

**KENDALL HOUSING AUTHORITY
YORKVILLE, ILLINOIS**

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

YEARS ENDED DECEMBER 31, 2021 AND 2020



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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Kendall Housing Authority
Yorkville, Illinois

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Kendall Housing Authority (the Authority), as of and for the year ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2021 and 2020, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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 required 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.

Supplementary 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 the financial data schedules – entity-wide revenue and expense summary and 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* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 GAAS. In our opinion, the financial data schedules - entity-wide balance sheet and the financial data schedules – entity-wide revenue and expense summary and 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* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Oak Brook, Illinois
October 28, 2022

**KENDALL HOUSING AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents - Unrestricted	\$ 119,181	\$ 333,638
Cash and Cash Equivalents - Restricted	485,136	213,787
Total Cash and Cash Equivalents	604,317	547,425
Accounts Receivable, Net	257,888	79,833
Prepaid Expenses	4,085	4,084
Total Current Assets	866,290	631,342
 Total Assets	 \$ 866,290	 \$ 631,342
LIABILITIES AND NET POSITION		
CURRENT LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 139,880	\$ 42,767
Unearned Revenue	-	53,125
Total Current Liabilities	139,880	95,892
 Total Liabilities	 139,880	 95,892
NET POSITION		
Restricted	485,136	183,299
Unrestricted	241,274	352,151
Total Net Position	726,410	535,450
 Total Liabilities and Net Position	 \$ 866,290	 \$ 631,342

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
OPERATING REVENUES		
HUD Subsidies	\$ 2,121,798	\$ 2,163,404
Other Government Grants	1,041,881	788,718
Portability Revenue	1,853,147	1,960,765
Other Revenues	25,672	29,562
Total Operating Revenues	5,042,498	4,942,449
OPERATING EXPENSES		
Administration	447,458	364,402
Insurance Expense	3,820	1,855
General and Other	27,440	-
Housing Assistance Payments	4,372,895	4,488,748
Total Operating Expenses	4,851,613	4,855,005
TOTAL OPERATING INCOME	190,885	87,444
NONOPERATING REVENUES		
Interest Income	75	488
Total Nonoperating Revenues	75	488
CHANGE IN NET POSITION	190,960	87,932
Total Net Position - Beginning of Year	535,450	447,518
TOTAL NET POSITION - END OF YEAR	\$ 726,410	\$ 535,450

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from HUD	\$ 2,121,798	\$ 2,163,404
Cash Received from Others	2,689,520	2,719,273
Cash Paid to Suppliers	(381,606)	(404,507)
Cash Paid for Housing Assistance Payments	(4,372,895)	(4,488,748)
Net Cash Provided (Used) by Operating Activities	56,817	(10,578)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	75	488
Net Cash Provided by Investing Activities	75	488
 INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,892	(10,090)
Cash and Cash Equivalents - Beginning of Year	547,425	557,515
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 604,317	\$ 547,425
 CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income	\$ 190,885	\$ 87,444
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:		
Effects of Changes in Operating Assets and Liabilities:		
Accounts receivable, Net	(178,055)	111,652
Prepaid Expenses	(1)	(1,967)
Accounts Payable and Accrued Expenses	97,113	(36,283)
Unearned Revenue	(53,125)	(171,424)
Net Cash Provided (Used) by Operating Activities	\$ 56,817	\$ (10,578)

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 for the purpose of engaging in the development, acquisition and administrative activities of the low-income housing program and other programs with similar objectives for low and moderate income families residing in 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*, as amended, 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 (U.S. GAAP) 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.

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.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 U.S. GAAP 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 U.S. GAAP. All appropriations lapse at HUD's program year-end or at the end of grant periods.

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 money markets).

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.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include the following:

- Section 8 Housing Choice Voucher Program retained housing assistance payment funding from HUD;
- Section 8 Housing Choice Voucher Program Coronavirus Aid, Relief, and Economic Security (CARES) Act grant funding advanced and unspent;
- State and Local Program Funding for housing assistance payments;
- Mainstream Program retained housing assistance payment funding from HUD; and
- Mainstream Program CARES Act grant funding advanced and unspent;

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, 2021 and 2020, 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

The Authority did not report an unearned revenue as of December 31, 2021. As of December 31, 2020, the Authority reported unearned revenue which was comprised of fiscal year 2022 housing payments received as of December 31, 2021 along with funds received in advance for the CARES Act in relation to the Housing Choice Voucher Program.

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.

NOTE 2 CASH AND CASH EQUIVALENTS

At December 31, 2021 and 2020, 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, 2021, the Authority has maintained the appropriate depository agreement on file with the financial institution as required by HUD.

For the fiscal years ended December 31, 2021 and 2020, the carrying amount of the Authority's cash and cash equivalents was \$604,317 and \$547,425 and the bank balances were \$605,306 and \$545,755, respectively. The Authority's deposits with financial institutions were fully collateralized as of December 31, 2021 and 2020.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 2 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents consist of the following for the years ended December 31:

	2021	2020
Operating	\$ 119,181	\$ 333,638
Total Unrestricted	119,181	333,638
Restricted for:		
Housing Choice Voucher Program	95,227	9,811
(CARES Act) Housing Choice Voucher Program	-	30,020
Mainstream Voucher Program	-	68,223
(CARES Act) Mainstream Voucher Program	-	468
Rental Housing Support Program	389,909	105,265
Total Restricted	485,136	213,787
Total Cash and Cash Equivalents	\$ 604,317	\$ 547,425

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, 2021 and 2020.

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.

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.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 COMMITMENT AND CONTINGENCIES

Grants

The Authority received financial assistance from federal and state 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, 2021 and 2020, the Authority was not aware of any claims and litigation outside the normal course of business.

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, 2021 and 2020, 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, 2021 and 2020, respectively.

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 (85%) 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 \$321,786 and \$300,199 for the years ended December 31, 2021 and 2020, respectively, which was paid under this agreement.

SUPPLEMENTARY INFORMATION

**KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE BALANCE SHEET
DECEMBER 31, 2021**

Line Item No.	Account Description	14.MSC Mainstream CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	14.879 Mainstream Vouchers	State/Local	Elimination	Total
CURRENT ASSETS								
Cash:								
111	Cash - Unrestricted	\$ -	\$ 14,564	\$ -	\$ -	\$ 104,617	\$ -	\$ 119,181
113	Cash - Other Restricted	-	95,227	-	-	389,909	-	485,136
100	Total Cash	-	109,791	-	-	494,526	-	604,317
Receivables:								
122	Accounts Receivable - HUD	-	150,000	-	-	-	-	150,000
124	Accounts Receivable - Other Government	-	92,972	-	-	12,062	-	105,034
125	Accounts Receivable - Miscellaneous	-	4,267	-	-	6,093	-	10,360
126	Allowance for Doubtful Accounts	-	(7,506)	-	-	-	-	(7,506)
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	239,733	-	-	18,155	-	257,888
142	Prepaid Expenses and Other Assets	-	4,085	-	-	-	-	4,085
144	Due from Other Funds	-	119,733	-	-	-	(119,733)	-
150	Total Current Assets	-	473,342	-	-	512,681	(119,733)	866,290
290	Total Assets	\$ -	\$ 473,342	\$ -	\$ -	\$ 512,681	\$ (119,733)	\$ 866,290
CURRENT LIABILITIES								
312	Accounts Payable <= 90 Days	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
333	Accounts Payable - Other Government	-	21,092	-	-	1,996	-	23,088
342	Unearned Revenues	-	-	-	-	-	-	-
346	Accrued Liabilities - Other	-	116,792	-	-	-	-	116,792
347	Due to Other Funds	-	-	-	50,104	69,629	(119,733)	-
310	Total Current Liabilities	-	137,884	-	50,104	71,625	(119,733)	139,880
NET POSITION								
511.4	Restricted Net Position	-	95,227	-	-	389,909	-	485,136
512.4	Unrestricted Net Position	-	240,231	-	(50,104)	51,147	-	241,274
513	Total Net Position	-	335,458	-	(50,104)	441,056	-	726,410
600	Total Liabilities and Net Position	\$ -	\$ 473,342	\$ -	\$ -	\$ 512,681	\$ (119,733)	\$ 866,290

**KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE REVENUE
AND EXPENSE SUMMARY
YEAR ENDED DECEMBER 31, 2021**

Line Item No.	Account Description	14.MSC Mainstream CARES Act Funding	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	14.879 Mainstream Vouchers	State/Local	Elimination	Total
REVENUES								
70600	HUD PHA Operating Grants	\$ 468	\$ 1,980,181	\$ 30,020	\$ 111,129	\$ -	\$ -	\$ 2,121,798
70800	Other Government Grants	-	-	-	-	1,041,881	-	1,041,881
71100	Investment Income - Unrestricted	-	31	-	-	44	-	75
71400	Fraud Recovery	-	18,262	-	-	7,410	-	25,672
71500	Other Revenue	-	1,853,147	-	-	-	-	1,853,147
70000	Total Revenues	<u>468</u>	<u>3,851,621</u>	<u>30,020</u>	<u>111,129</u>	<u>1,049,335</u>	<u>-</u>	<u>5,042,573</u>
EXPENSES								
Administrative:								
91100	Administrative Salaries	-	1,906	3,000	-	-	-	4,906
91200	Auditing Fees	-	50	11,500	-	-	-	11,550
91300	Management Fees	-	252,157	-	-	69,629	-	321,786
91400	Advertising Expenses	-	-	-	-	-	-	-
91600	Office Expenses	-	5,890	9,000	-	1,068	-	15,958
91800	Travel Expenses	-	485	2,000	-	-	-	2,485
91900	Other	468	3,946	4,520	66,724	15,115	-	90,773
	Total Administrative	<u>468</u>	<u>264,434</u>	<u>30,020</u>	<u>66,724</u>	<u>85,812</u>	<u>-</u>	<u>447,458</u>
Insurance Premiums:								
96120	Liability Insurance	-	-	-	-	-	-	-
96130	Worker's Compensation	-	3,820	-	-	-	-	3,820
	Total Insurance Premiums	<u>-</u>	<u>3,820</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,820</u>
General and Other:								
96200	Other General Expenses	-	18,420	-	634	880	-	19,934
96600	Bad Debt - Other	-	7,506	-	-	-	-	7,506
	Total General and Other	<u>-</u>	<u>25,926</u>	<u>-</u>	<u>634</u>	<u>880</u>	<u>-</u>	<u>27,440</u>
96900	Total Operating Expenses	<u>468</u>	<u>294,180</u>	<u>30,020</u>	<u>67,358</u>	<u>86,692</u>	<u>-</u>	<u>478,718</u>
97000	Excess Operating Revenue Over Operating Expenses	-	3,557,441	-	43,771	962,643	-	4,563,855
97300	Housing Assistance Payments	-	1,722,087	-	162,098	739,062	-	2,623,247
97350	HAP Portability - In	-	1,749,648	-	-	-	-	1,749,648
90000	Total Expenses	<u>468</u>	<u>3,765,915</u>	<u>30,020</u>	<u>229,456</u>	<u>825,754</u>	<u>-</u>	<u>4,851,613</u>
10000	Excess (Deficiency) of Operating Revenues Over (Under) Expenses	<u>\$ -</u>	<u>\$ 85,706</u>	<u>\$ -</u>	<u>\$ (118,327)</u>	<u>\$ 223,581</u>	<u>\$ -</u>	<u>\$ 190,960</u>

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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 28, 2022.

Report on 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) as a basis for designing 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-003 that we consider to be a material weakness.

Report on 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 financial statements. 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 on noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Kendall Housing Authority's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
October 28, 2022



**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

Opinion on Each Major Federal Program

We have audited Kendall Housing Authority's (the Authority) compliance with the types of compliance requirements identified as subject to audit 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, 2021. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of

assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 to be material weaknesses.


Board of Commissioners
Kendall Housing Authority

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the other 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.



CliftonLarsonAllen LLP

Oak Brook, Illinois
October 28, 2022

**KENDALL HOUSING AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Agency Number	Federal Expenditures
U.S. Department of Housing and Urban Development (HUD)			
Housing Voucher Cluster			
Housing Choice Voucher Program	14.871	Not Applicable	\$ 1,980,181
(COVID-19) Housing Choice Voucher Program	14.871	Not Applicable	<u>30,020</u>
Total Housing Choice Voucher Program			<u>2,010,201</u>
Mainstream Vouchers Program	14.879	Not Applicable	111,129
(COVID-19) Mainstream Vouchers Program	14.879	Not Applicable	<u>468</u>
			111,597
Total Housing Voucher Cluster			<u>2,121,798</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,121,798</u></u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**KENDALL HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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, 2021.

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 grant funding to any subrecipients for the year ended December 31, 2021.

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2021**

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

Identification of Major Federal Programs

CFDA Number(s)

14.871
14.871
14.879

Name of Federal Program or Cluster

Housing Choice Cluster:
Housing Choice Voucher Program
(COVID-19) Housing Choice Voucher Program
Mainstream Voucher Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

 x yes no

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section II – Financial Statement Findings

2021-003: Maintenance of Supporting Documentation

Type of Finding:

- Material Weakness in Internal Control over Financial Reporting

Condition: The Authority failed to maintain documentation the support for journal entries posted to the accounting system.

Criteria or specific requirement: The Authority is required to have a system of internal controls to ensure the review and approval of journal entries by an individual who is not responsible for the preparation and posting of the journal entry to ensure appropriate segregation of duties. The Authority is also required to maintain the supporting documentation for the journal entry.

Effect: Failure to maintain the authorizations noting the approval for journal entries could result in the Authority not being able to prove the review or authorization occurred when subject to future audits and reviews.

Cause: The Authority experienced significant change in leadership including the Executive Director and the Finance Manager, which resulted in the Authority not being able to identify and reproduce the support for the journal entries and the related evidence of review.

Repeat Finding: No

Recommendation: Management should consider maintaining the support and approval of the journal entry within the financial accounting software in accordance with the stated criteria.

Views of responsible officials and planned corrective actions: Management agrees with the finding and will work to implement processes consistent with the recommendation to ensures the maintenance of supporting documentation related to journal entries.

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs

2021 – 001: Reporting

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

Federal Program Name: Section 8 Housing Choice Voucher Program Cluster

Assistance Listing Number: 14.HCV

Federal Award Identification Number and Year: [FAIN Number and Award Year]

Award Period: January 1, 2021 to December 31, 2021

Type of Finding:

- Material Weakness in Internal Control over Compliance
- Other Matters

Criteria or specific requirement: The unaudited financial statement is due two months after the PHA's fiscal year end and the audited financial statement is due nine months after its fiscal year end (24 CFR section 5.801).

Condition:

The Authority failed to submit the audited annual submission to HUD by September 30, 2022 in accordance with the stated criteria.

Questioned costs: None

Context: As noted in the stated criteria, the audited financial statements are required to be submitted to HUD within nine months after its fiscal year. The Authority failed to comply with the stated criteria for the submission.

Cause: The Authority experienced significant change in leadership including the Executive Director and the Finance Manager, which resulted in delays completing the financial close and reporting process.

Effect: There is a risk that noncompliance with the stated criteria could result in regulatory action by HUD.

Repeat Finding: No

Recommendation: We recommend that the Authority formally document the policies and procedures related to the financial close and reporting process. We also recommend that the Authority work maintain support for financial transactions, journal entries, and supporting schedules in electronic form to mitigate the risk of that support not being readily available should it be needed.

Views of responsible officials: There is no disagreement with the audit finding.

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2021**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2021 – 002: Maintenance of Supporting Documentation

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

Federal Program Name: Section 8 Housing Choice Voucher Program Cluster

Assistance Listing Number: 14.HCV

Federal Award Identification Number and Year: [FAIN Number and Award Year]

Award Period: January 1, 2021 to December 31, 2021

Type of Finding:

- Material Weakness in Internal Control over Compliance

Criteria or specific requirement: The Authority is required to have a system of internal controls to ensure the review and approval of disbursements by an individual who is not responsible for the payment of the disbursement to ensure appropriate segregation of duties.

Condition: The Authority failed to maintain documentation of the approval of the general disbursements paid by ACH for thirty-six (36) transactions out of forty (40) general disbursements tested.

Questioned costs: None

Context: From a sample of forty (40) general disbursements selected for testing, thirty-six (36) of the disbursements did not have the documentation of authorization of the ACH by the Executive Director. The thirty-six (36) disbursements did have appropriate support for the purpose and amount of the payment made. The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards* and Single Audits.

Cause: The Authority experienced significant change in leadership including the Executive Director and the Finance Manager, which resulted in the Authority not being able to provide documentation supporting appropriate authorization of the ACH disbursements.

Effect: Failure to maintain the authorizations noting the approval for disbursement could result in the Authority not being able to prove the review or authorization occurred when subject to future audits and reviews.

Repeat Finding: No

Recommendation: The Authority's banking institution has controls in place, utilized by the Authority, to segregate the creation of the ACH for payment and the approval of the ACH for disbursement. Management should consider maintaining documentation of the authorization with transactions to demonstrate compliance with the Authority's policies and procedures.

Views of responsible officials: There is no disagreement with the audit finding.



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