

KENDALL HOUSING AUTHORITY
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
FOR THE YEAR ENDED DECEMBER 31, 2017

KENDALL HOUSING AUTHORITY

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INTRODUCTION

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Kendall Housing Authority
Yorkville, Illinois

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Kendall Housing Authority, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Kendall Housing Authority, as of December 31, 2017, and the respective changes in financial position and the cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis information on pages 3 through 10 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Kendall Housing Authority's basic financial statements. The accompanying supplemental data including the financial data schedules, are presented for purposes of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The financial data schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 use 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, financial data schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 10, 2018, on our consideration of the Kendall Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Kendall Housing Authority's internal control over financial reporting and compliance.

Zenk & Associates, P.C.

September 10, 2018

KENDALL HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Kendall Housing Authority (The Authority) management's discussion and analysis is designed to {a} assist the reader in focusing on significant financial issues, {b} provide an overview of the Authority's financial activity, {c} identify change in the Authority's financial position (its ability to address the next and subsequent year challenges), and {d} identify individual fund issues or concerns.

Since the Management Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 8).

FINANCIAL HIGHLIGHTS

The Authority's net position increased by \$20,136 (6%) during 2017. Net position was \$354,904 and \$334,768 for 2017 and 2016 respectively. This increase is explained later in this section of the financial statements.

The business-type activities revenue increased by \$42,009 (or 1%) during 2017, and was \$4,599,746 and \$4,557,737 for 2017 and 2016 respectively. This increase is explained later in this section of the financial statements.

The total expenses of all Authority's programs increased by \$34,811 (or 1%) during 2017. Total expenses wwa \$4,579,610 and \$4,544,799 for 2017 and 2016 respectively. This increase is explained later in this section of the financial statements.

USING THIS ANNUAL REPORT

The following graphic outline of the Authority's financial statement presentation:

MD&A Management Discussion and Analysis - pages 3-7
Basic Financial Statements Authority-wide Financial Statements - pages 8-10 Notes to Financial Statements - pages 11-15
Other Required Supplementary Information Required Supplementary Information - pages 16-29

The current presentation focuses on both the Authority as a whole (Authority-wide) and the major individual funds. Both perspectives (Authority-wide and major funds) allow the user to address relevant questions, broaden a basis for comparison (year to year or Authority to Authority) and enhances the Authority's accountability.

KENDALL HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

Authority-Wide Financial Statements

The Authority-wide financial statements (see pages 8-10) are designed to be corporate-like in that all business type programs are consolidated into one single enterprise fund for the Authority.

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities, equals "Net Position", formerly known as equity. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities for the entire Authority. Net Position (formerly equity) are reported in three broad categories (as applicable):

Net Position Invested in Capital Assets, Net of Related Debt: This component of Net Assets consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that do not meet the definition of "Net Position Invested in Capital Assets, Net of Related Debt" , or "Restricted Net Position".

The basic financial statements also include a Statement of Revenues, Expenses, and Changes in Fund Net Position (similar to an Income Statement). This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenues and Expenses, such as grant revenue, investment income and interest expense.

The focus of the Statement of Revenues, Expenses, and Changes in Fund Net Position is the "Change in Net Position", which is similar to Net Income or Loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financial activities.

Fund Financial Statements

Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar. The focus is now on Major Funds, rather than fund types. The Authority consists of exclusively Enterprise Funds. Enterprise Funds utilize the full accrual basis of accounting. The Enterprise method of accounting is similar to accounting utilized by the private sector accounting. Many of the funds maintained by the Authority are required by the U.S. Department of Housing and Urban Development (HUD). Others are segregated to enhance accountability and control.

KENDALL HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

The Authority's Funds

Enterprise Funds, using Business-Type Presentation Format

Housing Choice Voucher Program - Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Rental Support Program - Under the Rental Support Program, the Authority administers and selects the landlords to participate and receive rental assistance subsidies for low income tenants. The program is administered under a Local Administrating Agency Funding Agreement with Illinois Housing Development Authority. Rental Assistance is funded by grants issued by Illinois Housing Development Authority.

Authority-Wide Statements

The following table reflects the condensed Statement of Net Position compared to prior year. The Authority is engaged in Business-Type Activities.

**TABLE 1
STATEMENT OF NET POSITION**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percent Change</u>
Current and Other Assets	\$ 516,820	\$ 685,392	\$ (168,572)	-25%
Total Assets	<u>516,820</u>	<u>685,392</u>	<u>(168,572)</u>	-25%
Other Liabilities	161,916	350,624	(188,708)	-54%
Total Liabilities	<u>161,916</u>	<u>350,624</u>	<u>(188,708)</u>	-54%
Net Position:				
Restricted	-	15,391	(15,391)	100%
Unrestricted	354,904	319,377	35,527	11%
Total Net Position	\$ <u>354,904</u>	\$ <u>334,768</u>	\$ <u>20,136</u>	6%

For more detailed information see page 9 for the Statement of Net Position.

Major Factors Affecting the Statement of Net Position

Current assets decreased by \$168,572 (or 25%) due to the decreased HUD subsidies and portability in payments.

Current liabilities decreased by \$188,809 (or 54%) due to decrease in unearned revenue of HAP Payments.

KENDALL HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

TABLE 2
CHANGE OF UNRESTRICTED NET POSITION

Beginning Balance	\$	319,377
Results of Operations		20,136
Adjustments:		
Adjusted Results from Operations		20,136
Change in Restricted		<u>15,391</u>
Ending Balance	\$	<u><u>354,904</u></u>

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

While the results of operations is a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

TABLE 3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

		<u>2017</u>		<u>2016</u>		<u>Change</u>	<u>Percent Change</u>
Revenues							
Operating Subsidies and Grants	\$	1,745,118	\$	1,778,194	\$	(33,076)	-2%
Other Government Grants		\$619,418		448,544		170,874	38%
Investment Income		44		-		44	100%
Other Revenues		<u>2,235,166</u>		<u>2,330,999</u>		<u>(95,833)</u>	-4%
Total Revenue		<u><u>4,599,746</u></u>		<u><u>4,557,737</u></u>		<u><u>42,009</u></u>	1%
Expenses							
Administrative		307,705		363,779		(56,074)	-15%
General Expenses		1,855		1,333		522	39%
Housing Assistance Payments		4,270,050		4,168,659		101,391	2%
Bad Debt		<u>-</u>		<u>11,028</u>		<u>(11,028)</u>	100%
Total Expenses		<u><u>4,579,610</u></u>		<u><u>4,544,799</u></u>		<u><u>34,811</u></u>	1%
Net Increase (Decrease)	\$	<u><u>20,136</u></u>	\$	<u><u>12,938</u></u>	\$	<u><u>7,198</u></u>	56%

For more detailed information see page 9 for the Statement of Revenue, Expenses, and Changes in Fund Net Position.

KENDALL HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(UNAUDITED)

JOB FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION

Revenues increased by \$42,009 (or 1%). The majority of this increase is due to the increase in other government grants revenues.

Expenses increased by \$34,811 (or 1%). The majority of this increase is due to the increase in HAP payments for landlords. 80% of administrative fees received from HUD go to pay DuPage Housing Authority for assistance in administrative services needed to fully operate the Kendall Housing Authority. Management fees for these services was \$273,020.

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- Local inflationary, recessionary, and employment trends, which can affect residents' incomes and rental income
- Inflationary pressure on utility rates, supplies, and other costs
- Significant increase in energy costs

IN CONCLUSION

The Kendall Housing Authority takes great pride in its financial management and is pleased to report on the consistent and sound financial condition of the Authority.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Kenneth Coles, Executive Director of the Kendall Housing Authority at (630) 690-3555. Specific requests may be submitted to Kenneth Coles, Executive Director of the Kendall Housing Authority, 711 East Roosevelt Road, Wheaton, IL 60187-5646.

BASIC FINANCIAL STATEMENTS

KENDALL HOUSING AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2017

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents - Unrestricted	\$ 496,540
Accounts Receivable	5,829
Due From Other Governmental Units	12,334
Prepaid Expenses	<u>2,117</u>

TOTAL CURRENT ASSETS 516,820

TOTAL ASSETS 516,820

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	24,965
Unearned Revenue	<u>136,951</u>

TOTAL CURRENT LIABILITIES 161,916

TOTAL LIABILITIES 161,916

NET POSITION

Unrestricted	<u>354,904</u>
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TOTAL NET POSITION 354,904

TOTAL LIABILITIES AND NET POSITION \$ 516,820

"SEE INDEPENDENT AUDITOR'S REPORT"
"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

KENDALL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEAR ENDED DECEMBER 31, 2017

OPERATING REVENUES

Program Grants - Subsidies	\$ 1,745,118
Other Governmental Grants	619,418
Other Revenue	<u>2,204,065</u>
TOTAL OPERATING REVENUES	4,568,601

OPERATING EXPENSES

Administrative	307,705
Insurance	1,855
Housing Assistant Payments	<u>4,270,050</u>
TOTAL OPERATING EXPENSES	<u>4,579,610</u>

NET OPERATING LOSS (11,009)

NON - OPERATING REVENUE (EXPENSES)

Interest Income	44
Fraud Recovery	<u>31,101</u>
TOTAL NON-OPERATING REVENUE (EXPENSES)	<u>31,145</u>

CHANGE IN NET POSITION 20,136

NET POSITION - Beginning of Year 334,768

NET POSITION - End of Year \$ 354,904

"SEE INDEPENDENT AUDITOR'S REPORT"
"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

KENDALL HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Customers	\$ 2,204,065
Cash Received From Grants and Subsidies	2,392,134
Cash Payments To Suppliers For Goods and Services	<u>(4,768,317)</u>
ACTUAL NET CASH USED BY OPERATING ACTIVITIES	(172,118)

CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES

Fraud Recovery	<u>31,101</u>
ACTUAL NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	31,101

CASH FLOW FROM INVESTING ACTIVITIES

Interest Income	<u>44</u>
ACTUAL NET CASH PROVIDED BY NONCAPITAL AND RELATED FINANCING ACTIVITIES	<u>44</u>

NET DECREASE IN CASH AND CASH EQUIVALENTS (140,973)

CASH AND CASH EQUIVALENTS - Beginning of Year 637,513

CASH AND CASH EQUIVALENTS - End of Year \$ 496,540

RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:

Net Operating Loss \$ (11,009)

Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:

(Increase) Decrease in:

Accounts Receivable	27,598
Prepaid Expenses	1

Increase (Decrease) in:

Accounts Payable	(33,092)
Unearned Revenue	<u>(155,616)</u>

NET CASH USED BY OPERATING ACTIVITIES \$ (172,118)

RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET ASSETS TO THE STATEMENT OF CASH FLOWS:

Cash and Cash equivalents - Unrestricted \$ 496,540

CASH AND CASH EQUIVALENTS - End of Year \$ 496,540

"SEE INDEPENDENT AUDITOR'S REPORT"

"THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS"

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

The Kendall Housing Authority ("the Authority") is a governmental, public corporation created under federal and state housing laws created for the purpose of engaging in the development, acquisition and administrative activities of the low-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 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 Voucher Housing Choice 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 provisions 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 organizations, 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 generally accepted accounting principles (GAAP) in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority follows GASB guidance as applicable to proprietary funds and FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. Government activities, which normally are supported by intergovernmental (grant) revenues, are reported separately from any business-type activities, which would rely to a significant extent on fees and charges for support. All of the Authority's activities are considered business activities.

The Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement 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 and services

"SEE INDEPENDENT AUDITOR'S REPORT"

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

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 statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement 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 charges to tenants for rent and operating subsidies from HUD. Operating expenses for the enterprise fund include the costs of facility maintenance, housing assistance payments, administrative expenses and depreciation on capital assets. 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 generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of 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 expenditure 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.

Cash and Cash Equivalents

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).

Restricted Cash and Cash Equivalents

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

Prepaid Assets

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

Unearned Revenue

Unearned revenue is comprised of fiscal year 2017 housing payments received as of December 31, 2017.

Due From/To Other Programs

Interprogram receivables and payables as of December 31, 2017 on the Financial Data Schedule have been eliminated on the Statement of Net Position.

"SEE INDEPENDENT AUDITOR'S REPORT"

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Restricted Net Position

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

NOTE 2 - CASH AND INVESTMENTS

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

At December 31, 2017, cash was in bank deposits and certificates of deposit, all of which were fully insured or collateralized with securities held by the Authority or by its agent in the Authority's name. The Authority's cash balances at December 31, 2017, totaled \$496,540. The Authority has no investments.

- | | | |
|------------------------------|---|---|
| Interest Rate Risk | - | The Authority's formal investment policy does not specifically address the exposure to this risk. |
| Credit Risk | - | The Authority's formal investment policy does not specifically address credit risk. Credit risk is generally evaluated based on the credit ratings issued by nationally recognized statistical rating organizations. |
| Custodial Credit Risk | - | The Authority's policy is to limit credit risk by adherence to the list of HUD permitted investments, which are backed by the full faith and credit of or guarantee of principal and interest by the U.S. Government. |
| Concentration of Credit Risk | - | The Authority's investment policy does not restrict the amount that the Authority may invest in any one issuer. |

"SEE INDEPENDENT AUDITOR'S REPORT"

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

NOTE 2 - CASH AND INVESTMENTS ,Continued.

For all deposits shown below, the market value at the balance sheet date is substantially the same as the carrying value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the Authority's deposits may have been higher than the December 31, 2017 balances detailed below. This means that the Authority's risk and exposure could be higher at times. The Authority had no significant type of deposit during the year not included below.

<u>Deposits</u>	<u>Depository Balances by Category</u>				<u>Carrying</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Total</u>	<u>Amount</u>
Bank Deposits	\$ 246,540	\$ 250,000	\$ -0-	\$ 496,540	\$ <u>496,540</u>
Total December 31, 2017					\$ <u>496,540</u>

Reconciliation of cash and cash equivalents to the balance sheet:

Cash and Cash Equivalents	\$ 496,540
Cash and Cash Equivalents - Restricted	<u>-</u>
Total	\$ <u>496,540</u>

Deposits and investments with stated interest rates (savings accounts, certificates of deposit) are stated at cost.

Investment income is allocated to the fund that owns the deposit.

NOTE 3 - RESTRICTED CASH

As of December 31, 2017, the Authority had the following cash, the use of which was restricted under the terms of various grant programs, debt obligations, and other requirements.

Section 8 Housing Choice Vouchers Program	
Housing Assistance Payments Equity	<u>-</u>
Total Restricted Cash	\$ <u>-</u>

NOTE 4 - 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.

"SEE INDEPENDENT AUDITOR'S REPORT"

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

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Grants

The Authority received financial assistance from federal agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Authority. The amount, if any, of disbursements which may be disallowed by the grantor cannot be determined at this time, although the Authority expects 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, 2017, the Authority was involved in several such matters. While the outcome of the above matters cannot presently be determined, management believes that their ultimate resolution will not have a material effect on the financial statements.

NOTE 6 - 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 for the year ended December 31, 2017.

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

NOTE 7 - 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. Eighty percent (85%) of the monthly Housing Choice Voucher Program administrative fee received by the Authority goes to DuPage Housing Authority for compensation for administrative services. Included in administrative expense is \$273,020 paid for under this agreement.

"SEE INDEPENDENT AUDITOR'S REPORT"

OTHER SUPPLEMENTARY INFORMATION

KENDALL HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
PROGRAM FINANCIALS - BALANCE SHEET
FOR THE YEAR ENDED DECEMBER 31, 2017

FDS Line Item No.	Account Description	14.871 Housing Choice Vouchers	2 State and Local	Total Programs
	ASSETS			
111	Cash - Unrestricted	\$217,015	\$279,525	\$496,540
113	Cash - Other Restricted	0	0	0
100	TOTAL CASH	217,015	279,525	496,540
122	Accounts Receivable - Other Government	12,334	0	12,334
125	Accounts Receivable - Miscellaneous	5,829	0	5,829
126	Accounts Receivable - Tenants	0	0	0
126.1	Allowance for Doubtful Accounts - Tenants	0	0	0
126.2	Allowance for Doubtful Accounts - Other	0	0	0
128	Accounts Receivable - Fraud Recovery	0	0	0
128.1	Allowance for Doubtful Accounts - Fraud Recovery	0	0	0
120	Total Receivable - Net of Allowances	18,163	0	18,163
142	Prepaid Expenses & Other Assets	2,117	0	2,117
144	Interprogram Due From	0	0	0
150	Total Current Assets	2,117	0	2,117
150	TOTAL CURRENT ASSETS	237,295	279,525	516,820
164	Furniture and Equipment - Administrative	0	0	0
165	Leasehold Improvement	0	0	0
166	Accumulated Depreciation	0	0	0
160	Total Capital Assets, Net of Accum Depreciation	0	0	0
180	TOTAL NONCURRENT ASSETS	0	0	0
190	TOTAL ASSETS	\$237,295	\$279,525	\$516,820
	LIABILITIES			
312	Accounts Payable <=90 Days	\$24,965	\$0	\$24,965
332	Accounts Payable - PHA Projects	\$0	\$0	0
333	Accounts Payable - Other Government	0	0	0
342	Unearned Revenue	12,589	124,362	136,951
347	Inter Program - Due To	0	0	0
310	TOTAL CURRENT LIABILITIES	37,554	124,362	161,916
353	Noncurrent Liabilities - Other	0	0	0
350	TOTAL NONCURRENT LIABILITIES	0	0	0
300	TOTAL LIABILITIES	37,554	124,362	161,916
	EQUITY			
508.1	Invested in Capital Assets, Net of Related Debt	0	0	0
511.1	Restricted Net Position	0	0	0
512.1	Unrestricted Net Position	199,741	155,163	354,904
513	TOTAL EQUITY	199,741	155,163	354,904
600	TOTAL LIABILITIES AND EQUITY	\$237,295	\$279,525	\$516,820

KENDALL HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 PROGRAM FINANCIALS - INCOME STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2017

FDS Line Item No.	Account Description	14,871 Housing Choice Vouchers	2 State and Local	Total Programs
	REVENUE			
70600	PHA HUD Grants	\$1,745,118	\$0	\$1,745,118
70800	Other Government Grants	0	619,418	619,418
71100	Investment Income - Unrestricted	26	18	44
71400	Fraud Recovery	31,101	0	31,101
71500	Other Revenue	2,202,695	1,370	2,204,065
72000	Investment Income - Restricted	0	0	0
70000	TOTAL REVENUE	\$3,978,940	\$620,806	\$4,599,746
	EXPENSES			
91100	Administrative Salaries	\$0	\$0	\$0
91200	Auditing Fees	5,303	1,447	6,750
91300	Management Fee	213,591	59,429	273,020
91400	Advertising and Marketing	0	0	0
91500	Employee Benefit Contributions - Administrative	0	0	0
91600	Office Expense	7,108	0	7,108
91700	Legal Expense	0	0	0
91800	Travel Expense	9,075	247	9,322
91900	Other	10,908	597	11,505
96100	Insurance	1,457	398	1,855
96600	Bad Debt - Other	0	0	0
96900	TOTAL OPERATING EXPENSES	247,442	62,118	309,560
			0	
97000	EXCESS OPERATING REVENUE OVER			
	EXPENSES	3,731,498	558,688	4,290,186
	OTHER EXPENSES			
97300	Housing Assistance Payments	1,657,571	537,104	2,194,675
97350	HAP Portability-In	2,075,375	0	2,075,375
97400	Depreciation Expense	0	0	0
90000	TOTAL EXPENSES	3,980,388	599,222	4,579,610
10000	EXCESS (DEFICIENCY) OF REVENUE OVER			
	(UNDER) EXPENSES	(1,448)	21,584	20,136
11030	Beginning Equity	201,189	133,579	334,768
11040	Prior Period Adjustment	0	0	0
	ENDING EQUITY	\$199,741	\$155,163	\$354,904

KENDALL HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE
 PROGRAM FINANCIALS - INCOME STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2017

FDS Line Item No.	Account Description	14,871 Housing Choice Vouchers	2 State and Local	Total Programs
11170-001	Administrative Fee Equity - Beginning Balance	\$185,798	\$0	\$185,798
11170-010	Administrative Fee Revenue	144,011	0	144,011
11170-021	FSS Coordinator Grant	0	0	0
11170-040	Investment Income	26	0	26
11170-045	Fraud Recovery Revenue	0	0	0
11170-050	Other Revenue	2,202,695	0	2,202,695
11170-060	Total Admin Fee Revenues	2,346,732	0	2,346,732
11170-080	Total Operating Expenses	247,442	0	247,442
11170-090	Depreciation	0	0	0
11170-095	Housing Assistance Portability In	2,075,375	0	2,075,375
11170-100	Other Expenses	9,972	0	9,972
11170-110	Total Expenses	2,332,789	0	2,332,789
11170-002	Net Administrative Fee	13,943	0	13,943
11170-003	Administrative Fee Equity - Ending Balance	\$199,741	\$0	\$199,741
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$15,391	\$0	\$15,391
11180-010	Housing Assistance Payment Revenue	1,601,107	0	1,601,107
11180-015	Fraud Recovery Revenue	31,101	0	31,101
11180-020	Other Income	9,972	0	9,972
11180-025	Investment Income	0	0	0
11180-030	Total HAP Revenues	1,642,180	0	1,642,180
11180-080	Housing Assistance Payments	1,657,571	0	1,657,571
11180-090	Other Expense	0	0	0
11180-100	Total Housing Assistance Payments Expenses	1,657,571	0	1,657,571
11180-002	Net Housing Assistance Payments	(15,391)	0	(15,391)
11180-003	Housing Assistance Payments Equity - Ending Balance	\$0	\$0	\$0
11190	Unit Months Available	1,920	600	2,520
11210	Unit Months Leased	1,888	515	2,403

KENDALL HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULE PHA FINANCIAL DATA - BALANCE SHEET
 FOR THE YEAR ENDED DECEMBER 31, 2017

FDS Line Item No.	Account Description	Total Programs
	ASSETS	
111	Cash - Unrestricted	\$496,540
113	Cash - Other Restricted	0
100	TOTAL CASH	496,540
122	Accounts Receivable - Other Government	12,334
125	Accounts Receivable - Miscellaneous	5,829
126	Accounts Receivable - Tenants	0
126.1	Allowance for Doubtful Accounts - Tenants	0
126.2	Allowance for Doubtful Accounts - Other	0
128	Accounts Receivable - Fraud Recovery	0
128.1	Allowance for Doubtful Accounts - Fraud Recovery	0
120	Total Receivable - Net of Allowances	18,163
142	Prepaid Expenses & Other Assets	2,117
144	Interprogram Due From	0
150	Total Current Assets	2,117
150	TOTAL CURRENT ASSETS	516,820
164	Furniture and Equipment - Administrative	0
165	Leasehold Improvement	0
166	Accumulated Depreciation	0
160	Total Capital Assets, Net of Accum Depreciation	0
180	TOTAL NONCURRENT ASSETS	0
190	TOTAL ASSETS	\$516,820
	LIABILITIES	
312	Accounts Payable <=90 Days	\$24,965
332	Accounts Payable - PHA Projects	0
333	Accounts Payable - Other Government	0
342	Unearned Revenue	136,951
347	Inter Program - Due To	0
310	TOTAL CURRENT LIABILITIES	161,916
353	Noncurrent Liabilities - Other	0
350	TOTAL NONCURRENT LIABILITIES	0
300	TOTAL LIABILITIES	161,916
	EQUITY	
508.1	Invested in Capital Assets, Net of Related Debt	0
511.1	Restricted Net Position	0
512.1	Unrestricted Net Position	354,904
513	TOTAL EQUITY	354,904
600	TOTAL LIABILITIES AND EQUITY	\$516,820

KENDALL HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULES
 PHA FINANCIAL DATA - INCOME STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2017

FDS Line Item No.	Account Description	Total Programs
	REVENUE	
70600	PHA HUD Grants	\$1,745,118
70800	Other Government Grants	619,418
71100	Investment Income - Unrestricted	44
71400	Fraud Recovery	31,101
71500	Other Revenue	2,204,065
72000	Investment Income - Restricted	0
70000	TOTAL REVENUE	\$4,599,746
	EXPENSES	
91100	Administrative Salaries	\$0
91200	Auditing Fees	6,750
91300	Management Fee	273,020
91400	Advertising and Marketing	0
91500	Employee Benefit Contributions - Administrative	0
91600	Office Expense	7,108
91700	Legal Expense	0
91800	Travel Expense	9,322
91900	Other	11,505
96100	Insurance	1,855
96600	Bad Debt - Other	0
96900	TOTAL OPERATING EXPENSES	309,560
97000	EXCESS OPERATING REVENUE OVER EXPENSES	4,290,186
	OTHER EXPENSES	
97300	Housing Assistance Payments	2,194,675
97350	HAP Portability-In	2,075,375
97400	Depreciation Expense	0
90000	TOTAL EXPENSES	4,579,610
10000	EXCESS (DEFICIENCY) OF REVENUE OVER (UNDER) EXPENSES	20,136
11030	Beginning Equity	334,768
11040	Prior Period Adjustment	0
	ENDING EQUITY	\$354,904

KENDALL HOUSING AUTHORITY
 FINANCIAL DATA SCHEDULES
 PHA FINANCIAL DATA - INCOME STATEMENT
 FOR THE YEAR ENDED DECEMBER 31, 2017

FDS Line Item No.	Account Description	Total Programs
11170-001	Administrative Fee Equity - Beginning Balance	\$185,798
11170-010	Administrative Fee Revenue	144,011
11170-021	FSS Coordinator Grant	0
11170-040	Investment Income	26
11170-045	Fraud Recovery Revenue	0
11170-050	Other Revenue	2,202,695
11170-060	Total Admin Fee Revenues	2,346,732
11170-080	Total Operating Expenses	247,442
11170-090	Depreciation	0
11170-095	Housing Assistance Portability In	2,075,375
11170-100	Other Expenses	9,972
11170-110	Total Expenses	2,332,789
11170-002	Net Administrative Fee	13,943
11170-003	Administrative Fee Equity - Ending Balance	\$199,741
11180-001	Housing Assistance Payments Equity - Beginning Balance	\$15,391
11180-010	Housing Assistance Payment Revenue	1,601,107
11180-015	Fraud Recovery Revenue	31,101
11180-020	Other Income	9,972
11180-025	Investment Income	0
11180-030	Total HAP Revenues	1,642,180
11180-080	Housing Assistance Payments	1,657,571
11180-090	Other Expense	0
11180-100	Total Housing Assistance Payments Expenses	1,657,571
11180-002	Net Housing Assistance Payments	(15,391)
11180-003	Housing Assistance Payments Equity - Ending Balance	\$0
11190	Unit Months Available	2,520
11210	Unit Months Leased	2,403

SINGLE AUDIT

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S 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

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of business-type activities of the Kendall Housing Authority as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Kendall Housing Authority's basic financial statements and have issued our report thereon dated September 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Kendall Housing 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 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 Kendall Housing Authority's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kendall Housing 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.

Compliance and Other Matters

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 no 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.

Zenk & Associates, P.C.

September 10, 2018

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY *UNIFORM GUIDANCE*

Board of Commissioners
Kendall Housing Authority
Yorkville, Illinois

Regional Inspector General of Audit
Department of Housing and Urban
Development

Report on Compliance for Each Major Federal Program

We have audited the Kendall Housing Authority's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the Kendall Housing Authority major federal programs for the year ended December 31, 2017. The Kendall Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Kendall Housing 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 Kendall Housing 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 on the Kendall Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, the Kendall Housing 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, 2017.

Report on Internal Control Over Compliance

Management of the Kendall Housing 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, we considered the Kendall Housing 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 our 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 Kendall Housing Authority's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of federal program that 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 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 the internal control over compliance was for limited purposes 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. 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 other purposes.

Zenk & Associates, P.C.

September 10, 2018

KENDALL HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED DECEMBER 31, 2017

	<u>FEDERAL CFDA NUMBER</u>	<u>FUNDS EXPENDED</u>
<u>U.S. DEPARTMENT OF HUD - DIRECT PROGRAMS</u>		
Section 8 Housing:		
Housing Choice Voucher Program	14.871	<u>1,745,118</u> *
Total Federal Assistance		\$ <u>1,745,118</u>

* Indicates Major Program

"SEE INDEPENDENT AUDITOR'S REPORT"

"SEE THE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS"

KENDALL HOUSING AUTHORITY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Federal Awards (the Schedule) includes the federal grant of the Kendall Housing Authority under programs of the federal government for the year ended December 31, 2017. 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 Kendall Housing Authority, it is not intended to and does not present the financial position or change in net position of the Kendall Housing Authority.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - SUB RECIPIENT AWARDS

Of the federal expenditures presented in the schedule, the Kendall Housing Authority did not provide federal awards to sub recipients.

KENDALL HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report	Unmodified
Internal Control Over Financial Reporting:	
Are any material weaknesses identified?	No
Are any significant weaknesses identified?	None Reported
Is any noncompliance material to financial statements noted?	No

Federal Awards

Internal Control Over Major Federal Awards:	
Are any material weaknesses identified?	No
Are any significant weaknesses identified?	None Reported
Type of Auditor's Report	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.51(a)?	No
Identification of major federal programs:	
CFDA# 14.871 Section 8 Housing Choice Vouchers	
Dollar threshold used to distinguish between type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

SECTION II - FINDINGS RELATED TO FINANCIAL STATEMENTS

None

SECTION III - FINDINGS RELATED TO FEDERAL AWARDS

None

KENDALL HOUSING AUTHORITY
SCHEDULE OF THE STATUS OF PRIOR YEARS FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2017

STATUS OF PRIOR FINDINGS

The prior audit report for the year ended December 31, 2016 contained no audit findings:

Financial Statement Findings

There are no findings or questioned costs for the year ended December 31, 2016.

Federal Award Findings

There are no findings or questioned costs for the year ended December 31, 2016.

AGREED-UPON PROCEDURES

Zenk & Associates, P.C.

Certified Public Accountants

Members: American Institutes of Certified Public Accountants
Michigan Association of Certified Public Accountants

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Board of Directors
Kendall Housing Authority
Yorkville, Illinois

Regional Inspector General of Audit
Department of Housing and Urban
Development

We have performed the procedure described in the second paragraph of this report, which was agreed upon by the Kendall Housing Authority and U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), solely to assist them in determining whether the electronic submission of certain information agrees with the related hard copy documents included within the OMB Circular A-133 reporting package. The Kendall Housing Authority is responsible for the accuracy and completeness of the electronic submission. This agreed-upon procedure was performed in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedure is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the "UFRS Rule Information" column with the corresponding printed documents listed in the "Hard Copy Documents" column. The results of the performance of our agreed-upon procedures indicated agreement of the electronically submitted information and hard copy as shown in the attached chart.

We were engaged to perform an audit in accordance with accounting principles generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, of the financial statements of Kendall Housing Commission as of the year ended December 31, 2017, and have issued our report thereon dated September 10, 2018. The information in the "Hard Copy Documents" column was included within the scope or was a by-product, of that audit. Further, our opinion on the fair presentation of the supplemental information dated September 10, 2018, was expressed in relation to the general purpose financial statements of Kendall Housing Commission taken as a whole.

A copy of the reporting package required by the Uniform Guidance, which includes the auditors' report is available in its entirety from Kendall Housing Commission. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

This report is intended solely for the information and use of the Kendall Housing Authority and the U.S. Department of Housing and Urban Development, REAC, and is not intended to be and should not be used by anyone other than these specified parties.

Zenk & Associates, P.C.

September 10, 2018

KENDALL HOUSING AUTHORITY
 AGREED-UPON PROCEDURES
 YEAR ENDED DECEMBER 31, 2017

UFRS Rule Information	Hard Copy Documents	Findings
Balance Sheet and Revenue and Expense	Financial Data Schedule, all CFDA's	Agrees
Footnotes	Footnotes to audited basic financial statements	Agrees
Type of opinion on FDS	Auditors' supplemental report on FDS	Agrees
Audit findings narrative	Schedule of Findings and Questioned Cost	Agrees
General information	OMB Data Collection Form	Agrees
Financial statement report information	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form	Agrees
Federal program report information	Schedule of Findings and Questioned Cost, Part 1 and OMB Data Collection Form	Agrees
Federal agencies required to receive reporting package	OMB Data Collection Form	Agrees
Basic financial statements and auditors' reports required to be submitted electronically	Basic Financial Statements (inclusive of auditors' reports)	Agrees