

**KENDALL HOUSING AUTHORITY
YORKVILLE, ILLINOIS**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION,
AND SINGLE AUDIT**

YEARS ENDED DECEMBER 31, 2018 AND 2017



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**KENDALL HOUSING AUTHORITY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
STATEMENTS OF NET POSITION	4
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION	5
STATEMENTS OF CASH FLOWS	6
NOTES TO FINANCIAL STATEMENTS	7
SUPPLEMENTARY INFORMATION	
FINANCIAL DATA SCHEDULE – ENTITY-WIDE BALANCE SHEET	13
FINANCIAL DATA SCHEDULE – ENTITY-WIDE REVENUE AND EXPENSE SUMMARY	15
SINGLE AUDIT	
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	18
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	20
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	23
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	24
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	25



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Kendall Housing Authority
Yorkville, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Kendall Housing Authority (the Authority), which are comprised of the statement of net position as of December 31, 2018, and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2018, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

The 2017 financial statements of the Authority were audited by other auditors whose report, dated September 10, 2018, expressed an unmodified opinion on these statements.

Required Supplementary Information

The Authority has not presented the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by the missing information.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority’s basic financial statements. The financial data schedules – entity-wide balance sheet and financial data schedules – entity-wide revenue and expense summary are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedules – entity-wide balance sheet and financial data schedules – entity-wide revenue and expense summary and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Commissioners
Kendall Housing Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Kendall Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
September 25, 2019

**KENDALL HOUSING AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2018 AND 2017**

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 379,607	\$ 496,540
Cash and Cash Equivalents - Restricted	195,368	-
Total Cash and Cash Equivalents	574,975	496,540
Accounts Receivable, Net	70,877	18,163
Prepaid Expenses	2,118	2,117
Total Current Assets	647,970	516,820
Total Assets	\$ 647,970	\$ 516,820
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 41,424	\$ 24,965
Unearned Revenue	195,029	136,951
Total Current Liabilities	236,453	161,916
Total Liabilities	236,453	161,916
NET POSITION		
Restricted	37,137	-
Unrestricted	374,380	354,904
Total Net Position	411,517	354,904
Total Liabilities and Net Position	\$ 647,970	\$ 516,820

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
OPERATING REVENUES		
HUD Subsidies	\$ 1,959,748	\$ 1,745,118
Other Government Grants	656,256	619,418
Portability Revenue	2,027,248	2,204,065
Other Revenues	22,797	31,101
Total Operating Revenues	4,666,049	4,599,702
OPERATING EXPENSES		
Administration	327,731	307,705
Insurance Expense	1,852	1,855
Other General Expenses	1,799	-
Housing Assistance Payments	4,278,693	4,270,050
Total Operating Expenses	4,610,075	4,579,610
TOTAL OPERATING INCOME	55,974	20,092
NONOPERATING REVENUES		
Interest Income	639	44
Total Nonoperating Revenues	639	44
CHANGE IN NET POSITION	56,613	20,136
Total Net Position - Beginning of Year	354,904	334,768
TOTAL NET POSITION - END OF YEAR	\$ 411,517	\$ 354,904

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from HUD	\$ 1,959,748	\$ 1,745,118
Cash Received from Others	2,711,665	2,882,182
Cash Paid to Suppliers	(314,924)	(498,267)
Cash Paid for Housing Assistance Payments	(4,278,693)	(4,270,050)
Net Cash Provided (Used) by Operating Activities	77,796	(141,017)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	639	44
Net Cash Provided by Investing Activities	639	44
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	78,435	(140,973)
Cash and Cash Equivalents - Beginning of Year	496,540	637,513
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 574,975	\$ 496,540
 CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 55,974	\$ 20,092
Adjustments to Reconcile Cash and Cash Equivalents Provided (Used) by Operating Activities:		
Effects of Changes in Operating Assets and Liabilities:		
Accounts receivable, Net	(52,714)	27,598
Prepaid Expenses	(1)	1
Accounts Payable and Accrued Expenses	16,459	(33,092)
Unearned Revenue	58,078	(155,616)
Net Cash Provided (Used) by Operating Activities	\$ 77,796	\$ (141,017)

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Kendall Housing Authority (the Authority) is a governmental, public corporation created under federal and state housing laws created for the purpose of engaging in the development, acquisition and administrative activities of the low-incomes housing program and other programs with similar objectives for low and moderate income families residing in Kendall County, Illinois (the County). The Authority is responsible for operating the Section 8 Housing Choice Voucher Program in the County under programs administered by the U.S. Department of Housing and Urban Development (HUD). Accordingly, HUD has entered into a contract with the Authority for the purpose of assisting in the leasing of housing units and to make annual contributions (subsidies) to the Section 8 Housing Choice Voucher Program for the purpose of maintaining housing for low-income families. These programs provide housing for eligible families under the United States Housing Act of 1937, as amended.

The accompanying general purpose financial statements comply with the provision of Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, and Statement No. 39, *Determining Whether Certain Organizations are Component Units*, in that the financial statements include all organization, activities, and functions for which the Authority is financially accountable. Financial accountability is defined by the component unit being fiscally dependent on the Authority. On this basis, the Authority's management believes the financial statements represents all of the funds over which the Authority is financially accountable.

Basis of Presentation

The financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

The Authority's basic financial statements consist of the statements of net position, statements of revenues, expenses, and changes in net position, and the statements of cash flows.

The Authority uses a single enterprise fund to maintain its financial records on an accrual basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts.

**KENDALL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Enterprise fund reporting focuses on the determination of the change in net position, financial position, and cash flows. An enterprise fund may be used to account for any activity for which a fee is charged to external users for goods or services.

Measurement Focus and Basis of Accounting

The enterprise fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of the Authority are included on the statements of net position. The statements of revenues, expenses, and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statements of cash flows provides information about how the Authority finances and meets the cash flow of its enterprise activity.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the Authority's enterprise fund are operating subsidies from HUD and portability revenue with other Public Housing Authorities. Operating expenses for the enterprise fund include the costs of housing assistance payments and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of 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 the assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Budgetary Accounting

The Authority is required by contractual agreement to adopt an annual, and an appropriated operating budget for its program receiving federal expenditures awards. The budget is prepared on a HUD basis, which is materially consistent with accounting principles generally accepted in the United States of America. All appropriations lapse at HUD's program year-end or at the end of grant periods.

**KENDALL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash, Cash Equivalents, and Investments

For purposes of reporting cash flows, cash and cash equivalents include amounts on hand and amounts on deposit at financial institutions (checking, savings, and certificate of deposit).

Cash and investments may be invested in the following HUD-approved vehicles:

- Direct obligations of the federal government backed by the full faith and credit of the United States;
- Obligations of government agencies;
- Securities of government sponsored agencies;
- Demand and savings deposits; and
- Time deposits and repurchase agreements.

Restricted Cash, Cash Equivalents, and Investments

Restricted cash and cash equivalents represents amounts held in tenants' escrow accounts and for other purposes in the Section 8 Housing Choice Voucher Program.

Accounts Receivable

Receivables consist of revenues earned during the fiscal year and not yet received. Amounts due from other public housing authorities (PHAs) under the HCV portability program are considered by management to be fully collectable. Some amounts received reflect overpayments made by other PHAs or may require further research to apply to the correct tenant. These amount are reflected as unearned revenue until identified. As of December 31, 2018 and 2017, the Authority has not recognized any allowance for doubtful accounts or recorded any bad debt.

Prepaid Assets

Prepaid assets consists of expenses paid as of year-end that will benefit future operations.

Unearned Revenues

Unearned revenue is comprised of fiscal year 2019 housing payments received as of December 31, 2018.

Due From/To Other Programs

Interprogram receivables and payables as of December 31, 2018 on the Financial Data Schedules have been eliminated on the statements of net position.

Restricted Net Position

This component of net position consists of restricted assets when constraints are placed on assets by creditors (through debt covenants), grantors, contributions, laws, regulations, etc.

**KENDALL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 CASH AND CASH EQUIVALENTS

At December 31, 2018 and 2017, the Authority had funds on deposit in checking accounts with financial institutions. Deposits with financial institutions are deposit accounts in banks and financial management institutions. As of December 31, 2018, the Authority did not have the appropriate depository agreement on file with the financial institution as required by HUD.

For the fiscal years ended December 31, 2018 and 2017, the carrying amount of the Authority's cash and cash equivalents was \$574,975 and \$496,540 and the bank balances were \$574,933 and \$497,513, respectively. The Authority's deposits with financial institutions were fully collateralized as of December 31, 2018 and 2017.

Cash and cash equivalents consist of the following:

<u>Cash Category</u>	<u>2018</u>	<u>2017</u>
Operating	\$ 379,607	\$ 496,540
Total Unrestricted	379,607	496,540
Restricted for:		
Housing Choice Voucher Program	37,137	-
Rental Housing Support Program	158,231	-
Total Restricted	195,368	-
Total Cash and Cash Equivalents	<u>\$ 574,975</u>	<u>\$ 496,540</u>

Interest Rate Risk

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

Credit Risk

The Authority's policy does not address credit risk. There are no deposits subject to credit risk as of December 31, 2018 and 2017.

Custodial Credit Risk

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

**KENDALL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Restrictions of Cash

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

Rental Housing Support Program (RHSP) payments are restricted for use under guidelines administered by IHDA.

NOTE 3 RISK MANAGEMENT

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

NOTE 4 COMMITMENT AND CONTINGENCIES

Grants

The Authority received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. The amount, if any, of disbursements which may be disallowed by the grantor cannot be determined at this time, although the Authority expect such amounts, if any, to be immaterial.

Litigation and Claims

In the normal course of operations, the Authority may be subject to litigation and claims. At December 31, 2018 and 2017, the Authority was not involved in any matters.

NOTE 5 LEASE COMMITMENTS

The Authority leases office space under an operating lease agreement which is cancelable. The lease is a month to month lease. Total rent expense amounted to \$4,800 and \$4,800 for the years ended December 31, 2018 and 2017, respectively.

The Authority leases office equipment under an operating lease agreement which is cancelable. Total rent expense amounted to \$600 and \$600 for the years ended December 31, 2018 and 2017, respectively.

**KENDALL HOUSING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017**

NOTE 6 INTERGOVERNMENTAL AGREEMENTS

As of April 2006, the Authority has entered into an intergovernmental agreement with the DuPage Housing Authority for the assistance of administrative services needed to fully operate the Authority. Eight-five percent of the monthly Housing Choice Voucher Program administrative fee received by the Authority goes to the DuPage Housing Authority for compensation for administrative services. Included in administrative expense is \$290,131 and \$273,020 for the years ended December 31, 2018 and 2017, respectively, which was paid under this agreement.

SUPPLEMENTARY INFORMATION

KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE BALANCE SHEET
DECEMBER 31, 2018

Line Item No.	Account Description	Housing Choice Vouchers	State/Local	Elimination	Total
CURRENT ASSETS					
Cash:					
111	Cash - Unrestricted	\$ 232,844	\$ 146,763	\$ -	\$ 379,607
112	Cash - Restricted - Modernization/Develop	-	-	-	-
113	Cash - Other Restricted	37,137	158,231	-	195,368
114	Cash - Tenant Security Deposits	-	-	-	-
115	Cash - Restricted for Payment of Current Liabilities	-	-	-	-
100	Total Cash	<u>269,981</u>	<u>304,994</u>	<u>-</u>	<u>574,975</u>
Receivables:					
121	Accounts Receivable - Other PHA Projects	-	-	-	-
122	Accounts Receivable - HUD	-	-	-	-
124	Accounts receivable - Other Government	57,020	13,823	-	70,843
125	Accounts receivable - Miscellaneous	34	-	-	34
126	Accounts receivable - Tenant	-	-	-	-
126.1	Allowance for Doubtful Accounts - Tenants	-	-	-	-
128	Fraud Recovery	-	-	-	-
128.1	Allowance for Doubtful Accounts - Fraud	-	-	-	-
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>57,054</u>	<u>13,823</u>	<u>-</u>	<u>70,877</u>
142	Prepaid Expenses and Other Assets	2,118	-	-	2,118
144	Inter-Program - Due From	-	-	-	-
150	Total Current Assets	<u>329,153</u>	<u>318,817</u>	<u>-</u>	<u>647,970</u>
NONCURRENT ASSETS					
161	Land	-	-	-	-
162	Buildings	-	-	-	-
163	Furniture, Equipment, and Machinery - Dwell	-	-	-	-
164	Furniture, Equipment, and Machinery - Admin	-	-	-	-
166	Accumulated Depreciation	-	-	-	-
160	Total Fixed Assets, Net of Accumulated Depreciation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
290	Total Assets	<u>\$ 329,153</u>	<u>\$ 318,817</u>	<u>\$ -</u>	<u>\$ 647,970</u>

KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE BALANCE SHEET (CONTINUED)
DECEMBER 31, 2018

Line Item No.	Account Description	Housing Choice Vouchers	State/Local	Elimination	Total
CURRENT LIABILITIES					
312	Accounts Payable <= 90 Days	\$ 905	\$ -	\$ -	\$ 905
321	Accrued Wage/Payroll Taxes Payable	-	-	-	-
322	Accrued Compensated Absences - Current	-	-	-	-
331	Accounts Payable - HUD PHA Programs	-	-	-	-
333	Accounts Payable - Other Government	40,393	126	-	40,519
341	Tenant Security Deposits	-	-	-	-
342	Unearned Revenues	36,432	158,597	-	195,029
343	Current Portion of Long-Term Debt - Capital	-	-	-	-
345	Other Current Liabilities	-	-	-	-
346	Accrued Liabilities - Other	-	-	-	-
347	Inter-Program - Due To	-	-	-	-
310	Total Current Liabilities	<u>77,730</u>	<u>158,723</u>	<u>-</u>	<u>236,453</u>
NONCURRENT LIABILITIES					
351	Long-Term Debt, Net of Current - Capital Projects	-	-	-	-
353	Other Noncurrent Liabilities	-	-	-	-
354	Accrued Compensated Absences - Noncurrent	-	-	-	-
350	Total Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
300	Total Liabilities	77,730	158,723	-	236,453
NET POSITION (DEFICIT)					
508.4	Net Investment in Capital Assets	-	-	-	-
511.4	Restricted Net Position	37,137	-	-	37,137
512.4	Unrestricted Net Position (Deficit)	214,286	160,094	-	374,380
513	Total Net Position (Deficit)	<u>251,423</u>	<u>160,094</u>	<u>-</u>	<u>411,517</u>
600	Total Liabilities an Net Position (Deficit)	<u>\$ 329,153</u>	<u>\$ 318,817</u>	<u>\$ -</u>	<u>\$ 647,970</u>

**KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE REVENUE
AND EXPENSE SUMMARY
YEAR ENDED DECEMBER 31, 2018**

Line Item No.	Account Description	Housing Choice Vouchers	State/Local	Elimination	Total
REVENUES					
70300	Net Tenant Rental Revenue	\$ -	\$ -	\$ -	\$ -
70400	Tenant Revenue - Other	-	-	-	-
70500	Total Tenant Revenue	-	-	-	-
70600	HUD PHA Operating Grants	1,959,748	-	-	1,959,748
70610	Capital Grants	-	-	-	-
70800	Other Government Grants	-	656,256	-	656,256
71100	Investment Income - Unrestricted	325	314	-	639
71400	Fraud Recovery	22,797	-	-	22,797
71500	Other Revenue	2,027,248	-	-	2,027,248
71600	Gain/Loss on Sale of Fixed Assets	-	-	-	-
72000	Investment Income - Restricted	-	-	-	-
70000	Total Revenues	4,010,118	656,570	-	4,666,688
EXPENSES					
Administrative:					
91100	Administrative Salaries	-	-	-	-
91200	Auditing Fees	6,766	234	-	7,000
91300	Management Fees	226,261	63,870	-	290,131
91310	Bookkeeping fees	-	-	-	-
91400	Advertising Expenses	351	-	-	351
91500	Employee Benefit Contributions	-	-	-	-
91600	Office Expenses	12,688	836	-	13,524
91700	Legal Expenses	-	-	-	-
91800	Travel Expenses	7,140	-	-	7,140
91900	Other	9,397	188	-	9,585
	Total Administrative	262,603	65,128	-	327,731
Tenant Services:					
92100	Tenant Services - Salaries	-	-	-	-
92400	Tenant Services - Other	-	-	-	-
	Total Tenant Services	-	-	-	-
Utilities:					
93100	Water	-	-	-	-
93200	Electricity	-	-	-	-
93300	Gas	-	-	-	-
93600	Sewer	-	-	-	-
93800	Other Utilities Expense	-	-	-	-
	Total Utilities	-	-	-	-
Ordinary Maintenance and Operations:					
94100	Ordinary Maint and Oper - Labor	-	-	-	-
94200	Ordinary Maint and Oper - Materials/Other	-	-	-	-
94300	Ordinary Maint and Oper - Contract Costs	-	-	-	-
	Total Ordinary Maintenance and Operations	-	-	-	-

**KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE REVENUE
AND EXPENSE SUMMARY (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Line Item No.	Account Description	Housing Choice Vouchers	State/Local	Elimination	Total
EXPENSES (Continued)					
Insurance Premiums:					
96110	Property Insurance	\$ -	\$ -	\$ -	\$ -
96120	Liability Insurance	1,721	131	-	1,852
96130	Workers' Compensation	-	-	-	-
96140	All Other Insurance	-	-	-	-
	Total Insurance Premiums	<u>1,721</u>	<u>131</u>	<u>-</u>	<u>1,852</u>
General Expenses:					
96200	Other General Expenses	-	-	-	-
96210	Compensated Absences	-	-	-	-
96300	Payments in Lieu of Taxes	-	-	-	-
96400	Bad Debt - Tenant Rents	-	-	-	-
96600	Bad Debt - Other	1,799	-	-	1,799
	Total General Expenses	<u>1,799</u>	<u>-</u>	<u>-</u>	<u>1,799</u>
Interest Expense:					
96710	Interest of Mortgage Payable	-	-	-	-
96720	Amortization of Bond Issue Costs	-	-	-	-
	Total Interest Expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
96900	Total Operating Expenses	<u>266,123</u>	<u>65,259</u>	<u>-</u>	<u>331,382</u>
97000	Excess Operating Revenue Over Operating Expenses	3,743,995	591,311	-	4,335,306
97100	Extraordinary Maintenance	-	-	-	-
97300	Housing Assistance Payments	1,764,514	586,380	-	2,350,894
97350	HAP Portability - In	1,927,799	-	-	1,927,799
97400	Depreciation Expense	-	-	-	-
90000	Total Expenses	<u>3,958,436</u>	<u>651,639</u>	<u>-</u>	<u>4,610,075</u>
OTHER FINANCING SOURCES (USES)					
10010	Operating Transfer In	-	-	-	-
10020	Operating Transfer Out	-	-	-	-
10030	Operating Transfer From/To Primary Government	-	-	-	-
10040	Operating Transfer From/To Component Unit	-	-	-	-
10000	Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000	Excess of Operating Revenues Over Expenses	<u>\$ 51,682</u>	<u>\$ 4,931</u>	<u>\$ -</u>	<u>\$ 56,613</u>

**KENDALL HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE – ENTITY-WIDE REVENUE
 AND EXPENSE SUMMARY (CONTINUED)
 YEAR ENDED DECEMBER 31, 2018**

Line Item No.	Account Description	Housing Choice Vouchers	State/Local	Elimination	Total
Memo Account Information:					
11020	Debt Principal Payments - Enterprise Funds	\$ -	\$ -	\$ -	\$ -
11030	Beginning Equity	199,741	155,163	-	354,904
11040	Prior Period Adjustments, Equity Transfers, and Correction of Errors	-	-	-	-
11170	Administrative Fee Equity	214,286	-	-	214,286
11180	Housing Assistance Payments Equity	37,137	-	-	37,137
11190	Unit Months Available	1,920	636	-	2,556
11210	Number of Unit Months Leased	1,897	558	-	2,455
11270	Excess Cash	-	-	-	-
11620	Building Purchase	-	-	-	-

SINGLE AUDIT



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Kendall Housing Authority
Yorkville, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kendall Housing Authority (the Authority), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control 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 Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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.



CliftonLarsonAllen LLP

Oak Brook, Illinois
September 25, 2019



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

Board of Commissioners
Kendall Housing Authority
Yorkville, Illinois

Report on Compliance for Each Major Federal Program

We have audited the Kendall Housing Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended December 31, 2018. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

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

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

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

Board of Commissioners
Kendall Housing Authority

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

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

CliftonLarsonAllen LLP

Oak Brook, Illinois
September 25, 2019

**KENDALL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)			
Housing Choice Voucher Program	14.871	Not Applicable	\$ 1,959,748
Total Expenditures of Federal Awards			<u>\$ 1,959,748</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**KENDALL HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant of the Kendall Housing Authority (the Authority) under programs of the federal government for the year ended December 31, 2018. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 or change in net position of the Authority.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 NONCASH FEDERAL ASSISTANCE

The Authority did not receive any noncash Federal assistance for the year ended December 31, 2018.

NOTE 4 INDIRECT COSTS

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

NOTE 5 SUBRECIPIENTS

The Authority did not pass any federal or state grant funding to any subrecipients for the year ended December 31, 2018.

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

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

Federal Awards

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

Identification of Major Federal Programs

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between Type A and Type B programs:	\$ <u> 750,000 </u>
Auditee qualified as low-risk auditee?	<u> x </u> yes _____ no

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

2018 – 001

Federal Agency: U.S. Department of Housing and Urban Development

Federal Program Title: Housing Choice Voucher Program

CFDA Number: 14.871

Award Period: January 1, 2018 – December 31, 2018

Type of Finding:

- Significant Deficiency in Internal Control over Compliance
- Other Matters

Criteria or Specific Requirement: 24 CFR section 982.156 states that PHAs are required to enter into depository agreements with their financial institutions in the form required by HUD. The agreements serve as safeguards for Federal funds and provide third-party rights to HUD. Among the terms in many agreements are requirements for funds to be placed in an interest-bearing account.

Condition: The Authority has not maintained a depository agreement with their financial institution in accordance with the specific requirement noted above.

Questioned Costs: None

Context: We requested the depository agreement that was created and is maintained with the Authority's financial institution. The Authority came to the understanding that the agreement does not exist with the financial institution.

Cause: The internal controls over compliance related to the creation and maintenance of a depository agreement with the Authority's financial institutions failed to detect that it did not exist.

Effect: Failing to maintain the depository agreement results in noncompliance with the specific requirement noted above. In addition, the Authority risks not being in compliance of maintaining funds in interest bearing accounts as stated in the depository agreement.

Repeat Finding: No

Recommendation: We recommend the Authority work with their financial institutions to ensure the appropriate depository agreements are maintained.

Views of Responsible Officials: There is no disagreement with the audit finding.

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