

**KENDALL HOUSING AUTHORITY
RESOLUTION NO. 2022 -01
ACCEPTANCE OF FY2020 KHA AUDIT REPORT**

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF THE KENDALL HOUSING AUTHORITY (KHA), as follows:


Section 1: It is in the best interest of the Kendall Housing Authority (KHA) to take the following action:

Accept the Calendar Fiscal Year 2020 KHA Audit Report as presented by Clifton, Larson, Allen, LLC.

Section 2: This Resolution is effective February 25, 2022.

Approved by the Kendall Housing Authority Board of Commissioners on this 25th day of February, 2022.


Matthew Prochaska
Chairman


Kenneth E. Coles
Secretary

Ayes: 4
Nays: 0
Abstain: 0



**KENDALL HOUSING AUTHORITY
YORKVILLE, ILLINOIS**

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

YEARS ENDED DECEMBER 31, 2020 AND 2019

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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 statements of net position as of December 31, 2020 and 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated REPORT DATE, 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

Wauwatosa, Wisconsin
REPORT DATE

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**KENDALL HOUSING AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	2020	2019
OPERATING REVENUES		
HUD Subsidies	\$ 2,163,404	\$ 1,825,489
Other Government Grants	788,718	754,623
Portability Revenue	1,960,765	1,982,706
Other Revenues	29,562	17,960
Total Operating Revenues	4,942,449	4,580,778
OPERATING EXPENSES		
Administration	364,402	342,596
Insurance Expense	1,855	1,855
Housing Assistance Payments	4,488,748	4,201,170
Total Operating Expenses	4,855,005	4,545,621
TOTAL OPERATING INCOME	87,444	35,157
NONOPERATING REVENUES		
Interest Income	488	844
Total Nonoperating Revenues	488	844
CHANGE IN NET POSITION	87,932	36,001
Total Net Position - Beginning of Year	447,518	411,517
TOTAL NET POSITION - END OF YEAR	\$ 535,450	\$ 447,518

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See accompanying Notes to Financial Statements.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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 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, 2020 AND 2019**

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, 2020 and 2019, 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 2021 housing payments received as of December 31, 2020 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.

**KENDALL HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

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, 2020 and 2019, 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, 2020 and 2019, 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, 2020 and 2019, 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 \$300,199 and \$294,519 for the years ended December 31, 2020 and 2019, respectively, which was paid under this agreement.

**KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE – ENTITY-WIDE BALANCE SHEET
DECEMBER 31, 2020**

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	\$ -	\$ 229,065	\$ -	\$ -	\$ 104,573	\$ -	\$ 333,638
113	Cash - Other Restricted	468	9,811	30,020	68,223	105,265	-	213,787
100	Total Cash	468	238,876	30,020	68,223	209,838	-	547,425
Receivables:								
124	Accounts Receivable - Other Government	-	53,773	-	-	-	-	53,773
125	Accounts Receivable - Miscellaneous	-	16,610	-	-	9,450	-	26,060
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	70,383	-	-	9,450	-	79,833
142	Prepaid Expenses and Other Assets	-	4,084	-	-	-	-	4,084
150	Total Current Assets	468	313,343	30,020	68,223	219,288	-	631,342
290	Total Assets	\$ 468	\$ 313,343	\$ 30,020	\$ 68,223	\$ 219,288	\$ -	\$ 631,342
CURRENT LIABILITIES								
312	Accounts Payable <= 90 Days	\$ -	\$ 10,744	\$ -	\$ -	\$ -	\$ -	\$ 10,744
333	Accounts Payable - Other Government	-	30,210	-	-	1,813	-	32,023
342	Unearned Revenues	468	22,637	30,020	-	-	-	53,125
310	Total Current Liabilities	468	63,591	30,020	-	1,813	-	95,892
NET POSITION (DEFICIT)								
511.4	Restricted Net Position	-	9,811	-	68,223	105,265	-	183,299
512.4	Unrestricted Net Position	-	239,941	-	-	112,210	-	352,151
513	Total Net Position	-	249,752	-	68,223	217,475	-	535,450
600	Total Liabilities and Net Position	\$ 468	\$ 313,343	\$ 30,020	\$ 68,223	\$ 219,288	\$ -	\$ 631,342

SINGLE AUDIT

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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 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

Wauwatosa, Wisconsin
REPORT DATE

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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 its 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of 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

Wauwatosa, Wisconsin
REPORT DATE

**KENDALL HOUSING AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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, 2020.

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, 2020.

**KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED DECEMBER 31, 2020**

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

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

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Board of Commissioners
Kendall Housing Authority
Yorkville, Illinois

We have audited the financial statements of the Kendall Housing Authority (the Authority) as of and for the year ended December 31, 2020, and have issued our report thereon dated REPORT DATE. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no accounting estimates affecting the financial statements which were particularly sensitive or required substantial judgments by management.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Other audit findings or issues

We have provided a separate letter to you dated REPORT DATE, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of the Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

With respect to the financial data schedules – entity-wide balance sheet and financial data schedules – entity-wide revenue and expense summary (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated REPORT DATE.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

This communication is intended solely for the information and use of the Board of Commissioners and management of Kendall Housing Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Oak Brook, Illinois
REPORT DATE

Management
Kendall Housing Authority
Yorkville, Illinois

In planning and performing our audit of the financial statements of Kendall Housing Authority (the Authority) as of and for the year ended December 31, 2020, in accordance with auditing standards generally accepted in the United States of America, 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 opinion 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.

However, during our audit we became aware of a deficiency in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. Our comment and suggestion regarding this matter is summarized below. This letter does not affect our report on the financial statements dated REPORT DATE.

Segregation of Duties – Journal Entries

Testing of journal entries noted a lack of segregation of duties between those preparing and reviewing journal entries. In addition, the current accounting system does not currently utilize access controls or system segregation for the current users. A lack of controls over journal entries increases the risk of fraudulent or inaccurate financial reporting.

We recommend the Authority implement a control process over the preparation and approval of journal entries. In addition, the Authority should ensure the accounting system contains proper access controls and limit access depending on a user's needs.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with various Authority personnel, and we will be pleased to discuss it in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendation.

* * *

This communication is intended solely for the information and use of management, the Board of Commissioners, and others within the Kendall Housing Authority, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Oak Brook, Illinois
REPORT DATE