

**HOUSING AUTHORITY OF THE
CITY OF CALDWELL, IDAHO**

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended December 31, 2009

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Independent Auditor's Report

Commissioners of the
Housing Authority of the
City of Caldwell, Idaho
Caldwell, Idaho

We have audited the accompanying financial statements of the business-type activities and the fund information of the **Housing Authority of the City of Caldwell, Idaho** (the Housing Authority), as of and for the year ended December 31, 2009, which collectively comprise the Housing Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 and the fund information of the **Housing Authority of the City of Caldwell, Idaho**, as of December 31, 2009, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 2010, on our consideration of the Housing 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The **Housing Authority of the City of Caldwell, Idaho** has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Housing Authority of the City of Caldwell, Idaho's** financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Bailey & Co.

Nampa, Idaho
July 2, 2010

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Net Assets
December 31, 2009

	Operating Fund	Store Fund	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 29,316	\$ 0	\$ 29,316
Accounts Receivable - Net of Allowance for Doubtful Accounts	22,979	0	22,979
Inventory	0	9,927	9,927
Total Current Assets	52,295	9,927	62,222
Noncurrent Assets:			
Restricted Assets:			
Required Reserve	326,722	0	326,722
Deposit Funds	26,631	0	26,631
Land	240,000	0	240,000
Buildings and Improvements, Net	5,321,248	0	5,321,248
Equipment, Net	82,163	5,815	87,978
Bond Fees, Net	3,084	0	3,084
Total Noncurrent Assets	5,999,848	5,815	6,005,663
Total Assets	6,052,143	15,742	6,067,885
Liabilities			
Current Liabilities:			
Cash Overdraft	0	810	810
Accounts Payable	24,180	3,902	28,082
Accrued Interest	1,282	0	1,282
Accrued Benefits	8,819	0	8,819
Accrued Liabilities	1,457	0	1,457
Security Deposits	52,199	0	52,199
Prepaid Rent	30,967	0	30,967
Notes Payable - Current Portion	132,898	0	132,898
Total Current Liabilities	251,802	4,712	256,514
Noncurrent Liabilities:			
Notes Payable - Long Term Portion	2,380,409	0	2,380,409
Long Term Accrued Benefits	8,818	0	8,818
Total Noncurrent Liabilities	2,389,227	0	2,389,227
Total Liabilities	2,641,029	4,712	2,645,741
Net Assets			
Invested in Capital Assets, Net of Related Debt	3,133,188	5,815	3,139,003
Unrestricted	(75,427)	5,215	(70,212)
Restricted	353,353	0	353,353
Total Net Assets	\$ 3,411,114	\$ 11,030	\$ 3,422,144

The accompanying notes are an integral
part of the financial statements.

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Revenues and Expenses
For the Year Ended December 31, 2009

	Operating Fund	Store Fund	Total
Operating Revenues			
Tenant Rent	\$ 1,026,607	\$ 0	\$ 1,026,607
Non-Dwelling Rent	22,402	0	22,402
Sales	0	63,562	63,562
Other Project Income	78,441	200	78,641
Total Operating Revenues	<u>1,127,450</u>	<u>63,762</u>	<u>1,191,212</u>
Operating Expenses			
Salaries - Management	199,120	7,761	206,881
Salaries - Repairs and Maintenance	180,950	0	180,950
Payroll Taxes and Employee Benefits	68,919	0	68,919
Sales Tax Expense	0	2,325	2,325
Merchant Fees	0	49,631	49,631
Grounds Maintenance	68,768	0	68,768
Insurance - Medical	81,644	0	81,644
Insurance - Other	42,511	0	42,511
Legal and Accounting	22,801	0	22,801
Other Management Expenses	174,358	1,054	175,412
Repair and Maintenance	170,647	276	170,923
Security Services	709	0	709
Utilities and Telephone	61,779	1,508	63,287
Water and Irrigation	2,281	0	2,281
Water Treatment	1,095	0	1,095
Depreciation and Amortization	429,431	2,560	431,991
Total Operating Expenses	<u>1,505,013</u>	<u>65,115</u>	<u>1,570,128</u>
Operating Income (Loss)	<u>(377,563)</u>	<u>(1,353)</u>	<u>(378,916)</u>
Nonoperating Revenues (Expenses)			
Interest Income	1,832	0	1,832
Interest Expense and Bank Charges	(17,382)	(1,129)	(18,511)
Loss on Disposal of Assets	(1,638)	0	(1,638)
Transfers In (Out)	(13,512)	13,512	0
Total Nonoperating Revenues (Expenses)	<u>(30,700)</u>	<u>12,383</u>	<u>(18,317)</u>
Net Income (Loss)	<u>\$ (408,263)</u>	<u>\$ 11,030</u>	<u>\$ (397,233)</u>

The accompanying notes are an integral
part of the financial statements.

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Changes in Net Assets
For the Year Ended December 31, 2009

	Operating Fund	Store Fund	Total
Balances, Beginning of Year	\$ 3,819,377	\$ 0	\$ 3,819,377
Increase (Decrease) In Net Assets	(408,263)	11,030	(397,233)
Balances, End of Year	<u>\$ 3,411,114</u>	<u>\$ 11,030</u>	<u>\$ 3,422,144</u>

The accompanying notes are an integral
part of the financial statements.

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Cash Flows
For the Year Ended December 31, 2009

	Operating Fund	Store Fund	Total
Cash Flows from Operating Activities			
Charges for Services	\$ 1,078,648	\$ 0	\$ 1,078,648
Other Receipts	100,843	63,762	164,605
Payments to Employees	(447,722)	(7,761)	(455,483)
Payments to Suppliers	(599,927)	(60,819)	(660,746)
Net Cash Provided (Used) by Operating Activities	<u>131,842</u>	<u>(4,818)</u>	<u>127,024</u>
Cash Flows from Noncapital Financing Activities			
Transfers In (Out)	<u>(13,512)</u>	<u>13,512</u>	<u>0</u>
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(13,512)</u>	<u>13,512</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	0	(8,375)	(8,375)
Principal Paid on Capital Debt	(80,462)	0	(80,462)
Interest Paid on Capital Debt	(17,382)	(1,129)	(18,511)
Net Cash Provided (Used) by Financing Activities	<u>(97,844)</u>	<u>(9,504)</u>	<u>(107,348)</u>
Cash Flows from Investing Activities			
Interest and Dividends	<u>1,832</u>	<u>0</u>	<u>1,832</u>
Net Cash Provided (Used) by Investing Activities	<u>1,832</u>	<u>0</u>	<u>1,832</u>
Net Increase (Decrease) in Cash and Cash Equivalents	22,318	(810)	21,508
Balances - Beginning of Year	<u>360,351</u>	<u>0</u>	<u>360,351</u>
Balances - End of Year	<u>\$ 382,669</u>	<u>\$ (810)</u>	<u>\$ 381,859</u>
Displayed As:			
Cash and Cash Equivalents	\$ 29,316	\$ (810)	\$ 28,506
Restricted	353,353	0	353,353
	<u>\$ 382,669</u>	<u>\$ (810)</u>	<u>\$ 381,859</u>

The accompanying notes are an integral part of the financial statements.

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Cash Flows (continued)
For the Year Ended December 31, 2009

	Operating Fund	Store Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (377,563)	\$ (1,353)	\$ (378,916)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	429,431	2,560	431,991
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	52,041	0	52,041
(Increase) Decrease in Prepaid Expenses	431	0	431
(Increase) Decrease in Inventory	0	(9,927)	(9,927)
Increase (Decrease) in Accounts Payable	(8,917)	3,902	(5,015)
Increase (Decrease) in Accrued Liabilities	(1,367)	0	(1,367)
Increase (Decrease) in Unearned Rent	30,967	0	30,967
Increase (Decrease) in Accrued Benefits	2,634	0	2,634
Increase (Decrease) in Security Deposits	4,185	0	4,185
Net Cash Provided by Operating Activities	<u>\$ 131,842</u>	<u>\$ (4,818)</u>	<u>\$ 127,024</u>

The accompanying notes are an integral
part of the financial statements.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

1. SUMMARY OF ACCOUNTING POLICIES

A. Reporting Entity

The **Housing Authority of the City of Caldwell, Idaho** (the Housing Authority), was established to provide housing for farm laborers with low and moderate incomes. The Housing Authority was initially funded with low interest loans from Rural Economic and Community Development. The Housing Authority also receives rental assistance for qualifying tenants through Rural Economic. The Housing Authority is governed by a board of five commissioners.

In evaluating how to define the governmental reporting entity, the **Housing Authority of the City of Caldwell, Idaho** has considered all potential component units. The decision to include or exclude a potential component unit was made by applying the criteria defined by the National Council on Governmental Accounting (NCGA) Statement 3, defining the Governmental Reporting Entity. The basic criteria for including a potential component unit is oversight responsibility which was determined on the component unit's financial interdependency and the Housing Authority's ability to significantly influence operations, select the governing authority, designate management, and participate in fiscal management. The other criteria in evaluating potential component units are the scope of public service and the existence of special financial relationships. Based upon the application of these criteria, the Housing Authority has no component units.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation

Proprietary fund operating revenues and expenses are related to the housing services that are provided to the residents of the **Housing Authority of the City of Caldwell, Idaho**. Revenues and expenses that arise from capital and non-capital financing activities and from investing activities are presented as non-operating revenues or expenses.

The Housing Authority has the following major enterprise funds:

- *Operating fund*. This fund accounts for the activities of the Housing Authority's housing services.
- *Store fund*. This fund accounts for the activities of the Housing Authority's store.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting

The Housing Authority's financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Under the terms of grant agreements, the Housing Authority funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

All business-type activities and enterprise funds of the Housing Authority follow FASB Statements and Interpretations issued after November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

C. Assets and Liabilities

Cash Equivalents

The Housing Authority's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of six months or less from the date of acquisition. All short-term cash surpluses are maintained in local banks, the earnings from which are recorded based on month-end deposit and investment balances.

For presentation on the financial statements, investments in the external investment pool and investments with an original maturity of six months or less at the time they are purchased by the Housing Authority are considered to be cash equivalents. Investments with an initial maturity of more than six months are reported as investments.

Inventories

Inventories are stated at cost and are expensed when used.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the proprietary funds are shown below:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$100	Straight-Line	20 – 40 Years
Equipment	\$100	Straight-Line	5 – 10 Years
Land Improvements	\$100	Straight-Line	10 – 20 Years
Bond Fees	\$100	Straight-Line	20 – 40 Years

The Housing Authority has no infrastructure.

Depreciation is used to allocate the actual or estimated historical cost of all capital assets over their estimated useful lives.

Compensated Absences

The Housing Authority uses the vesting method to compute compensated absences for sick leave.

Mortgage Subsidies

Under an agreement with Rural Housing Services (RHS), mortgage subsidies are provided which reduce the effective interest rate on four of the mortgages to approximately 1% over the life of the agreements. Mortgage interest expense is recorded at the net subsidized rates.

Rental Income and Assistance Payments

The Housing Authority leases its rental units to low and moderate income families in the Caldwell, Idaho area. The properties are operated subject to Rural Rental Housing Agreements. RHS has contracted with the Housing Authority to charge contract rents

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

based upon tenant income to qualifying tenants. Tenant rent charges cannot exceed amounts which have been approved in advance by RHS.

Allowance for Doubtful Accounts

Accounts are written off when found to be uncollectible by the Housing Authority. Receivables are determined to be past due by the Housing Authority's management.

Income Taxes

Under Section 115 of the 1986 Internal Revenue Code, income derived from any essential governmental function of a state or territory, or any political subdivision thereof, is exempt from federal and state income taxes.

Budgets and Budgetary Accounting

Annual budgets for the Housing Authority are prepared on the cash basis of accounting in accordance with Rural Housing Service regulations. Such annual budgets must be approved annually by the RHS, and are used as management tools that assist their users in analyzing financial activity for each fiscal year ending December 31.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

2. CASH AND INVESTMENTS

Summary of Deposit and Investment Balances

The Housing Authority maintains cash and investment accounts.

Deposits

As of December 31, 2009, the carrying amount of the Housing Authority's deposits were \$50,578 and the respective bank balances totaled \$54,511. Of the total bank balance, \$54,511 was insured or collateralized with pooled securities held by the pledging institution in the name of the Housing Authority.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

2. CASH AND INVESTMENTS (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. As of December 31, 2009, the Housing Authority's deposits were covered by federal depository insurance or by collateral held by the Housing Authority's agent or pledging financial institution's trust department or agent in the name of the Housing Authority, and thus were not exposed to custodial credit risk. The Housing Authority does not have a formal policy limiting its exposure to custodial credit risk. The Housing Authority also keeps \$337 petty cash on hand that is insured through liability insurance.

Custodial Credit Risk – Investments

Custodial credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Housing Authority does not have a formal policy limiting its custodial credit risk for investments.

Interest Rate Risk

The Housing Authority does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Investments

The Housing Authority voluntarily participates in the State of Idaho Investment Pool which was rated AAf by Standard and Poor's Rating Services. The pool is not registered with the Securities and Exchange Commission or any other regulatory body. Oversight of the pool is with the State Treasurer, and Idaho Code defines allowable investments. The fair value of the Housing Authority's investment in the pool is the same as the value of the pool shares.

The Housing Authority follows Idaho Statute that outlines qualifying investment options as follows:

Idaho Code authorizes the Housing Authority to invest any available funds in obligations issued or guaranteed by the United States Treasury, the State of Idaho, local Idaho municipalities and taxing districts, the Farm Credit System, or Idaho public corporations, as well as time deposit accounts and repurchase agreements.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

2. CASH AND INVESTMENTS (continued)

The Housing Authority's investments at December 31, 2009, are summarized below:

Investment	Fair Value	Maturity Less than 1 year
State Investment Pool	<u>\$ 330,754</u>	<u>\$ 330,754</u>

At year-end, the cash and investments were reported in the basic financial statements in the following categories:

	Proprietary Fund
Cash and cash equivalents	\$ 29,316
Restricted cash	353,353
Cash overdraft	(810)
	<u>\$ 381,859</u>

3. LONG-TERM OBLIGATIONS

Business-type Activities:

Notes payable have been issued to provide funds for housing projects.

Changes in long-term obligations for the year ended December 31, 2009, are as follows:

Description	Rate	Year of Maturity	1/1/2009	Increase	Decrease	12/31/2009	Current Portion
Rural Development	1%	2025	\$ 103,786	\$ 0	\$ (5,756)	\$ 98,030	\$ 5,809
Rural Development	1%	2025	85,467	0	(4,741)	80,726	4,784
Rural Development	1%	2025	215,188	0	(11,935)	203,253	12,045
Rural Development	1%	2028	1,134,209	0	(51,530)	1,082,679	52,005
IHA	0%	2027	358,690	0	0	358,690	17,934
IHA	0%	2027	676,429	0	0	676,429	33,821
Bank of Seattle	0%	2010	20,000	0	(6,500)	13,500	6,500
			<u>\$2,593,769</u>	<u>\$ 0</u>	<u>\$ (80,462)</u>	<u>\$2,513,307</u>	<u>\$132,898</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

3. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at December 31, 2009, are as follows:

Year Ending December 31,	Principal	<u>Notes Payable</u> Interest	Total
2010	\$ 132,898	\$ 14,306	\$ 147,204
2011	134,148	13,556	147,704
2012	127,905	12,799	140,704
2013	128,670	12,034	140,704
2014	129,443	11,261	140,704
2015-2019	659,080	44,440	703,520
2020-2024	679,595	23,925	703,520
2025-2029	521,568	5,109	526,677
	<u>\$ 2,513,307</u>	<u>\$ 137,430</u>	<u>\$ 2,650,737</u>

4. RESERVE REQUIREMENTS

The Housing Authority is required by the Bond Resolutions to establish reserves in the Debt Reserve Fund. Funds in the cash reserve shall be deposited in a separate bank account or accounts insured by Federal Deposit Insurance Corporation or invested in readily marketable obligations of the United States, the earnings of which all accrue to the Reserve Account. Under the original Bond Resolutions the reserves were to be funded over ten years following the date of the bond issue.

The summary of the reserve accounts at December 31, 2009, is as follows:

Debt Reserve Fund:	
Beginning Balance	\$ 312,527
Increase	88,415
Withdrawals:	
Authorized Expenditures	<u>(74,220)</u>
Total Reserve	<u>\$ 326,722</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

5. PENSION

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov.

The actuarially determined contribution requirements of the Housing Authority and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2009, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The Housing Authority employer contributions required and paid were \$38,306, \$32,276, and \$28,771 for the three years ended December 31, 2009, 2008, and 2007, respectively.

6. CONTINGENT LIABILITIES

The Housing Authority participates in federally assisted grant and loan programs. These programs are subjected to testing of compliance with laws and regulations by the Housing Authority's independent auditor under the provisions of the Single Audit Act.

The amount, if any, of expenditures which may be disallowed by the granting agency can not be determined at this time, although the Housing Authority does not expect such amounts, if any, to be material.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

7. RISK MANAGEMENT

The Housing Authority is exposed to various risks of loss related to torts; thefts of, damages to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial coverage for the past three years.

8. CAPITAL ASSETS

Capital asset activity for the calendar year ended December 31, 2009, was as follows:

	<u>Balance</u> <u>12/31/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/2009</u>
Business-type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 240,000	\$ 0	\$ 0	\$ 240,000
Capital Assets Being Depreciated:				
Buildings and Furnishings	5,966,611	0	3,007	5,963,604
Equipment	195,276	0	6,630	188,646
Store Equipment	0	8,375	0	8,375
Phase II Bldgs and Impvmts	3,499,883	0	0	3,499,883
Phase III Bldgs and Impvmts	700,115	0	0	700,115
Phase IV Bldgs and Impvmts	<u>1,900,736</u>	<u>0</u>	<u>0</u>	<u>1,900,736</u>
Total Historical Cost	<u>12,262,621</u>	<u>8,375</u>	<u>9,637</u>	<u>12,261,359</u>
Less: Accumulated Depreciation				
Buildings and Furnishings	3,704,209	190,649	1,369	3,893,489
Equipment	94,839	18,274	6,630	106,483
Store Equipment	0	2,560	0	2,560
Phase II Bldgs and Impvmts	1,624,965	123,569	0	1,748,534
Phase III Bldgs and Impvmts	297,019	25,458	0	322,477
Phase IV Bldgs and Impvmts	<u>707,272</u>	<u>71,318</u>	<u>0</u>	<u>778,590</u>
Total Accumulated Depreciation	<u>6,428,304</u>	<u>431,828</u>	<u>7,999</u>	<u>6,852,133</u>
Net Depreciable Assets	<u>5,834,317</u>	<u>(423,453)</u>	<u>1,638</u>	<u>5,409,226</u>
Business-type Activities - Net	<u>\$ 6,074,317</u>	<u>\$ (423,453)</u>	<u>\$ 1,638</u>	<u>\$ 5,649,226</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2009

9. TRANSFERS

Transfers to/from other funds at December 31, 2009 consist of the following:

\$ 13,512 From the Operating fund to the Store fund for expenses.

FEDERAL REPORTS

**Housing Authority
of the City of Caldwell, Idaho**
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Program Expenses</u>
<u>U.S. Department of Agriculture:</u>		
Rural Rental Assistance Payments	10.427	\$ 345,667
		<u>345,667</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Passed Through Idaho Housing and Finance:		
HOME - Loan Balances	14.239	358,690
HOME - Loan Balances	14.239	676,429
		<u>1,035,119</u>
Total		<u>\$ 1,380,786</u>

Note: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting

**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**

Commissioners of the
Housing Authority of the
City of Caldwell, Idaho
Caldwell, Idaho

We have audited the financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the **Housing Authority of the City of Caldwell, Idaho** as of and for the year ended December 31, 2009, and have issued our report thereon dated July 2, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **Housing Authority of the City of Caldwell, Idaho's** internal control over financial reporting as a basis for designing our auditing procedures 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 Housing Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. 2009-1. *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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Housing Authority of the City of Caldwell's** financial statements are free of 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*.

The Housing Authority's response to the findings identified in our audit is summarized in the accompanying management's response to findings. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the commissioners, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey & Co.

Nampa, Idaho
July 2, 2010

**Report on Compliance with Requirements Applicable to
Each Major Program and Internal Control Over Compliance
in Accordance with OMB Circular A-133**

Commissioners of the
Housing Authority of the
City of Caldwell, Idaho
Caldwell, Idaho

Compliance

We have audited the compliance of the **Housing Authority of the City of Caldwell, Idaho** with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB*) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 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. Our audit does not provide a legal determination of the Housing Authority's compliance with those requirements.

As described in item 2009-2 in the accompanying schedule of findings and questioned costs, the **Housing Authority of the City of Caldwell, Idaho** did not comply with requirements regarding required debt payments that are applicable to its rural rental assistance payments. Compliance with such requirements is necessary, in our opinion, for the Housing Authority to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the **Housing Authority of the City of Caldwell, Idaho** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of the Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Housing 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 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

The Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board of Commissioners, management, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Bailey & Co.

Nampa, Idaho
July 2, 2010

**Housing Authority
of the City of Caldwell**
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal Control over financial reporting:

Noncompliance material to financial statements noted? yes no

Significant deficiencies identified that are not considered material weaknesses? yes none reported

Federal Awards

Internal Control over major programs:

Noncompliance material to financial statements noted? yes no

Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Numbers	Name of Federal Program
14.239	Home Loan
10.427	Rural Rental Assistance Payments

Dollar threshold used to distinguish between
Type A and Type B programs: \$300,000

Auditee qualified as low risk auditee? yes no

Section II - Financial Statement Findings

2009-1: Preparation of Financial Statements

Condition:

It is management's responsibility to prepare the annual financial statements and footnotes in accordance with generally accepted accounting principles (GAAP).

Criteria:

With the change in auditing standards, the Housing Authority needs to put into place a system designed to provide for the preparation of the annual financial statements and related footnotes being audited. As auditors, we were requested to draft the annual financial statements and notes from the Housing Authority's accounting system.

Effect:

The lack of this control could cause a misstatement in the annual financial statements and footnotes to go undetected.

Cause:

This situation is common in Housing Authorities of this size and is a direct result of the cost/benefit of preparing their annual financial statements and footnotes.

Recommendation:

The Housing Authority should look at the costs and benefits of implementing internal controls over preparation of the annual financial statements and related footnotes.

Response:

See Corrective Action Plan.

2009-2: Required Debt Payment

Condition:

Caldwell Housing Authority did not make a scheduled payment against debt owed to Idaho Housing and Finance Association.

Section III - Findings and Questioned Costs for Federal Awards

2009-2: Required Debt Payment

Condition:

The Housing Authority did not make a scheduled payment against debt owed to Idaho

Criteria:

Unless specifically exempted, Idaho Housing and Finance Associations requires debt

Effect:

The lack of payment without permission could lead to foreclosure on the property.

Cause:

This situation came about due to a lack of money on the part of the Housing Authority.

Recommendation:

The Housing Authority should make timely payments in order to avoid foreclosure by IHFA.

Response:

See Corrective Action Plan.

**Housing Authority
Of the City of Caldwell, Idaho
Corrective Action Plan
For the Year Ended December 31, 2009**

2009-1: Preparation of Financial Statements

The board of directors will research the cost/benefit of implementing internal controls over preparation of the annual financial statements and, if possible, implement those changes accordingly.

2009-2: Required Debt Payment

The Board of Directors and the Executive Director should contact IHFA and renegotiate future debt payments on the HOME Loan by either:

1. Seeking a permanent loan deferment or "due on sale" note to remove the payment liability from future budgets;
2. Seeking IHFA's assistance in requesting a "program waiver" from the U.S. Department of Housing and Urban Development (HUD) to remove the payment liability from future budgets;
3. Requesting from IHFA the loan and regulatory agreement be amended to make the HOME Loans a grant, and un-encumber the project from regulatory compliance with the period of affordability; or
4. Budgeting appropriately to make the annual payment.

If there are any questions regarding this plan, please contact the Housing Authority at (208) 459-2232.