

**KENDALL HOUSING AUTHORITY
YORKVILLE, ILLINOIS**

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

YEARS ENDED DECEMBER 31, 2019 AND 2018



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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, 2019 and 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, 2019 and 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

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, the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2020, 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 14, 2020

**KENDALL HOUSING AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2019 AND 2018**

| | 2019 | 2018 |
|--|------------|------------|
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash and Cash Equivalents - Unrestricted | \$ 348,962 | \$ 379,607 |
| Cash and Cash Equivalents - Restricted | 208,553 | 195,368 |
| Total Cash and Cash Equivalents | 557,515 | 574,975 |
| Accounts Receivable, Net | 191,485 | 70,877 |
| Prepaid Expenses | 2,117 | 2,118 |
| Total Current Assets | 751,117 | 647,970 |
| Total Assets | \$ 751,117 | \$ 647,970 |
| LIABILITIES AND NET POSITION | | |
| CURRENT LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$ 79,050 | \$ 41,424 |
| Unearned Revenue | 224,549 | 195,029 |
| Total Current Liabilities | 303,599 | 236,453 |
| Total Liabilities | 303,599 | 236,453 |
| NET POSITION | | |
| Restricted | 41,671 | 37,137 |
| Unrestricted | 405,847 | 374,380 |
| Total Net Position | 447,518 | 411,517 |
| Total Liabilities and Net Position | \$ 751,117 | \$ 647,970 |

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2019 AND 2018**

| | 2019 | 2018 |
|---|--------------|--------------|
| OPERATING REVENUES | | |
| HUD Subsidies | \$ 1,825,489 | \$ 1,959,748 |
| Other Government Grants | 754,623 | 656,256 |
| Portability Revenue | 1,982,706 | 2,027,248 |
| Other Revenues | 17,960 | 22,797 |
| Total Operating Revenues | 4,580,778 | 4,666,049 |
| OPERATING EXPENSES | | |
| Administration | 342,596 | 327,731 |
| Insurance Expense | 1,855 | 1,852 |
| Other General Expenses | - | 1,799 |
| Housing Assistance Payments | 4,201,170 | 4,278,693 |
| Total Operating Expenses | 4,545,621 | 4,610,075 |
| TOTAL OPERATING INCOME | 35,157 | 55,974 |
| NONOPERATING REVENUES | | |
| Interest Income | 844 | 639 |
| Total Nonoperating Revenues | 844 | 639 |
| CHANGE IN NET POSITION | 36,001 | 56,613 |
| Total Net Position - Beginning of Year | 411,517 | 354,904 |
| TOTAL NET POSITION - END OF YEAR | \$ 447,518 | \$ 411,517 |

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

| | 2019 | 2018 |
|---|--------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from HUD | \$ 1,825,489 | \$ 1,959,748 |
| Cash Received from Others | 2,664,201 | 2,711,665 |
| Cash Paid to Suppliers | (306,824) | (314,924) |
| Cash Paid for Housing Assistance Payments | (4,201,170) | (4,278,693) |
| Net Cash Provided (Used) by Operating Activities | (18,304) | 77,796 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Income | 844 | 639 |
| Net Cash Provided by Investing Activities | 844 | 639 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | (17,460) | 78,435 |
| Cash and Cash Equivalents - Beginning of Year | 574,975 | 496,540 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | \$ 557,515 | \$ 574,975 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Operating Income | \$ 35,157 | \$ 55,974 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Effects of Changes in Operating Assets and Liabilities: | | |
| Accounts receivable, Net | (120,608) | (52,714) |
| Prepaid Expenses | 1 | (1) |
| Accounts Payable and Accrued Expenses | 37,626 | 16,459 |
| Unearned Revenue | 29,520 | 58,078 |
| Net Cash Provided (Used) by Operating Activities | \$ (18,304) | \$ 77,796 |

See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 certificates 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, 2019 and 2018, 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 2020 housing payments received as of December 31, 2019.

Due From/To Other Programs

Interprogram receivables and payables as of December 31, 2019 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 FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

NOTE 2 CASH AND CASH EQUIVALENTS

At December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, the carrying amount of the Authority's cash and cash equivalents was \$557,515 and \$574,975 and the bank balances were \$558,491 and \$574,933, respectively. The Authority's deposits with financial institutions were fully collateralized as of December 31, 2019 and 2018.

Cash and cash equivalents consist of the following:

| <u>Cash Category</u> | <u>2019</u> | <u>2018</u> |
|---------------------------------|-------------------|-------------------|
| Operating | \$ 348,962 | \$ 379,607 |
| Total Unrestricted | 348,962 | 379,607 |
| Restricted for: | | |
| Housing Choice Voucher Program | 41,671 | 37,137 |
| Rental Housing Support Program | 166,882 | 158,231 |
| Total Restricted | <u>208,553</u> | <u>195,368</u> |
| Total Cash and Cash Equivalents | <u>\$ 557,515</u> | <u>\$ 574,975</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, 2019 and 2018.

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 FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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 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 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, 2019 and 2018, 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, 2019 and 2018, 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, 2019 and 2018, respectively.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

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. 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 \$294,519 and \$290,131 for the years ended December 31, 2019 and 2018, respectively, which was paid under this agreement.

NOTE 7 SUBSEQUENT EVENTS

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the Authority, COVID-19 may impact various parts of its operations and financial results including, but not limited to, impacts on cash flow and grant management and oversight. Management believes the Authority is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

SUPPLEMENTARY INFORMATION

**KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE BALANCE SHEET
DECEMBER 31, 2019**

| Line Item No. | Account Description | Housing Choice Vouchers | State/Local | Elimination | Total |
|--------------------------|---|-------------------------------|-------------------|-------------|-------------------|
| CURRENT ASSETS | | | | | |
| Cash: | | | | | |
| 111 | Cash - Unrestricted | \$ 157,689 | \$ 191,273 | \$ - | \$ 348,962 |
| 112 | Cash - Restricted - Modernization/Develop | - | - | - | - |
| 113 | Cash - Other Restricted | 41,671 | 166,882 | - | 208,553 |
| 114 | Cash - Tenant Security Deposits | - | - | - | - |
| 115 | Cash - Restricted for Payment of Current Liabilities | - | - | - | - |
| 100 | Total Cash | <u>199,360</u> | <u>358,155</u> | <u>-</u> | <u>557,515</u> |
| Receivables: | | | | | |
| 121 | Accounts Receivable - Other PHA Projects | - | - | - | - |
| 122 | Accounts Receivable - HUD | - | - | - | - |
| 124 | Accounts Receivable - Other Government | 188,778 | - | - | 188,778 |
| 125 | Accounts Receivable - Miscellaneous | 588 | 2,119 | - | 2,707 |
| 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>189,366</u> | <u>2,119</u> | <u>-</u> | <u>191,485</u> |
| 142 | Prepaid Expenses and Other Assets | 2,117 | - | - | 2,117 |
| 144 | Inter-Program - Due From | - | - | - | - |
| 150 | Total Current Assets | <u>390,843</u> | <u>360,274</u> | <u>-</u> | <u>751,117</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>\$ 390,843</u> | <u>\$ 360,274</u> | <u>\$ -</u> | <u>\$ 751,117</u> |

KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE BALANCE SHEET (CONTINUED)
DECEMBER 31, 2019

| Line Item No. | Account Description | Housing Choice Vouchers | State/Local | Elimination | Total |
|-------------------------------|---|-------------------------------|-------------------|-------------|-------------------|
| CURRENT LIABILITIES | | | | | |
| 312 | Accounts Payable <= 90 Days | \$ 77,585 | \$ - | \$ - | \$ 77,585 |
| 321 | Accrued Wage/Payroll Taxes Payable | - | - | - | - |
| 322 | Accrued Compensated Absences - Current | - | - | - | - |
| 331 | Accounts Payable - HUD PHA Programs | - | - | - | - |
| 333 | Accounts Payable - Other Government | 1,210 | 255 | - | 1,465 |
| 341 | Tenant Security Deposits | - | - | - | - |
| 342 | Unearned Revenues | 57,202 | 167,347 | - | 224,549 |
| 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>135,997</u> | <u>167,602</u> | <u>-</u> | <u>303,599</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 | 135,997 | 167,602 | - | 303,599 |
| NET POSITION (DEFICIT) | | | | | |
| 508.4 | Net Investment in Capital Assets | - | - | - | - |
| 511.4 | Restricted Net Position | 41,671 | - | - | 41,671 |
| 512.4 | Unrestricted Net Position (Deficit) | 213,175 | 192,672 | - | 405,847 |
| 513 | Total Net Position (Deficit) | <u>254,846</u> | <u>192,672</u> | <u>-</u> | <u>447,518</u> |
| 600 | Total Liabilities and Net Position (Deficit) | <u>\$ 390,843</u> | <u>\$ 360,274</u> | <u>\$ -</u> | <u>\$ 751,117</u> |

**KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE REVENUE
AND EXPENSE SUMMARY
YEAR ENDED DECEMBER 31, 2019**

| 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 | 1,825,489 | - | - | 1,825,489 |
| 70610 | Capital Grants | - | - | - | - |
| 70800 | Other Government Grants | - | 754,623 | - | 754,623 |
| 71100 | Investment Income - Unrestricted | 422 | 422 | - | 844 |
| 71400 | Fraud Recovery | 17,960 | - | - | 17,960 |
| 71500 | Other Revenue | 1,982,706 | - | - | 1,982,706 |
| 71600 | Gain/Loss on Sale of Fixed Assets | - | - | - | - |
| 72000 | Investment Income - Restricted | - | - | - | - |
| 70000 | Total Revenues | <u>3,826,577</u> | <u>755,045</u> | - | <u>4,581,622</u> |
| EXPENSES | | | | | |
| Administrative: | | | | | |
| 91100 | Administrative Salaries | - | - | - | - |
| 91200 | Auditing Fees | 8,665 | - | - | 8,665 |
| 91300 | Management Fees | 229,640 | 64,880 | - | 294,520 |
| 91310 | Bookkeeping Fees | - | - | - | - |
| 91400 | Advertising Expenses | - | - | - | - |
| 91500 | Employee Benefit Contributions | - | - | - | - |
| 91600 | Office Expenses | 15,274 | 912 | - | 16,186 |
| 91700 | Legal Expenses | - | - | - | - |
| 91800 | Travel Expenses | 4,103 | - | - | 4,103 |
| 91900 | Other | 18,773 | 349 | - | 19,122 |
| | Total Administrative | <u>276,455</u> | <u>66,141</u> | - | <u>342,596</u> |
| 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, 2019**

| Line Item No. | Account Description | Housing Choice Vouchers | State/Local | Elimination | Total |
|---------------------------------------|--|-------------------------------|------------------|-------------|------------------|
| EXPENSES (Continued) | | | | | |
| Insurance Premiums: | | | | | |
| 96110 | Property Insurance | \$ - | \$ - | \$ - | \$ - |
| 96120 | Liability Insurance | 1,391 | 464 | - | 1,855 |
| 96130 | Workers' Compensation | - | - | - | - |
| 96140 | All Other Insurance | - | - | - | - |
| | Total Insurance Premiums | <u>1,391</u> | <u>464</u> | <u>-</u> | <u>1,855</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 | - | - | - | - |
| | Total General Expenses | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</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>277,846</u> | <u>66,605</u> | <u>-</u> | <u>344,451</u> |
| 97000 | Excess Operating Revenue Over Operating Expenses | 3,548,731 | 688,440 | - | 4,237,171 |
| 97100 | Extraordinary Maintenance | - | - | - | - |
| 97300 | Housing Assistance Payments | 1,659,447 | 655,862 | - | 2,315,309 |
| 97350 | HAP Portability - In | 1,885,861 | - | - | 1,885,861 |
| 97400 | Depreciation Expense | - | - | - | - |
| 90000 | Total Expenses | <u>3,823,154</u> | <u>722,467</u> | <u>-</u> | <u>4,545,621</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>\$ 3,423</u> | <u>\$ 32,578</u> | <u>\$ -</u> | <u>\$ 36,001</u> |

**KENDALL HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE – ENTITY-WIDE REVENUE
 AND EXPENSE SUMMARY (CONTINUED)
 YEAR ENDED DECEMBER 31, 2019**

| Line Item No. | Account Description | Housing Choice Vouchers | State/Local | Elimination | Total |
|---------------------------|---|-------------------------------|-------------|-------------|---------|
| Memo Account Information: | | | | | |
| 11020 | Debt Principal Payments - Enterprise Funds | \$ - | \$ - | \$ - | \$ - |
| 11030 | Beginning Equity | 251,423 | 160,094 | - | 411,517 |
| 11040 | Prior Period Adjustments, Equity Transfers, and Correction of Errors | - | - | - | - |
| 11170 | Administrative Fee Equity | 213,175 | - | - | 213,175 |
| 11180 | Housing Assistance Payments Equity | 41,671 | - | - | 41,671 |
| 11190 | Unit Months Available | 1,920 | 636 | - | 2,556 |
| 11210 | Number of Unit Months Leased | 1,768 | 588 | - | 2,356 |
| 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, 2019, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated October 14, 2020.

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 Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Oak Brook, Illinois
October 14, 2020



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, 2019. 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, 2019.

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 2019-001. 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 2019-001, 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 black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Oak Brook, Illinois
October 14, 2020

**KENDALL HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2019**

| 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 | \$ 1,825,489 |
| Total Expenditures of Federal Awards | | | <u>\$ 1,825,489</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, 2019**

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, 2019. 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, 2019.

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, 2019.

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2019**

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 _____ 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, 2019**

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

2019-001

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, 2019 – December 31, 2019

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: Yes, 2018-001

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.

