u>\$ 10,991</u>

The increase in Government Grants of \$7,568 thousand is primarily due to receipt of \$8,307,600 in additional funding from HUD which includes \$4,307,600 drawn on HUD Held reserves to reconcile multiple years of earned MTW funds spent on various activities and \$4,000,000 to fund the Haven at Market Place development. These one-time transfers offset the overall operational decrease in HUD funding in the current year as noted below.

The increase in General Revenues of \$3,866 thousand primarily relates to the net gain on sale of Skelton Place. In addition, the Authority received HUD settlement proceeds of \$284,459 in 2018.

Housing Assistance Payments decreased (\$499) thousand due to the combination of reduced lease-up of vouchers and increases to tenant incomes (which creates reductions to average HAP).

Administrative expenses increased \$612 thousand due to Authority staffing normalization at HCV and administrative increases due to reorganization and rebranding of the Authority. The prior year included numerous staffing shortages and turnover that resulted in lower than normal costs.

All other expense changes represent normal fluctuations in the operating cycle.

The Financial Data Schedule beginning on page 22 presents a more detailed picture of the activity and balances of the various programs. The reasons for significant changes have been identified above.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2018, the Authority has \$19,732,138 invested in a broad range of capital assets, including land, buildings, furniture and equipment as follows:

**Table 3
Capital Assets**

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending</u>
Nondepreciable Assets:				
Land	\$ 5,461,349	\$ 842,655	\$ (566,177)	\$ 5,737,827
Construction in Progress	1,360,840	1,972,827	(133,505)	3,200,162
Depreciable Assets:				
Buildings & Improvements	16,302,756	1,088,077	(2,768,098)	14,622,735
Dwelling Equipment	1,040,879	222,780	(1,032,844)	230,815
Administrative Equipment	555,029	168,722	(48,868)	674,883
Total	<u>24,720,853</u>	<u>4,295,061</u>	<u>(4,549,492)</u>	<u>24,466,422</u>
Less: Accumulated Depreciation	<u>(7,455,311)</u>	(634,405)	3,355,432	<u>(4,734,284)</u>
Net Book Value	<u>\$ 17,265,542</u>			<u>\$ 19,732,138</u>

The \$4,295,061 in net additions to Fixed Assets represent a significant increase in annual expenditures based on historical trends. Specifically, additions include \$1,832,147 spent to purchase and renovate the new administrative office and \$1,395,184 spent on renovations of the RAD Conversion properties. In addition, as part of the RAD Conversion, the former Skelton Place property was disposed through sale.

Long-Term Debt

The Authority incurred a mortgage payable to IHDA to redevelop Maple Grove Manor totaling \$1,304,343. The debt does not require repayment and is forgivable upon maturity in 2046, provided there is no event of default as determined by IHDA. No event of default has occurred as of the date of the report. In addition, the Authority incurred an additional mortgage to assist funding the construction of the Mahomet development project which was placed in service in November 2017. Borrowings totaled approximately \$1 million and are payable from project sources over the next 4 years (subject to balloon payment).

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Significant economic factors affecting the Authority are as follows:

- Continued development activities including RAD Conversion of the former Skelton Place to a new Low Income Housing Tax Credit project to be known as Prospect Senior.
- New development activities related to the purchase and development of additional developments including Haven at Market Place, Bristol Place and Oak Field Place.
- Rental Assistance Demonstration (RAD) Program conversion completion for final two projects. RAD provides for the application of proven financing tools on at-risk public and assisted housing and is a central part of HUD's rental housing preservation strategy.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS (CONT'D)

Significant economic factors affecting the Authority (Cont'd):

- Future congressional appropriation bills on MTW funding and impact of congressional sequestration federal funding cut backs.
- Increased participant and tenant turnover due to the ongoing estimated effects of complying with Local Self Sufficiency requirements.
- Local inflationary rates and employment are trending up which affect residents' income and therefore, rental income to the Authority.
- Inflationary rates will negatively impact utility rates, supplies and other costs of the Authority.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Authority's finance department at (217) 378-7100 or at 2008 N. Market Street, Champaign, Illinois 61822.

HOUSING AUTHORITY OF CHAMPAIGN COUNTY
STATEMENT OF NET POSITION
AS OF DECEMBER 31, 2018

	Primary Government	Discretely Presented Component Unit
ASSETS		
Current Assets		
Cash and Cash Equivalents - Unrestricted	\$ 8,702,051	\$ 166,132
Cash and Cash Equivalents - Restricted	828,050	14,120
Accounts Receivable		
Tenants, net of Allowances	9,647	4,818
Other	360,284	5,658
Investments - Restricted	96,904	157,725
Inventory	45,295	-
Prepaid Expenses	152,083	4,397
Total Current Assets	10,194,314	352,850
Noncurrent Assets		
Capital Assets, Net of A/D		
Nondepreciable	8,937,989	213,186
Depreciable	10,794,149	3,394,411
Other Noncurrent Assets	20,414,946	-
Total Noncurrent Assets	40,147,084	3,607,597
Total Assets	50,341,398	3,960,447
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	-	-
LIABILITIES		
Current Liabilities		
Accounts Payable - Vendors and Contractors	674,762	21,294
Accounts Payable - Other	95,870	92,179
Accrued Wages and Related Payables	61,273	2,845
Accrued Compensated Absences	14,265	-
Accrued Interest	-	4,431
Tenant Security Deposits Payable	56,771	13,800
Current Portion of Mortgages Payable	29,224	23,686
Unearned Revenue	9,662	3,467
Total Current Liabilities	941,827	161,702
Noncurrent Liabilities		
Mortgages Payable	2,291,741	6,676,881
Accrued Compensated Absences	197,695	-
Unearned Revenue	1,918,222	-
Total Noncurrent Liabilities	4,407,658	6,676,881
Total Liabilities	5,349,485	6,838,583
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	-	-
NET POSITION		
Net Investment in Capital Assets	17,411,173	(3,092,970)
Restricted for:		
Modernization and Development	596,431	142,445
Housing Assistance Payments	178,108	-
Other	24,246	-
Unrestricted	26,781,955	72,389
Total Net Position	\$ 44,991,913	\$ (2,878,136)

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

HOUSING AUTHORITY OF CHAMPAIGN COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
Operating Revenue		
Rental Revenue	\$ 819,192	\$ 175,274
HUD Operating Grants	21,566,763	-
Fees for Other Services	331,660	-
Other Government Grants	-	301,578
Other Revenue	288,903	357
Total Operating Revenue	<u>23,006,518</u>	<u>477,209</u>
Operating Expenses		
Administrative & Tenant Services	2,596,835	116,150
Utilities	310,793	59,766
Ordinary Maintenance and Operations	813,370	107,156
Insurance Premiums	173,421	17,475
General	566,910	19,704
Housing Assistance Payments	9,511,720	-
Depreciation	634,405	145,916
Total Operating Expenses	<u>14,607,454</u>	<u>466,167</u>
Operating Income (Loss)	8,399,064	11,042
Nonoperating Income (Expenses)		
Nonroutine Maintenance and Replacement	(13,849)	(13,062)
Investment Income	370,976	263
Interest Expense	(42,890)	(350,480)
Gain (Loss) from Sale of Assets	3,829,727	-
HUD Settlement Proceeds	284,459	-
Total Nonoperating Income (Expenses)	<u>4,428,423</u>	<u>(363,279)</u>
Income (Loss) before Capital Contributions	12,827,487	(352,237)
Capital Contributions	988,505	-
Change in Net Position	13,815,992	(352,237)
Net Position, Beginning of Period	<u>31,175,921</u>	<u>(2,525,899)</u>
Net Position, End of Period	<u>\$ 44,991,913</u>	<u>\$ (2,878,136)</u>

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

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Primary Government
Cash Flows from Operating Activities:	
Cash Received from Operations	\$ 905,286
HUD Operating Grants	21,566,763
Payments to Landlords	(9,511,720)
Payments to Vendors	(2,464,760)
Payments to Employees	(1,537,125)
Other Receipts (Payments)	466,460
Net Cash Provided by (Used in) Operating Activities	9,424,904
Cash Flows from Capital and Related Financing Activities:	
Purchases of Capital Assets	(4,014,692)
Proceeds from Sale of Capital Assets	4,743,418
Capital Contributions received	988,505
Principal Payments on Debt	(24,351)
Interest Payments on Debt	(42,890)
Net Cash Provided by (Used in) Capital Related Financing Activities	1,649,990
Cash Flows from Investing Activities:	
Issuance of Notes Receivable	(7,452,269)
Investment in Affiliates	(550,622)
Net Investment Income (Loss)	11,190
Net Cash Provided by (Used in) Investing Activities	(7,991,701)
Net Increase (Decrease) in Cash	3,083,193
Cash at the Beginning of the Period	6,446,908
Cash at the End of the Period	\$ 9,530,101
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:	
Operating Income (Loss)	\$ 8,399,064
Adjustments to Reconcile Change in Net Cash Provided by Operating Activities:	
Depreciation Expense	634,405
Settlement Proceeds	284,459
Nonroutine Maintenance	(13,849)
Change in Operating Assets and Liabilities:	
Decrease (Increase) in Receivables	(261,332)
Decrease (Increase) in Inventory	67,081
Decrease (Increase) in Prepaid Expenses	20,427
Increase (Decrease) in Accounts Payable	309,517
Increase (Decrease) in Other Liabilities	(14,868)
Net Cash Provided by (Used in) Operating Activities	\$ 9,424,904

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

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The summary of significant accounting policies of the Housing Authority of Champaign County (“the Authority”) is presented to assist in understanding the Authority’s financial statements. The financial statements and notes are representations of the Authority’s management, who are responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The Authority was created in 1939 under the laws of the State of Illinois to administer the Public Housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the federal government through the U.S. Department of Housing and Urban Development (HUD), for financial assistance for low-income public housing pursuant to the United States Housing Act of 1937, as amended. As such, the Authority has entered into annual contribution contracts with the U.S. Department of Housing and Urban Development (“HUD”) to be the administrator of the housing and housing related programs described herein. The Authority is not subject to Federal or State income taxes and is not required to file Federal or State income tax returns.

The Authority’s combined financial statements include the accounts of all the Authority’s operations. The criteria for including organizations as component units within the reporting entity, as set forth in The Governmental Accounting Standards Board (GASB)’s Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization’s board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the Authority’s Board of Commissioners or the component unit provides services entirely to the Authority. These component units’ funds are blended into those of the Authority’s by appropriate activity type to compose the primary government presentation.

Currently, the Authority has four component units that meet the criteria for blending.

Central Illinois Development Corporation of Champaign County (CIDC), Oak Grove Development Corporation (OGDC), Maple Grove Development Corporation (MGDC) and Sycamore Grove Development Corporation (SGDC) were created to own, develop and rehabilitate residential dwelling units to low and moderate-income families. The Authority maintains control of the entities primarily through its ability to elect and serve as the board of directors and officers. The entities serve as general partners or shareholders in various current and future mixed finance partnership structures as well as ownership of its current and former public housing stock undergoing conversion under HUD’s Rental Assistance Demonstration (RAD) initiative. Currently, the blended component unit’s significant activities include the operation of Maple Grove Manor, RAD renovation and operation of five former HUD public housing projects and various levels of ownership and control of multiple Low Income Housing Tax Credit partnerships from which no material reporting financial activity is included in the reporting entity, other than as reported below.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending.

The Authority controls the general partner of a Low Income Housing Tax Credit (LIHTC) limited partnership. The partnership's interests are held by third parties unrelated to the Authority. As the general partner, the Authority has certain rights and responsibilities which enable it to impose its will on the limited partnerships. Additionally, the Authority has a financial benefit and burden relationship as the Authority has assumed the obligation to provide financial support to the organization and has imposed its will over the entity. The partnership does not serve the primary government exclusively, or almost exclusively, and therefore, is shown as a discretely presented component unit.

Currently, the Authority has one component unit that meets the criteria for discrete presentation.

Oakwood Trace Townhomes, L.P, an Illinois limited partnership, was formed in March 2001, for the purpose of rehabilitation and operating a low-income housing project that qualifies for low-income housing credits under §42 of the Internal Revenue Code. The project consists of 50 units for rent to individuals and families of low and moderate income in Champaign, Illinois. The project entered into a ground lease with the Authority for land the Authority owns in Champaign, Illinois.

Complete financial statements of the discretely presented component unit may be obtained at the Authority's administrative office:

Housing Authority of Champaign County
2008 N. Market Street
Champaign, IL 61822

Payments between the Authority and Component Units

Resource flows between the primary government and blended component unit are typically reported as operating transfers and eliminated during consolidation. Such transactions include transfer of land, State Capital grant funds, and funds for equity investment transferred to the blended component and excess cash transferred from the blended component, which totaled \$1,415,892 transferred in to blended component and \$880,000 transferred out during 2018. Additionally, certain transactions that are subject to regulatory oversight are reporting as external transactions (revenues and expenses) and eliminated during consolidation. Of which, balances and/or transactions between the blended component unit and the primary government provided during 2018 were: notes receivable and related interest incurred, rental subsidies provided through the HAP contracts, operating funds provided per regulatory approved budgets and fees for services charged to the component unit, of which \$695,820, \$1,388,112, \$19,092 and \$174,598, which were eliminated during consolidation, respectively. Resource flows between the primary government and the discretely presented component unit are reported as external transactions (revenues and expenses). Transactions during 2018 consist of rental subsidies and fees for services totaling \$301,578 and \$26,024, respectively.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses used during the reporting period. Actual results could differ from those estimates. Significant estimates include the economic lives of capital assets.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements.

The Authority's funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus, all assets and all liabilities associated with the operation are included on the Statement of Net Position.

Operating Revenue includes rental income, operating grants, management services income and all other revenue relating to the provision of safe, decent, and affordable housing that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation, and all other expenses relating to the provision of safe, decent, and affordable housing that do not result from transactions defined as capital and related financing, non-capital and related financing, or investing activities.

In addition, the Authority receives capital grants from HUD to be used for various purposes connected with the planning, modernization, and expansion of housing facilities and equipment. Receipts used for non-capitalizable costs are reported as operating revenue and receipts used for capitalization costs are reported as capital contributions.

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

The financial statements include:

1. Management's Discussion and Analysis (MD&A) section providing an analysis of the Authority's overall financial position and results of operations.
2. Financial statements prepared using full accrual accounting for all of the Authority's activities.

The Authority has elected to report as a single enterprise proprietary fund and its primary operations comprise of a number of housing and grant programs as follows:

- The ***Moving-To-Work (MTW) Demonstration Program*** provides the Authority authorization to develop policies outside certain HUD regulations and provisions of the U.S. Housing Act of 1937 in order to increase cost effectiveness, promote self-sufficiency and expand housing options for program participants. As such, the Authority provides rental housing assistance to serve up to the Authority's budget authority of 1,798 vouchers. Of which, the Authority administers 388 units under Project Based Voucher HAP contracts.
- The ***Housing Choice Voucher Program*** provides rental housing assistance to serve up to the Authority's non-MTW budget authority of 22 vouchers related to Veteran's Affairs Supportive Housing (VASH), 23 Tenant Protection Vouchers (TPV) known as Lincolnshire and 28 Mainstream Vouchers. The purpose of the VASH program is to provide decent and affordable housing to low income veterans and their families wherein rental assistance is provided by HUD. The TPV units are provided for a specific development to ensure low income tenants retain quality affordable housing options, typically during redevelopment initiatives. The associated units are owned, maintained and managed by private landlords. Mainstream vouchers are for non-elderly disabled households.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

- The **Public Housing Program** operates under HUD's Annual Contribution Contract and consists of the operations of low rent public housing properties. The purpose of the program is to provide decent and affordable housing to low-income families at reduced rents. The properties are owned, maintained, and managed by the Authority. Funding of the program is provided by federal annual contributions, operating subsidies and tenant rentals (determined as a percentage of family income, adjusted for family composition). All units have received reservations under HUD's Rental Demonstration Program (RAD) whereby the units will be removed from the Public Housing Program and released from the ACC. As of 2018, all such units were transferred and the program currently consists of remaining non-dwelling buildings awaiting disposition.
- The **Rental Assistance Demonstration (RAD) Program** currently includes 253 units of RAD PBV units operating under Maple Grove Development Corporation and reported as a blending component unit. The units were transferred from public housing in 2017 and operate under RAD PBV HAP contracts. Additional 96 RAD units are to complete the transition in the coming years.
- The **Moderate Rehab Section 8 Program** was established to account for pass-through project-based Section 8 funding from HUD for the Homestead Apartments project. As contract administrator, the Authority does not own or control the project, but has certain responsibilities relating to compliance monitoring.

Cash and Cash Equivalents

Cash and cash equivalents represent cash in checking accounts, demand deposits and money market funds or short-term investments with original maturities of three months or less.

Accounts Receivable

Management periodically assesses the collectability of its receivables and establishes an allowance for uncollectible accounts for all accounts it deems uncollectible. Currently, the allowance established for tenant, fraud and interest receivables is \$-0-, \$1,239, and \$107,912, respectively.

Inventory

The Authority's inventory consists of materials and supplies used to maintain its rental stock. The inventory is valued using the weighted average method and recorded at cost.

Capital Assets

Land, buildings, and equipment are stated at cost and depreciated over their estimated useful lives. The capitalization threshold is \$5,000. Donated assets are recorded at estimated market value as of the date of the donation. Construction in progress costs are not depreciated until the corresponding projects are completed. Depreciation has been provided over the following useful lives using the straight-line method of depreciation as follows:

Building and Improvements	10 to 40 years
Machinery and Equipment	5 to 15 years

Operating Leases

The Authority leases substantially all of its building and dwelling equipment to tenants for a period of one year, cancellable upon sufficient notice. As of December 31, 2018, the total cost of leased property was \$11,396,691 with accumulated depreciation of \$2,902,010, for a carrying value of \$8,494,681. In addition, the Authority leases two parcels of land with a carrying value of \$1,722,388. Land lease revenue over the next five years is \$25,778 per year.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Compensated Absences

Employees accumulate universal leave for subsequent use or payment upon termination. Compensated absences are accrued when incurred and reported as a liability until paid.

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense in future periods. Deferred inflows of resources represent an acquisition of net position of fund balance that applies to future periods and will be recognized as revenue, or a reduction in expense, in future periods.

Use of Restricted Funds

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

Equity Classifications

Equity is classified as net position and displayed in three components in the Statement of Net Position.

Net Investment in Capital Assets consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The Authority has no related debt.

Restricted consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributions, or laws or regulations or other governments; or (2) law through constitutional provisions or enabling legislation. The Authority's restricted net position consists of disposition proceeds held in escrow for use in future modernization projects as required by HUD, committed resources for development projects and unspent Housing Assistance Payments restricted from use by HUD.

Unrestricted consists of all other net position that does not meet the definition of Restricted or Net Investment in Capital Assets.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

Deposits

The Authority maintains cash with FDIC depository banks. At times, these balances may exceed the Federal insurance limits; however, the Authority has not experienced any losses with respect to its bank balances in excess of government provided insurance. In addition, uninsured balances are fully collateralized through agreements with the financial institution. Management believes that no significant concentration of credit risk exists with respect to these cash balances as of December 31, 2018.

Investments

All of the Authority's investments are held and maintained in restricted reserves held by the respective property's lenders. The Authority does not have any input in the investment of these funds as the lenders control the investment of funds, which are currently held in *2a7-like* pools and are therefore not subject to interest rate or custodial credit risk. The pool sponsors maintain policies to address the remaining risks, and as such, require no further risk disclosure. The pooled investments are accounted for on an amortized cost basis which approximates fair value.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONT'D)

Additional information on the Authority's investments is as follows:

	<u>Amortized Cost</u>	<u>Program</u>
Primary Government		
Lender-Held Reserve accounts	\$ 96,904	BCU - Maple Park Manor
Total	<u>\$ 96,904</u>	
Discretely Presented Component Unit		
Lender-Held Reserve accounts	<u>\$ 157,725</u>	Oakwood Trace

The breakdown of restricted deposits and investments reported as of December 31, 2018 is as follows:

<u>Restrictions on Deposits</u>	<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
Restricted Cash - Modernization & Development	\$ 539,292	\$ -
Restricted Cash - Housing Assistance Payments	178,108	-
Restricted Cash - Security Deposits	56,771	14,120
Restricted Cash - Current Liability	53,879	
Total	<u>\$ 828,050</u>	<u>\$ 14,120</u>
<u>Restrictions on Investments</u>		
Restricted Investments - Replacement Reserves	\$ 57,139	\$ 142,445
Restricted Investments - Other Reserves	24,246	-
Restricted Investments - Current Liability	15,519	15,280
Total	<u>\$ 96,904</u>	<u>\$ 157,725</u>

NOTE 3 – CAPITAL ASSETS

The following is a summary of changes in Capital Assets during the year.

	<u>Beginning</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Ending</u>
Nondepreciable Assets:				
Land	\$ 5,461,349	\$ 842,655	\$ (566,177)	\$ 5,737,827
Construction in Progress	1,360,840	1,972,827	(133,505)	3,200,162
Depreciable Assets:				
Buildings & Improvements	16,302,756	1,088,077	(2,768,098)	14,622,735
Dwelling Equipment	1,040,879	222,780	(1,032,844)	230,815
Administrative Equipment	555,029	168,722	(48,868)	674,883
Total	<u>24,720,853</u>	<u>4,295,061</u>	<u>(4,549,492)</u>	<u>24,466,422</u>
Less: Accumulated Depreciation	<u>(7,455,311)</u>	(634,405)	3,355,432	<u>(4,734,284)</u>
Net Book Value	<u>\$ 17,265,542</u>			<u>\$ 19,732,138</u>

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 3 – CAPITAL ASSETS (CONT'D)

Significant Additions and Dispositions

Significant additions includes approximately \$1.8 million spent to purchase and renovate the new administrative office building on Market Street and \$1.4 million spent to renovate the RAD properties. Significant dispositions include the sale of Skelton Place with an original cost of approximately \$4.2 million and the donation of land valued at \$1.76 million to the Haven at Market Place.

NOTE 4 – OTHER NONCURRENT ASSETS

The Authority invests in current and future mixed finance projects primarily through funding development in the form of notes receivable from the related development. Notes receivable are recorded upon completion and are long-term in nature. Notes include certain funding provided to the Discretely Presented Component Unit, reported and included as long-term debt in Note 7; all other balances are as follows:

Providence Loan

Funding provided to construct Providence at Sycamore and Providence at Thornberry totaling \$4,750,000. The projects are owned and operated by TBG Providence Champaign, LP, while the Authority has a minority ownership interest in the project. Loan terms include annual payments of principal and interest payable from Surplus Cash as defined in the partnership agreement. Interest accrues at a rate of 1% per year and matures on December 1, 2058. No surplus cash was available for payment.

Hamilton Park Loan

Funding provided to construct Hamilton on the Park totaling \$750,000. The project is owned and operated by TBG Hamilton on the Park, LP, while the Authority has a minority ownership interest in the project. Loan terms include annual payments of principal and interest payable from Surplus Cash as defined in the partnership agreement. Interest accrues at a rate of 2% per year and matures on June 1, 2059. No surplus cash was available for payment.

HACC Loan – Haven at Market Place

Funding provided to construct Haven at Market Place totaling \$9,000,000. The project is to be owned and operated by Prospect Senior LP, with the Authority's affiliate owning controlling interest in the general partner of the project. Interest accrues at a rate of 1.75% per year and matures on December 1, 2048. Loan terms will include annual payments of principal and interest of \$45,000 on December 1st of each year until maturity.

OGDC Loan – Haven at Market Place

Funding provided to construct Haven at Market Place totaling \$1,760,000. The project is to be owned and operated by Prospect Senior LP, with the Authority's affiliate owning controlling interest in the general partner of the project. Interest accrues at a rate of 3.31% per year and matures on December 1, 2048, no payment are required until maturity.

Donation Loan – Haven at Market Place

Funding provided to construct Haven at Market Place totaling \$786,355. The project is to be owned and operated by Prospect Senior LP, with the Authority's affiliate owning controlling interest in the general partner of the project. Loan terms will include annual payments of principal and interest payable from Surplus Cash as defined in the partnership agreement. Interest accrues at a rate of 0.00% per year and matures on December 1, 2048. Surplus Cash calculations are not expected to occur prior to 2021.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 4 – OTHER NONCURRENT ASSETS (CONT'D)

HACC Loan – Bristol Place

Funding provided to construct Bristol Place Residences totaling \$1,700,000. The project is to be owned and operated by Bristol Place Residences LP, with the Authority's affiliate owning a non-controlling interest in the general partner of the project. Interest accrues at a rate of 7.50% per year and matures on November 1, 2058. Loan terms will include annual payments of principal and interest payable from Surplus Cash as defined in the partnership agreement. Surplus Cash calculations are not expected to occur prior to 2021.

Oak Grove Loan – Bristol Place

Funding provided to construct Bristol Place Residences totaling \$200,000. The project is to be owned and operated by Bristol Place Residences LP, with the Authority's affiliate owning a non-controlling interest in the general partner of the project. Interest accrues at a rate of 0.00% per year and matures on November 1, 2036. Loan terms will include annual payments of principal and interest payable from Surplus Cash as defined in the partnership agreement. Surplus Cash calculations are not expected to occur prior to 2021.

Investment in Bristol Place Phase I

Equity payment for ownership interest in the General Partner interest in Bristol Place Residences, LP totaling \$540,522. Bristol Place is to be a LIHTC property in which the Authority provides PBV assistance. The capital contribution gives the Authority a non-controlling, 51% interest in Bristol Place, LLC the General Partner of the LIHTC property.

Investment in Douglass Park

Initial payment for the purchase of General Partner interest in Douglass Park, LP to be finalized in 2019. Douglass Park is a LIHTC property in which the Authority provides PBV assistance. The interest would give the Authority control of this development.

Investment in Prospect Senior

Initial payment for the purchase of General Partner interest in Prospect Senior, LP to be finalized in 2019. The Haven at Market will be an LIHTC property in which the Authority provides PBV assistance. The interest would give the Authority control of this development.

A summary of noncurrent assets is as follows:

	Beginning	Additions	Deductions	Ending	Due Within One Year
Providence Loan	\$ 4,858,442	47,460	\$ -	\$ 4,905,902	\$ -
Hamilton Park Loan	789,627	14,500	-	804,127	-
HUD Loan (Note 6)	4,271,736	277,663	-	4,549,399	-
AHP Loan (Note 6)	305,722	-	-	305,722	-
HACC Loan (Note 6)	36,905	-	-	36,905	-
HACC Loan - Haven at Market Place	-	4,749,496	-	4,749,496	-
OGDC Loan - Haven at Market Place	-	1,760,000	-	1,760,000	-
Donation Loan - Haven at Market Place	-	786,355	-	786,355	-
HACC Loan - Bristol Place	-	1,716,418	-	1,716,418	-
Oak Grove Loan - Bristol Place	-	200,000	-	200,000	-
Investment in Bristol Place Phase I	-	540,522	-	540,522	-
Investment in Douglass Park	50,000	-	-	50,000	-
Investment in Prospect Senior LP	-	10,100	-	10,100	-
	<u>\$ 10,312,432</u>	<u>\$ 10,102,514</u>	<u>\$ -</u>	<u>\$ 20,414,946</u>	<u>\$ -</u>

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 5 – NONCURRENT LIABILITIES

A summary of noncurrent liabilities is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Long-Term Debt	\$ 2,345,316	\$ -	\$ (24,351)	\$ 2,320,965	\$ 29,224
Market on Haven - Land Lease	-	1,760,000	(17,778)	1,742,222	-
Hamilton Park - Land Lease	192,000	-	(8,000)	184,000	8,000
Compensated Absences	173,833	188,968	(150,841)	211,960	14,265
Total	<u>\$ 2,711,149</u>	<u>\$ 1,948,968</u>	<u>\$ (200,970)</u>	4,459,147	<u>\$ 51,489</u>
			Less Current Portion:	(51,489)	
			Noncurrent Portion:	<u>\$ 4,407,658</u>	

NOTE 6 – LONG-TERM DEBT

Primary Government:

Mortgage Payable – Maple Grove Manor

The Maple Grove Manor (MGM) mortgage is a non-recourse mortgage loan payable to IHDA, totaling \$1,304,343, collateralized by a deed of trust on buildings and improvements. The mortgage does not bear interest, and provided there is no event of a default, the balance due shall be forgiven on December 31, 2046. Loan documents require compliance with the regulatory agreement including an annual financial and compliance audit be conducted for UPP in accordance with IHDA requirements.

Mortgage Payable – Manor at Prairie Crossings

Construction and permanent financing for the Manor at Prairie Crossings development is payable to Hickory Point Bank & Trust with a maximum amount of \$1,200,000. The mortgage bears interest at 3.9% with principal and interest installments of \$5,698 through January 2022 and a final balloon payment of \$1,115,247 due February 2022. The original intent of which is to refinance/renew such terms every five (5) years until maturity. The mortgage loan is nonrecourse debt secured by deeds of trust on the related real estate.

Amortization of principal and interest until maturity is as follows:

	<u>Principal</u>	<u>Interest</u>
2019	29,224	39,156
2020	30,276	38,104
2021	31,586	36,794
2022	925,536	6,127
2023	-	-
2024-2045	-	-
2046	2,320,965	-
	<u>\$ 3,337,587</u>	<u>\$ 120,181</u>

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 6 – LONG-TERM DEBT (CONT'D)

Discretely Presented Component Unit:

First Mortgage

The mortgage is held by Red Mortgage Capital, Inc. with an original balance totaling \$850,000 and bearing interest at the rate of 8.17% per annum. Principal and interest are due and payable in monthly installments of \$6,338 on the first of each month through September 1, 2033. The mortgage loan is nonrecourse debt secured by deeds of trust on the related real estate. Accrued and unpaid interest as of December 31, 2018 totaled \$4,431.

City Loan

The Partnership has entered into a non-interest bearing mortgage loan totaling \$667,400 with the City of Champaign for a term of 35 years. The principal payments shall be deferred until March 31, 2021 and will then be payable in equal installments, as stated in the promissory note. The mortgage loan is nonrecourse debt subordinate to the first mortgage and secured by deeds of trust on the related real estate.

HOME Loan

The Partnership entered into a note payable in the amount of \$200,000 with the City of Champaign bearing interest at 5.58% for a term of 30 years from March 31 2001 to March 12, 2031. Payments of interest and principal shall be required only to the extent of available cash flow, as stated in the promissory note. The note is nonrecourse debt secured by real estate. As of December 31, 2018, accrued and unpaid interest totaled \$182,860.

HACC Loan

The Partnership has entered into a note payable totaling \$73,810 with the Housing Authority of Champaign County, an affiliate of the General Partner, and bearing interest at the rate of 5.58% per annum. Payment of principal and interest are deferred and shall be due and payable as the income and cash flow of the Partnership permits. A payment of \$36,905 was made during 2013 bringing the remaining balance to \$36,905. The entire unpaid principal balance and all accrued interest are due and payable on September 1, 2023. The note is nonrecourse debt secured by real estate. As of December 31, 2018, accrued and unpaid interest totaled \$107,912.

HUD Loan

The Partnership entered into a note payable totaling \$1,482,250 with Central Illinois Development Corporation of Champaign County, the General Partner, bearing a compound interest rate of 6.50% for a period of 30 years from the date of closing of permanent financing. Accrued interest shall be added to principal annually. The entire outstanding principal is due and payable at maturity on September 1, 2033. The note is nonrecourse debt secured by real estate. As of December 31, 2018, accrued and unpaid interest totaled \$3,067,149.

AHP Loan

The Partnership had entered into a non-interest bearing note payable totaling \$305,282 with Central Illinois Development Corporation of Champaign County, the General Partner. Payments of principal are deferred and shall be due and payable as the income and cash flow of the Partnership permits, as stated in the promissory note. The entire unpaid principal balance is due and payable on September 1, 2033. The note is nonrecourse debt secured by real estate.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 7 – HOUSING CHOICE VOUCHER NET POSITION

The summary of HCV program balances is as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Beginning Net Position	\$ 47,823	\$ 165,691	\$ 213,514
Revenue			
HUD Operating Grants	16,385	177,426	193,811
Fraud Recovery	-	-	-
Total Revenue	<u>16,385</u>	<u>177,426</u>	<u>193,811</u>
Expenses			
Operating	(16,305)	-	(16,305)
Housing Assistance Payments	-	(165,009)	(165,009)
Total Expenses	<u>(16,305)</u>	<u>(165,009)</u>	<u>(181,314)</u>
Net Result	<u>80</u>	<u>12,417</u>	<u>12,497</u>
Ending Net Position	<u>\$ 47,903</u>	<u>\$ 178,108</u>	<u>\$ 226,011</u>

NOTE 8 – HUD HELD RESERVES

The Authority is appropriated HUD Move-to-Work funding for the Housing Choice Voucher program based on its 2011 baseline (adjusted for changes in units available). However, funding is calculated and disbursed by HUD based on the immediate needs of the Authority. As a result, the Authority has accumulated and is entitled to an additional \$3,571,068 currently held by HUD in the Authority's "HUD-Held Reserve" (HHR). The HHR funds have not been included in the Authority's financial statements due to the federal government's interpretation of cash management requirements and application of "immediate need". Funds are to be recognized when requirements, such as immediate need, are met. In addition, HUD calculated that the Authority held \$4,273,423 in "excess" reserves, of which, \$4,250,504 was disbursed on the Haven at Market Place obligation in early 2019.

NOTE 9 – HUD CAPITAL FUND PROGRAM

The Authority is provided HUD development funds for modernization projects and replacement housing. Grant expenditures were audited in accordance with program requirements. The following completed grants have been fully expended, disbursed and liabilities fully paid as of December 31, 2018:

	IL06-R006
	<u>502-16</u>
Funds Authorized	<u>\$ 145,221</u>
Funds Advanced	145,221
Less Project Expenditures	<u>145,221</u>
Excess(Deficiency) of Advances	<u>\$ -</u>

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 9 – HUD CAPITAL FUND PROGRAM (CONT'D)

The following grants are open as of December 31, 2018:

	IL06-P006
	<u>501-17</u>
Funds Authorized	<u>\$ 593,673</u>
Funds Advanced	593,673
Less Project Expenditures	<u>593,673</u>
Excess(Deficiency) of Advances	<u>\$ -</u>

NOTE 10 – RETIREMENT PLAN

The Authority is a participating employer in the Government Agency Retirement Plan. The defined contribution pension plan is qualified under Section 401(a) of the Internal Revenue Code. The plan is administered by Benefit Planning Consultants, Inc. and became effective on June 1, 1951.

All employees who work at least 40 hours per week and have completed the six month waiting period are covered by this plan. The Authority pays 10% of each employee's gross salary into their plans. The employees are not required to contribute to their retirement fund. For the year ended December 31, 2018, the Authority recognized pension expense of \$127,103.

The employee's interest in the Authority's contributions vests over a five-year period from the date of participation in the plan. The normal retirement age is 65 at which time the employee is 100% vested regardless of years of service to the Authority. Non-vested Authority contributions are forfeited upon termination of employment. Total forfeitures were \$5,445 during the year ended December 31, 2018.

As of December 31, 2018, the Authority's liability related to the plan was \$10,681.

NOTE 11 – COMMITMENTS

The Authority had entered into commitments for various current and future developments. The remaining obligation is as follows:

Development	Balance	Net Position
Haven at Market Place Development	\$ 4,250,504	Unrestricted
Total	<u>\$ 4,250,504</u>	

NOTE 12 – CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Authority receives a substantial portion of revenue from the Department of Housing and Urban Development (HUD). The Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost to comply with the change.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 13 – MANAGEMENT’S REVIEW

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through August 13, 2019, the date the financial statements were available to be issued, and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.871 Housing Choice Vouchers
111 Cash - Unrestricted	\$1,951				\$41,048
112 Cash - Restricted - Modernization and Development					
113 Cash - Other Restricted					\$178,108
114 Cash - Tenant Security Deposits	\$2,574				
115 Cash - Restricted for Payment of Current Liabilities					\$53,879
100 Total Cash	\$4,525	\$0	\$0	\$0	\$273,035
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					\$7,391
124 Accounts Receivable - Other Government					
125 Accounts Receivable - Miscellaneous					
126 Accounts Receivable - Tenants	\$649				
126.1 Allowance for Doubtful Accounts -Tenants	\$0				
126.2 Allowance for Doubtful Accounts - Other					\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery					
128.1 Allowance for Doubtful Accounts - Fraud					
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$649	\$0	\$0	\$0	\$7,391
131 Investments - Unrestricted					
132 Investments - Restricted					
135 Investments - Restricted for Payment of Current Liability					
142 Prepaid Expenses and Other Assets	\$3,823				
143 Inventories					
150 Total Current Assets	\$8,997	\$0	\$0	\$0	\$280,426
161 Land	\$2,071,948				
162 Buildings	\$2,308,637				
163 Furniture, Equipment & Machinery - Dwellings					
164 Furniture, Equipment & Machinery - Administration					
166 Accumulated Depreciation	-\$2,093,803				
167 Construction in Progress					
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$2,286,782	\$0	\$0	\$0	\$0

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.881 Moving to Work Demonstration Program	2 State/Local
111 Cash - Unrestricted	\$199,252	\$166,132	\$1,671,458	\$5,881,784	\$76,775
112 Cash - Restricted - Modernization and Development			\$539,292		
113 Cash - Other Restricted					
114 Cash - Tenant Security Deposits		\$14,120	\$54,197		
115 Cash - Restricted for Payment of Current Liabilities					
100 Total Cash	\$199,252	\$180,252	\$2,264,947	\$5,881,784	\$76,775
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects					
124 Accounts Receivable - Other Government		\$5,658			
125 Accounts Receivable - Miscellaneous				\$64,029	
126 Accounts Receivable - Tenants		\$34,212	\$8,998		
126.1 Allowance for Doubtful Accounts -Tenants		-\$29,394	\$0		
126.2 Allowance for Doubtful Accounts - Other		\$0	\$0	\$0	
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery				\$3,091	
128.1 Allowance for Doubtful Accounts - Fraud				-\$1,239	
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$0	\$10,476	\$8,998	\$65,881	\$0
131 Investments - Unrestricted					
132 Investments - Restricted		\$142,445	\$81,385		
135 Investments - Restricted for Payment of Current Liability		\$15,280	\$15,519		
142 Prepaid Expenses and Other Assets		\$4,397	\$94,654	\$24,688	
143 Inventories					
150 Total Current Assets	\$199,252	\$352,850	\$2,465,503	\$5,972,353	\$76,775
161 Land		\$213,186	\$929,916		
162 Buildings		\$6,306,709	\$9,088,054		
163 Furniture, Equipment & Machinery - Dwellings		\$50,000	\$230,815		
164 Furniture, Equipment & Machinery - Administration			\$97,940	\$144,354	
166 Accumulated Depreciation		-\$2,962,298	-\$853,755	-\$70,566	
167 Construction in Progress			\$2,688,591		
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$3,607,597	\$12,181,561	\$73,788	\$0

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	1 Business Activities	COCC	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$124,648	\$705,135	\$8,868,183		\$8,868,183
112 Cash - Restricted - Modernization and Development			\$539,292		\$539,292
113 Cash - Other Restricted			\$178,108		\$178,108
114 Cash - Tenant Security Deposits			\$70,891		\$70,891
115 Cash - Restricted for Payment of Current Liabilities			\$53,879		\$53,879
100 Total Cash	\$124,648	\$705,135	\$9,710,353	\$0	\$9,710,353
121 Accounts Receivable - PHA Projects					
122 Accounts Receivable - HUD Other Projects			\$7,391		\$7,391
124 Accounts Receivable - Other Government			\$5,658		\$5,658
125 Accounts Receivable - Miscellaneous	\$270,572	\$16,440	\$351,041		\$351,041
126 Accounts Receivable - Tenants			\$43,859		\$43,859
126.1 Allowance for Doubtful Accounts -Tenants			-\$29,394		-\$29,394
126.2 Allowance for Doubtful Accounts - Other	\$0	\$0	\$0		\$0
127 Notes, Loans, & Mortgages Receivable - Current					
128 Fraud Recovery			\$3,091		\$3,091
128.1 Allowance for Doubtful Accounts - Fraud			-\$1,239		-\$1,239
129 Accrued Interest Receivable					
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$270,572	\$16,440	\$380,407	\$0	\$380,407
131 Investments - Unrestricted					
132 Investments - Restricted			\$223,830		\$223,830
135 Investments - Restricted for Payment of Current Liability			\$30,799		\$30,799
142 Prepaid Expenses and Other Assets	\$14,997	\$13,921	\$156,480		\$156,480
143 Inventories		\$45,295	\$45,295		\$45,295
150 Total Current Assets	\$410,217	\$780,791	\$10,547,164	\$0	\$10,547,164
161 Land	\$804,781	\$515,390	\$4,535,221		\$4,535,221
162 Buildings		\$3,226,044	\$20,929,444		\$20,929,444
163 Furniture, Equipment & Machinery - Dwellings			\$280,815		\$280,815
164 Furniture, Equipment & Machinery - Administration		\$432,589	\$674,883		\$674,883
166 Accumulated Depreciation		-\$1,716,160	-\$7,696,582		-\$7,696,582
167 Construction in Progress		\$511,571	\$3,200,162		\$3,200,162
168 Infrastructure					
160 Total Capital Assets, Net of Accumulated Depreciation	\$804,781	\$2,969,434	\$21,923,943	\$0	\$21,923,943

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.871 Housing Choice Vouchers
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	\$2,286,782	\$0	\$0	\$0	\$0
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$2,295,779	\$0	\$0	\$0	\$280,426
311 Bank Overdraft					
312 Accounts Payable <= 90 Days					\$536
313 Accounts Payable >90 Days Past Due					
321 Accrued Wage/Payroll Taxes Payable					
322 Accrued Compensated Absences - Current Portion	\$149				
324 Accrued Contingency Liability					
325 Accrued Interest Payable					
331 Accounts Payable - HUD PHA Programs					\$53,879
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government					
341 Tenant Security Deposits	\$2,574				
342 Unearned Revenue	\$249				
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue					
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$2,972	\$0	\$0	\$0	\$54,415

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.881 Moving to Work Demonstration Program	2 State/Local
171 Notes, Loans and Mortgages Receivable - Non-Current			\$1,960,000		
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets			\$10,100		
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$0	\$3,607,597	\$14,151,661	\$73,788	\$0
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$199,252	\$3,960,447	\$16,617,164	\$6,046,141	\$76,775
311 Bank Overdraft					
312 Accounts Payable <= 90 Days		\$21,294	\$8,259		
313 Accounts Payable >90 Days Past Due				\$8,671	
321 Accrued Wage/Payroll Taxes Payable		\$2,845	\$703	\$2,260	
322 Accrued Compensated Absences - Current Portion			\$1,579	\$7,381	
324 Accrued Contingency Liability					
325 Accrued Interest Payable		\$4,431			
331 Accounts Payable - HUD PHA Programs	\$37,825			\$4,166	
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government		\$92,179			
341 Tenant Security Deposits		\$13,800	\$54,197		
342 Unearned Revenue		\$3,467	\$9,979		
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue		\$23,686	\$29,224		
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$37,825	\$161,702	\$103,941	\$22,478	\$0

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	1 Business Activities	COCC	Subtotal	ELIM	Total
171 Notes, Loans and Mortgages Receivable - Non-Current	\$17,763,789		\$19,723,789	-\$695,820	\$19,027,969
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due					
173 Grants Receivable - Non Current					
174 Other Assets	\$1,376,877		\$1,386,977		\$1,386,977
176 Investments in Joint Ventures					
180 Total Non-Current Assets	\$19,945,447	\$2,969,434	\$43,034,709	-\$695,820	\$42,338,889
200 Deferred Outflow of Resources					
290 Total Assets and Deferred Outflow of Resources	\$20,355,664	\$3,750,225	\$53,581,873	-\$695,820	\$52,886,053
311 Bank Overdraft					
312 Accounts Payable <= 90 Days		\$654,091	\$684,180		\$684,180
313 Accounts Payable >90 Days Past Due		\$2,639	\$11,310		\$11,310
321 Accrued Wage/Payroll Taxes Payable		\$58,310	\$64,118		\$64,118
322 Accrued Compensated Absences - Current Portion	\$2,496	\$2,660	\$14,265		\$14,265
324 Accrued Contingency Liability					
325 Accrued Interest Payable			\$4,431		\$4,431
331 Accounts Payable - HUD PHA Programs			\$95,870		\$95,870
332 Account Payable - PHA Projects					
333 Accounts Payable - Other Government			\$92,179		\$92,179
341 Tenant Security Deposits			\$70,571		\$70,571
342 Unearned Revenue			\$13,695		\$13,695
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue			\$52,910		\$52,910
344 Current Portion of Long-term Debt - Operating Borrowings					
345 Other Current Liabilities					
346 Accrued Liabilities - Other					
347 Inter Program - Due To					
348 Loan Liability - Current					
310 Total Current Liabilities	\$2,496	\$717,700	\$1,103,529	\$0	\$1,103,529

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.871 Housing Choice Vouchers
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue					
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current	\$5,840				
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$5,840	\$0	\$0	\$0	\$0
300 Total Liabilities	\$8,812	\$0	\$0	\$0	\$54,415
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$2,286,782				
511.4 Restricted Net Position	\$0				\$178,108
512.4 Unrestricted Net Position	\$185	\$0	\$0	\$0	\$47,903
513 Total Equity - Net Assets / Position	\$2,286,967	\$0	\$0	\$0	\$226,011
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$2,295,779	\$0	\$0	\$0	\$280,426

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.881 Moving to Work Demonstration Program	2 State/Local
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue		\$6,676,881	\$2,987,561		
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other					
354 Accrued Compensated Absences - Non Current			\$50,261	\$61,760	
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$0	\$6,676,881	\$3,037,822	\$61,760	\$0
300 Total Liabilities	\$37,825	\$6,838,583	\$3,141,763	\$84,238	\$0
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets		-\$3,092,970	\$9,164,776	\$73,788	
511.4 Restricted Net Position		\$142,445	\$620,677	\$0	
512.4 Unrestricted Net Position	\$161,427	\$72,389	\$3,689,948	\$5,888,115	\$76,775
513 Total Equity - Net Assets / Position	\$161,427	-\$2,878,136	\$13,475,401	\$5,961,903	\$76,775
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$199,252	\$3,960,447	\$16,617,164	\$6,046,141	\$76,775

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Balance Sheet Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	1 Business Activities	COCC	Subtotal	ELIM	Total
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue			\$9,664,442	-\$695,820	\$8,968,622
352 Long-term Debt, Net of Current - Operating Borrowings					
353 Non-current Liabilities - Other	\$176,000		\$176,000		\$176,000
354 Accrued Compensated Absences - Non Current	\$38,094	\$41,740	\$197,695		\$197,695
355 Loan Liability - Non Current					
356 FASB 5 Liabilities					
357 Accrued Pension and OPEB Liabilities					
350 Total Non-Current Liabilities	\$214,094	\$41,740	\$10,038,137	-\$695,820	\$9,342,317
300 Total Liabilities	\$216,590	\$759,440	\$11,141,666	-\$695,820	\$10,445,846
400 Deferred Inflow of Resources					
508.4 Net Investment in Capital Assets	\$804,781	\$2,969,434	\$12,206,591	\$695,820	\$12,902,411
511.4 Restricted Net Position			\$941,230		\$941,230
512.4 Unrestricted Net Position	\$19,334,293	\$21,351	\$29,292,386	-\$695,820	\$28,596,566
513 Total Equity - Net Assets / Position	\$20,139,074	\$2,990,785	\$42,440,207	\$0	\$42,440,207
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$20,355,664	\$3,750,225	\$53,581,873	-\$695,820	\$52,886,053

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.871 Housing Choice Vouchers
70300 Net Tenant Rental Revenue	\$130,967				
70400 Tenant Revenue - Other	\$5,852				
70500 Total Tenant Revenue	\$136,819	\$0	\$0	\$0	\$0
70600 HUD PHA Operating Grants		\$325,226	\$563,415	\$20,403,544	\$193,811
70610 Capital Grants					
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	\$99				
71400 Fraud Recovery					
71500 Other Revenue	\$14,972				
71600 Gain or Loss on Sale of Capital Assets	\$3,814,222				
72000 Investment Income - Restricted					
70000 Total Revenue	\$3,966,112	\$325,226	\$563,415	\$20,403,544	\$193,811
91100 Administrative Salaries	\$25,717				
91200 Auditing Fees	\$1,897				\$63
91300 Management Fee	\$42,392				\$4,764
91310 Book-keeping Fee	\$4,350				\$2,978
91400 Advertising and Marketing	\$69				
91500 Employee Benefit contributions - Administrative	\$24,334				
91600 Office Expenses	\$7,815				
91700 Legal Expense	\$7,717				
91800 Travel	\$858				
91900 Other	\$241				\$8,500
91000 Total Operating - Administrative	\$115,390	\$0	\$0	\$0	\$16,305

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.881 Moving to Work Demonstration Program	2 State/Local
70300 Net Tenant Rental Revenue		\$162,226	\$744,382		
70400 Tenant Revenue - Other		\$13,048	\$14,390		
70500 Total Tenant Revenue	\$0	\$175,274	\$758,772	\$0	\$0
70600 HUD PHA Operating Grants	\$80,767				
70610 Capital Grants					
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		\$301,578	\$1,607,204		
71100 Investment Income - Unrestricted	\$427	\$146	\$4,917	\$2,004	\$478
71400 Fraud Recovery				\$4,168	
71500 Other Revenue		\$357	\$77,502	\$25,578	\$284,459
71600 Gain or Loss on Sale of Capital Assets					
72000 Investment Income - Restricted		\$117	\$801		
70000 Total Revenue	\$81,194	\$477,472	\$2,449,196	\$31,750	\$284,937
91100 Administrative Salaries		\$21,431	\$128,436	\$474,349	
91200 Auditing Fees	\$18	\$6,996	\$10,267	\$21,580	\$5
91300 Management Fee	\$2,868	\$23,921	\$179,814	\$312,018	
91310 Book-keeping Fee	\$1,793	\$2,100		\$156,308	
91400 Advertising and Marketing		\$2,919	\$367	\$705	
91500 Employee Benefit contributions - Administrative		\$25,288	\$38,382	\$143,688	
91600 Office Expenses	\$97	\$8,084	\$58,903	\$243,388	
91700 Legal Expense		\$3,661	\$6,695	\$10,326	
91800 Travel		\$1,042	\$10,743	\$20,760	
91900 Other	\$0	\$20,563	\$32,819	\$347,356	\$6,173
91000 Total Operating - Administrative	\$4,776	\$116,005	\$466,426	\$1,730,478	\$6,178

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	1 Business Activities	COCC	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue			\$1,037,575	-\$76,399	\$961,176
70400 Tenant Revenue - Other			\$33,290		\$33,290
70500 Total Tenant Revenue	\$0	\$0	\$1,070,865	-\$76,399	\$994,466
70600 HUD PHA Operating Grants			\$21,566,763		\$21,566,763
70610 Capital Grants					
70710 Management Fee		\$367,258	\$367,258	-\$367,258	\$0
70720 Asset Management Fee		\$8,400	\$8,400	-\$8,400	\$0
70730 Book Keeping Fee		\$165,429	\$165,429	-\$165,429	\$0
70740 Front Line Service Fee					
70750 Other Fees	\$180,848		\$180,848	-\$180,848	\$0
70700 Total Fee Revenue		\$541,087	\$541,087	-\$721,935	-\$180,848
70800 Other Government Grants	\$788,505		\$2,697,287	-\$1,407,204	\$1,290,083
71100 Investment Income - Unrestricted	\$375,862	\$32	\$383,965	-\$13,644	\$370,321
71400 Fraud Recovery			\$4,168		\$4,168
71500 Other Revenue	\$340,865	\$157,478	\$901,211		\$901,211
71600 Gain or Loss on Sale of Capital Assets	\$15,505		\$3,829,727		\$3,829,727
72000 Investment Income - Restricted			\$918		\$918
70000 Total Revenue	\$1,701,585	\$698,597	\$31,176,839	-\$2,219,182	\$28,957,657
91100 Administrative Salaries	\$239,799	\$191,681	\$1,081,413		\$1,081,413
91200 Auditing Fees	\$138	\$2,673	\$43,637		\$43,637
91300 Management Fee			\$565,777	-\$541,856	\$23,921
91310 Book-keeping Fee			\$167,529	-\$165,429	\$2,100
91400 Advertising and Marketing	\$84,516	\$679	\$89,255		\$89,255
91500 Employee Benefit contributions - Administrative	\$69,192	\$46,959	\$347,843		\$347,843
91600 Office Expenses	\$6,209	\$57,910	\$382,406		\$382,406
91700 Legal Expense	\$31,558	\$31,952	\$91,909		\$91,909
91800 Travel	\$13,369	\$34,324	\$81,096		\$81,096
91900 Other	\$24,375	\$75,066	\$515,093	-\$6,250	\$508,843
91000 Total Operating - Administrative	\$469,156	\$441,244	\$3,365,958	-\$713,535	\$2,652,423

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.871 Housing Choice Vouchers
92000 Asset Management Fee	\$8,400				
92100 Tenant Services - Salaries					
92200 Relocation Costs					
92400 Tenant Services - Other	\$740				
92500 Total Tenant Services	\$740	\$0	\$0	\$0	\$0
93100 Water	\$13,277				
93200 Electricity	\$18,288				
93300 Gas	\$22,091				
93600 Sewer					
93800 Other Utilities Expense	\$12,206				
93000 Total Utilities	\$65,862	\$0	\$0	\$0	\$0
94100 Ordinary Maintenance and Operations - Labor	\$60,652				
94200 Ordinary Maintenance and Operations - Materials and Other	\$31,020				
94300 Ordinary Maintenance and Operations Contracts	\$31,753				
94500 Employee Benefit Contributions - Ordinary Maintenance	\$10,783				
94000 Total Maintenance	\$134,208	\$0	\$0	\$0	\$0
96110 Property Insurance	\$15,044				
96120 Liability Insurance	\$226				
96130 Workmen's Compensation	\$1,668				
96140 All Other Insurance	\$268				
96100 Total insurance Premiums	\$17,206	\$0	\$0	\$0	\$0
96200 Other General Expenses	\$19,313				
96210 Compensated Absences	\$6,153				
96300 Payments in Lieu of Taxes	\$3,538				
96400 Bad debt - Tenant Rents	\$8,761				
96000 Total Other General Expenses	\$37,765	\$0	\$0	\$0	\$0

Housing Authority of Champaign County (IL006)

CHAMPAIGN, IL

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.881 Moving to Work Demonstration Program	2 State/Local
92000 Asset Management Fee					
92100 Tenant Services - Salaries					
92200 Relocation Costs				\$48,267	
92400 Tenant Services - Other		\$145	\$8,660	\$2,750	
92500 Total Tenant Services	\$0	\$145	\$8,660	\$51,017	\$0
93100 Water		\$30,512	\$62,889	\$610	
93200 Electricity		\$2,545	\$62,370	\$7,992	
93300 Gas		\$2,570	\$38,233	\$3,051	
93600 Sewer			\$2,313		
93800 Other Utilities Expense		\$24,139	\$41,470	\$421	
93000 Total Utilities	\$0	\$59,766	\$207,275	\$12,074	\$0
94100 Ordinary Maintenance and Operations - Labor		\$52,946	\$227,043		
94200 Ordinary Maintenance and Operations - Materials and Other		\$10,075	\$86,374	\$1,070	
94300 Ordinary Maintenance and Operations Contracts		\$44,135	\$195,482	\$8,525	
94500 Employee Benefit Contributions - Ordinary Maintenance			\$56,424		
94000 Total Maintenance	\$0	\$107,156	\$565,323	\$9,595	\$0
96110 Property Insurance		\$17,475	\$60,615	\$1,207	
96120 Liability Insurance			\$18,895	\$3,002	
96130 Workmen's Compensation			\$16,690	\$22,188	
96140 All Other Insurance			\$2,539	\$1,927	
96100 Total insurance Premiums	\$0	\$17,475	\$98,739	\$28,324	\$0
96200 Other General Expenses			\$87,615	\$167,303	
96210 Compensated Absences			\$49,776	\$72,184	
96300 Payments in Lieu of Taxes		\$19,704	\$40,381		
96400 Bad debt - Tenant Rents			\$13,392		
96000 Total Other General Expenses	\$0	\$19,704	\$191,164	\$239,487	\$0

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	1 Business Activities	COCC	Subtotal	ELIM	Total
92000 Asset Management Fee			\$8,400	-\$8,400	\$0
92100 Tenant Services - Salaries					
92200 Relocation Costs			\$48,267		\$48,267
92400 Tenant Services - Other			\$12,295		\$12,295
92500 Total Tenant Services	\$0	\$0	\$60,562	\$0	\$60,562
93100 Water	\$262	\$2,022	\$109,572		\$109,572
93200 Electricity	\$1,801	\$11,428	\$104,424		\$104,424
93300 Gas	\$375	\$5,534	\$71,854		\$71,854
93600 Sewer			\$2,313		\$2,313
93800 Other Utilities Expense		\$4,160	\$82,396		\$82,396
93000 Total Utilities	\$2,438	\$23,144	\$370,559	\$0	\$370,559
94100 Ordinary Maintenance and Operations - Labor		\$48,662	\$389,303		\$389,303
94200 Ordinary Maintenance and Operations - Materials and Other	\$39	\$8,134	\$136,712		\$136,712
94300 Ordinary Maintenance and Operations Contracts	\$780	\$30,762	\$311,437		\$311,437
94500 Employee Benefit Contributions - Ordinary Maintenance		\$15,867	\$83,074		\$83,074
94000 Total Maintenance	\$819	\$103,425	\$920,526	\$0	\$920,526
96110 Property Insurance	\$229	\$2,850	\$97,420		\$97,420
96120 Liability Insurance	\$918	\$1,626	\$24,667		\$24,667
96130 Workmen's Compensation	\$3,358	\$18,994	\$62,898		\$62,898
96140 All Other Insurance		\$1,177	\$5,911		\$5,911
96100 Total insurance Premiums	\$4,505	\$24,647	\$190,896	\$0	\$190,896
96200 Other General Expenses	\$32,344	\$11,468	\$318,043	-\$19,092	\$298,951
96210 Compensated Absences	\$36,089	\$24,766	\$188,968		\$188,968
96300 Payments in Lieu of Taxes	\$11,960		\$75,583		\$75,583
96400 Bad debt - Tenant Rents	\$959		\$23,112		\$23,112
96000 Total Other General Expenses	\$81,352	\$36,234	\$605,706	-\$19,092	\$586,614

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	Project Total	14.OPS MTW Demonstration Program for Low Rent	14.CFP MTW Demonstration Program for Capital Fund	14.HCV MTW Demonstration Program for HCV program	14.871 Housing Choice Vouchers
96710 Interest of Mortgage (or Bonds) Payable					
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0	\$0	\$0
96900 Total Operating Expenses	\$379,571	\$0	\$0	\$0	\$16,305
97000 Excess of Operating Revenue over Operating Expenses	\$3,586,541	\$325,226	\$563,415	\$20,403,544	\$177,506
97100 Extraordinary Maintenance					
97300 Housing Assistance Payments					\$165,009
97350 HAP Portability-In					
97400 Depreciation Expense	\$111,023				
90000 Total Expenses	\$490,594	\$0	\$0	\$0	\$181,314
10010 Operating Transfer In	\$41,444				
10020 Operating transfer Out	-\$50,000	-\$325,226	-\$563,415	-\$20,403,544	
10100 Total Other financing Sources (Uses)	-\$8,556	-\$325,226	-\$563,415	-\$20,403,544	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$3,466,962	\$0	\$0	\$0	\$12,497
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$3,440,077	\$0	\$0	\$0	\$213,514
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-\$4,620,072				
11170 Administrative Fee Equity					\$47,903
11180 Housing Assistance Payments Equity					\$178,108
11190 Unit Months Available	840				540
11210 Number of Unit Months Leased	580				397
11270 Excess Cash	-\$29,428				
11610 Land Purchases	\$0				
11620 Building Purchases	\$0				
11630 Furniture & Equipment - Dwelling Purchases	\$0				
11640 Furniture & Equipment - Administrative Purchases	\$0				
11650 Leasehold Improvements Purchases	\$0				

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	14.249 Section 8 Moderate Rehabilitation Single Room Occupancy	6.1 Component Unit - Discretely Presented	6.2 Component Unit - Blended	14.881 Moving to Work Demonstration Program	2 State/Local
96710 Interest of Mortgage (or Bonds) Payable		\$350,480	\$56,534		
96700 Total Interest Expense and Amortization Cost	\$0	\$350,480	\$56,534	\$0	\$0
96900 Total Operating Expenses	\$4,776	\$670,731	\$1,594,121	\$2,070,975	\$6,178
97000 Excess of Operating Revenue over Operating Expenses	\$76,418	-\$193,259	\$855,075	-\$2,039,225	\$278,759
97100 Extraordinary Maintenance		\$13,062	\$13,849		
97300 Housing Assistance Payments	\$61,251			\$10,749,971	
97350 HAP Portability-In					
97400 Depreciation Expense		\$145,916	\$434,209	\$10,506	
90000 Total Expenses	\$66,027	\$829,709	\$2,042,179	\$12,831,452	\$6,178
10010 Operating Transfer In				\$21,292,185	
10020 Operating transfer Out				-\$2,449,551	-\$297,860
10100 Total Other financing Sources (Uses)	\$0	\$0	-\$880,000	\$18,842,634	-\$297,860
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$15,167	-\$352,237	-\$472,983	\$6,042,932	-\$19,101
11020 Required Annual Debt Principal Payments	\$0	\$21,903	\$24,351	\$0	\$0
11030 Beginning Equity	\$146,260	-\$2,525,899	\$12,082,461	\$42,572	\$95,876
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors			\$1,415,892	\$0	
11170 Administrative Fee Equity					
11180 Housing Assistance Payments Equity					
11190 Unit Months Available	300	600			
11210 Number of Unit Months Leased	300	576			
11270 Excess Cash					
11610 Land Purchases					
11620 Building Purchases					
11630 Furniture & Equipment - Dwelling Purchases					
11640 Furniture & Equipment - Administrative Purchases					
11650 Leasehold Improvements Purchases					

Housing Authority of Champaign County (IL006)
 CHAMPAIGN, IL
 Entity Wide Revenue and Expense Summary

Submission Type: Audited/Single Audit

Fiscal Year End: 12/31/2018

	1 Business Activities	COCC	Subtotal	ELIM	Total
96710 Interest of Mortgage (or Bonds) Payable			\$407,014	-\$13,644	\$393,370
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$407,014	-\$13,644	\$393,370
96900 Total Operating Expenses	\$558,270	\$628,694	\$5,929,621	-\$754,671	\$5,174,950
97000 Excess of Operating Revenue over Operating Expenses	\$1,143,315	\$69,903	\$25,247,218	-\$1,464,511	\$23,782,707
97100 Extraordinary Maintenance			\$26,911		\$26,911
97300 Housing Assistance Payments			\$10,976,231	-\$1,464,511	\$9,511,720
97350 HAP Portability-In					
97400 Depreciation Expense		\$78,667	\$780,321		\$780,321
90000 Total Expenses	\$558,270	\$707,361	\$17,713,084	-\$2,219,182	\$15,493,902
10010 Operating Transfer In	\$2,458,107	\$297,860	\$24,089,596	-\$24,089,596	\$0
10020 Operating transfer Out			-\$24,089,596	\$24,089,596	\$0
10100 Total Other financing Sources (Uses)	\$2,458,107	\$1,177,860	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$3,601,422	\$1,169,096	\$13,463,755	\$0	\$13,463,755
11020 Required Annual Debt Principal Payments	\$0	\$0	\$46,254		\$46,254
11030 Beginning Equity	\$13,333,472	\$1,821,689	\$28,650,022		\$28,650,022
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$3,204,180		\$0		\$0
11170 Administrative Fee Equity			\$47,903		\$47,903
11180 Housing Assistance Payments Equity			\$178,108		\$178,108
11190 Unit Months Available	0		2280		2280
11210 Number of Unit Months Leased	0		1853		1853
11270 Excess Cash			-\$29,428		-\$29,428
11610 Land Purchases		\$265,000	\$265,000		\$265,000
11620 Building Purchases		\$1,055,576	\$1,055,576		\$1,055,576
11630 Furniture & Equipment - Dwelling Purchases		\$0	\$0		\$0
11640 Furniture & Equipment - Administrative Purchases		\$94,606	\$94,606		\$94,606
11650 Leasehold Improvements Purchases		\$0	\$0		\$0

**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**

Independent Auditor's Report

The Governing Body
Housing Authority of Champaign County

We have audited, 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, the financial statements of the business-type activities and the aggregate discretely presented component unit of the Housing Authority of Champaign County as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority of Champaign County's basic financial statements, and have issued our report thereon dated August 13, 2019.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting 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 financial reporting 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 our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Maletta & Company". The signature is written in a cursive, flowing style.

Maletta & Company
Certified Public Accountants

Bristol, Connecticut
August 13, 2019

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Commissioners
Housing Authority of Champaign County

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Champaign County'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 Housing Authority of Champaign County's major federal programs for the year ended December 31, 2018. The Housing Authority of Champaign County'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 terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Housing Authority of Champaign County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Champaign County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority of Champaign County's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of Champaign County 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 December 31, 2018.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002, that we consider to be significant deficiencies.

Housing Authority of Champaign County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Housing Authority of Champaign County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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



Maletta & Company
Certified Public Accountants

Bristol, Connecticut
August 13, 2019

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/Pass-through Grantor/Program Title	Contract / Pass-Through #	CFDA Number	Federal Expenditures	Expenditures to Subrecipients
<i>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</i>				
Direct Programs:				
Section 8 Moderate Rehabilitation	C-7001	14.249	\$ 80,767	\$ 61,251
Section 8 Housing Choice Vouchers	C-992	14.871	193,811	-
Total Housing Voucher Cluster			193,811	-
Moving to Work Demonstration Program	IL 006	14.881	21,292,185	-
Total Expenditures of Federal Awards			\$ 21,566,763	\$ 61,251

*See accompanying notes to
Schedule of Expenditures of Federal Awards*

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Authority under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, change in net positions, or cash flows of the Authority.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (2) Pass-through entity identifying numbers are presented where available.
- (3) The Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C – SUB-RECIPIENTS

Of the federal expenditures presented in the schedule, the Authority provided federal awards to subrecipients as follows:

CFDA Number	Program Title/Sub-Recipient	Amount Provided
14.249	Section 8 - Moderate Rehabilitation/Homestead Corporation	\$ 61,251
		\$ 61,251

NOTE D – PROGRAM COST

The amounts presented as federal expenditures represent only the federal portion of the actual program costs. Actual program costs, including the Authority's portion, may be more than is shown on the schedule.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

I. Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:			
• Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____ No
• Significant deficiencies identified?	_____	Yes	_____ <u>X</u> _____ None Reported
Noncompliance material to financial statements noted?	_____	Yes	_____ <u>X</u> _____ No

Federal Awards

Internal control over major federal programs:			
• Material weaknesses identified?	_____	Yes	_____ <u>X</u> _____ No
• Significant deficiencies identified?	_____ <u>X</u> _____	Yes	_____ _____ None Reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ <u>X</u> _____	Yes	_____ _____ No

<u>Identification of major federal programs:</u>	
<u>CFDA Number(s)</u>	<u>Name of federal program or cluster</u>
14.881	Moving to Work Demonstration Program

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

II. Financial Statement Findings

None Reported.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

III. Federal Awards Findings

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Significant Deficiency

2018-001 Eligibility

Moving to Work – CFDA# 14.881

Condition and Criteria:	Recertification were not completed or were not completed timely as required by HUD regulations and/or the MTW Agreement. In addition, income calculations performed during examinations contained errors. The recertification process is critical to implementing, enforcing and reporting on various MTW activities.
Effect or Potential Effect:	Overpayment of housing assistance due to incorrect income calculations or incorrect flat rent used.
Cause:	Staff turnover and ineffective monitoring of eligibility determinations conducted by independent contractors (for Project Based Voucher units).
Context:	A sample of 40 files were selected for audit from a population of 1,780. The test found five instances of late recertifications, three files with income calculation errors and two instances of incorrect flat rent chosen. All such errors were corrected during increased quality control review prior to audit testing. Our sample was a statistically valid sample.
Questioned Costs:	Incorrect base rent selection errors totaled \$1,591 in excess HAP paid to landlords.
Auditor's Recommendation:	We recommend the Authority continue with increased quality control reviews, focusing on Project Based Voucher assisted units managed by independent management companies.
Views of Responsible Officials and Planned Corrective Action:	Management agrees with the finding and corrective action has been completed.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONT'D)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Significant Deficiency

2018-002 Reporting

Moving to Work – CFDA# 14.881

**Condition and
Criteria:**

The 2018 MTW Annual Report and Financial Data Schedule (FDS) were not filed timely. In addition, data and documentation was not prepared or retained in an effective manner. The MTW Annual report is required to be filed within 90 days and the FDS within 60 days (or 90 days with extension) of the Authority's yearend.

**Effect or Potential
Effect:**

The Authority is not in compliance with its MTW Agreement or its assistance agreements. Failure to file timely potentially effects HUD's ability to monitor Authority accomplishments.

Cause:

Extensive development activity occurred at or near yearend caused additional yearend financial recording which delayed both the FDS and MTW Annual report. In addition, programmatic raw data was not prepared nor obtained timely for completion of the MTW Annual report.

**Auditor's
Recommendation:**

We recommend the Authority reevaluate staff responsibilities over the preparation and communication of MTW data and various development activities. Establishing and revising internal responsibilities over these areas would assist in the distribution of required data to enable for effective and timely internal and external reporting.

**Views of
Responsible
Officials and
Planned
Corrective Action:**

Management agrees with the finding and corrective action is in progress as described in the attached Corrective Action Plan.

**HOUSING AUTHORITY OF CHAMPAIGN COUNTY
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

2017-001 Eligibility
Moving to Work – CFDA# 14.881
Housing Choice Voucher – CFDA# 14.871

Condition and Criteria: Income calculations performed during examinations contained errors and documentation obtained to determine annual income contained errors or was otherwise insufficient or incomplete. PHA's are required to determine income eligibility and calculate the tenant's rent payment using the documentation from third-party verification.

Status: Corrective Action taken.