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

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Report on Audited  
Basic  
Financial Statements  
and  
Supplemental Information

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For the Year Ended December 31, 2011

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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 business-type activities and each fund of the **Housing Authority of the City of Caldwell, Idaho** (the Housing Authority), as of and for the year ended December 31, 2011, 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.

Except as discussed in the following paragraph, 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.

We were not able to obtain sufficient appropriate audit evidence related to inventory stated at \$10,816 in the accompanying Statement of Net Assets in the Store Fund.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves about the existence and completeness of the Housing Authority's inventory, the business-type activities and the Store Fund presents fairly, in all material respects, the financial position of the **Housing Authority of the City of Caldwell, Idaho**, as of December 31, 2011, and the 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 addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the Operating Fund of the **Housing Authority of the City of Caldwell, Idaho**, as of December 31, 2011, and the respective changes in

financial position and, where applicable, 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 June 18, 2012, 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 accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 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 relates directly 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  
June 18, 2012

**Housing Authority  
of the City of Caldwell, Idaho**  
Statement of Net Assets  
December 31, 2011

	Operating Fund	Store Fund	Total
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 19,610	\$ 0	\$ 19,610
Accounts Receivable, Net	17,689	0	17,689
Inventory	518	10,816	11,334
<b>Total Current Assets</b>	<u>37,817</u>	<u>10,816</u>	<u>48,633</u>
Noncurrent Assets:			
Restricted Assets:			
Required Reserve	349,937	0	349,937
Deposit Funds	26,762	0	26,762
Land	240,000	0	240,000
Buildings and Improvements, Net	4,542,195	0	4,542,195
Equipment, Net	51,490	133	51,623
Bond Fees, Net	2,758	0	2,758
<b>Total Noncurrent Assets</b>	<u>5,213,142</u>	<u>133</u>	<u>5,213,275</u>
<b>Total Assets</b>	<u>5,250,959</u>	<u>10,949</u>	<u>5,261,908</u>
<b>Liabilities</b>			
Current Liabilities:			
Cash Overdraft	0	930	930
Accounts Payable	26,965	3,368	30,333
Accrued Interest	1,096	0	1,096
Accrued Benefits	19,655	0	19,655
Accrued Liabilities	1,143	0	1,143
Security Deposits	67,920	0	67,920
Prepaid Rent	11,409	0	11,409
Notes Payable - Current Portion	179,902	0	179,902
<b>Total Current Liabilities</b>	<u>308,090</u>	<u>4,298</u>	<u>312,388</u>
Noncurrent Liabilities:			
Notes Payable - Long Term Portion	2,169,866	0	2,169,866
<b>Total Noncurrent Liabilities</b>	<u>2,169,866</u>	<u>0</u>	<u>2,169,866</u>
<b>Total Liabilities</b>	<u>2,477,956</u>	<u>4,298</u>	<u>2,482,254</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	2,486,675	133	2,486,808
Unrestricted	(22,451)	6,518	(15,933)
Restricted	308,779	0	308,779
<b>Total Net Assets</b>	<u>\$ 2,773,003</u>	<u>\$ 6,651</u>	<u>\$ 2,779,654</u>

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, 2011

	Operating Fund	Store Fund	Total
<b>Operating Revenues</b>			
Tenant Rent and Subsidy	\$ 1,047,377	\$ 0	\$ 1,047,377
Non-Dwelling Rent	18,717	0	18,717
Sales	1,463	68,634	70,097
Other Project Income	77,228	7	77,235
<b>Total Operating Revenues</b>	<u>1,144,785</u>	<u>68,641</u>	<u>1,213,426</u>
<b>Operating Expenses</b>			
Salaries - Management	221,133	598	221,731
Salaries - Repairs and Maintenance	175,978	0	175,978
Payroll Taxes and Employee Benefits	83,487	0	83,487
Sales Tax Expense	0	2,688	2,688
Computer Consultant	5,440	0	5,440
Merchant Fees	0	63,949	63,949
Grounds Maintenance	50,782	0	50,782
Insurance - Medical	67,520	0	67,520
Insurance - Other	52,466	0	52,466
Legal and Accounting	12,461	0	12,461
Other Management Expenses	46,167	822	46,989
Repair and Maintenance	312,113	0	312,113
Security Services	1,047	0	1,047
Utilities and Telephone	38,725	4,244	42,969
Water and Irrigation	7,963	0	7,963
Depreciation and Amortization	400,589	1,591	402,180
<b>Total Operating Expenses</b>	<u>1,475,871</u>	<u>73,892</u>	<u>1,549,763</u>
<b>Operating Income (Loss)</b>	<u>(331,086)</u>	<u>(5,251)</u>	<u>(336,337)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Interest Income	1,069	0	1,069
Interest Expense and Bank Charges	(14,850)	(1,373)	(16,223)
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(13,781)</u>	<u>(1,373)</u>	<u>(15,154)</u>
<b>Net Income (Loss)</b>	<u>\$ (344,867)</u>	<u>\$ (6,624)</u>	<u>\$ (351,491)</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, 2011

	Operating Fund	Store Fund	Total
<b>Balances, Beginning of Year</b>	\$ 3,117,870	\$ 13,275	\$ 3,131,145
<b>Increase (Decrease) in Net Assets</b>	<u>(344,867)</u>	<u>(6,624)</u>	<u>(351,491)</u>
<b>Balances, End of Year</b>	<u>\$ 2,773,003</u>	<u>\$ 6,651</u>	<u>\$ 2,779,654</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, 2011**

	Operating Fund	Store Fund	Total
<b>Cash Flows from Operating Activities</b>			
Charges for Services	\$ 1,043,179	\$ 0	\$ 1,043,179
Other Receipts	97,408	68,641	166,049
Payments to Employees	(486,505)	(598)	(487,103)
Payments to Suppliers	(589,439)	(67,768)	(657,207)
Net Cash Provided (Used) by Operating Activities	<u>64,643</u>	<u>275</u>	<u>64,918</u>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers In (Out)	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Purchase of Capital Assets	0	0	0
Principal Paid on Capital Debt	(84,457)	0	(84,457)
Interest Paid on Capital Debt	(14,912)	(1,373)	(16,285)
Net Cash Provided (Used) by Financing Activities	<u>(99,369)</u>	<u>(1,373)</u>	<u>(100,742)</u>
<b>Cash Flows from Investing Activities</b>			
Interest and Dividends	1,069	0	1,069
Net Cash Provided (Used) by Investing Activities	<u>1,069</u>	<u>0</u>	<u>1,069</u>
<b>Net Increase (Decrease) in Cash</b>	(33,657)	(1,098)	(34,755)
<b>Cash - Beginning of Year</b>	<u>429,966</u>	<u>168</u>	<u>430,134</u>
<b>Cash - End of Year</b>	<u>\$ 396,309</u>	<u>\$ (930)</u>	<u>\$ 395,379</u>
<b>Displayed As:</b>			
Cash and Cash Equivalents	\$ 19,610	\$ 0	\$ 19,610
Restricted Assets	376,699	0	376,699
Cash Overdraft	0	(930)	(930)
	<u>\$ 396,309</u>	<u>\$ (930)</u>	<u>\$ 395,379</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, 2011

	Operating Fund	Store Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (331,086)	\$ (5,251)	\$ (336,337)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	400,589	1,591	402,180
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(4,198)	0	(4,198)
(Increase) Decrease in Prepaid Expenses	(518)	0	(518)
(Increase) Decrease in Inventory	0	567	567
Increase (Decrease) in Accounts Payable	(5,721)	3,368	(2,353)
Increase (Decrease) in Accrued Liabilities	(4,466)	0	(4,466)
Increase (Decrease) in Unearned Rent	416	0	416
Increase (Decrease) in Accrued Benefits	(1,441)	0	(1,441)
Increase (Decrease) in Security Deposits	11,068	0	11,068
Net Cash Provided by Operating Activities	<u>\$ 64,643</u>	<u>\$ 275</u>	<u>\$ 64,918</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, 2011

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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 and Community Development. 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 in governmental reporting standards. 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, 2011

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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.

C. Assets and Liabilities

Cash Equivalents

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.

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:

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	<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.

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. The allowance for doubtful accounts as of December 31, 2011, totaled \$162,404.

D. Other Items

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

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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

Deposits

As of December 31, 2011, the carrying amounts of the Housing Authority's deposits were \$62,822 and the respective bank balances totaled \$73,934. The total bank balance was insured or collateralized with pooled securities held by the pledging institution in the name of the Housing Authority.

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, 2011, 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 \$200 petty cash on hand.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

2. CASH AND INVESTMENTS (continued)

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 has not been rated. 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.

The Housing Authority's investments at December 31, 2011, are summarized below:

Investment	Fair Value	Maturity Less than 1 Year
External Investment Pool	<u>\$ 332,384</u>	<u>\$ 332,384</u>

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

2. CASH AND INVESTMENTS (continued)

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

Cash and cash equivalents	\$ 62,822
Investments categorized as cash and cash equivalents	<u>332,384</u>
	<u>\$ 395,206</u>

3. COMPENSATED ABSENCES

Full-time employees that have worked for the Housing Authority for at least six months earn eight hours per month, after five years of service employees earn ten hours per month, and after ten years of service employees earn twelve hours per month. A maximum of 160 hours can carryover. Compensated absences for the year ended December 31, 2011, was as follows:

<u>Beginning</u>	<u>Earned</u>	<u>Used</u>	<u>Ending</u>	<u>Current Portion</u>
<u>\$ 21,096</u>	<u>23,629</u>	<u>(25,070)</u>	<u>\$ 19,655</u>	<u>\$ 19,655</u>

4. LONG-TERM OBLIGATIONS

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

Changes in long-term obligations for the year ended December 31, 2011, are as follows:

<u>Description</u>	<u>Rate</u>	<u>Maturity</u>	<u>1/1/2011</u>	<u>Increase</u>	<u>Decrease</u>	<u>12/31/2011</u>	<u>Current Portion</u>
Rural Development	1%	2025	\$ 92,225	\$ 0	\$ (5,872)	\$ 86,353	\$ 5,926
Rural Development	1%	2025	75,946	0	(4,837)	71,109	4,881
Rural Development	1%	2025	191,218	0	(12,176)	179,042	12,288
Rural Development	1%	2028	1,030,717	0	(52,572)	978,145	53,055
IHA	0%	2027	358,690	0	0	358,690	35,989
IHA	0%	2027	676,429	0	0	676,429	67,763
Bank of Seattle	0%	2010	9,000	0	(9,000)	0	0
			<u>\$2,434,225</u>	<u>\$ 0</u>	<u>\$(84,457)</u>	<u>\$2,349,768</u>	<u>\$179,902</u>

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

4. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at December 31, 2011, are as follows:

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
2012	\$ 179,902	\$ 12,799	\$ 192,701
2013	128,670	12,034	140,704
2014	129,443	11,261	140,704
2015	130,223	10,481	140,704
2016	131,012	9,692	140,704
2017-2021	667,163	36,357	703,520
2022-2026	652,730	15,648	668,378
2027-2029	330,625	1,297	331,922
	<u>\$ 2,349,768</u>	<u>\$ 109,569</u>	<u>\$ 2,459,337</u>

5. 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 the 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 debt reserve accounts at December 31, 2011, is as follows:

Beginning Balance	\$328,471
Increase	106,368
Withdrawals:	
Authorized Expenditures	<u>(84,902)</u>
Ending Balance	<u>\$349,937</u>

6. RESTRICTED NET ASSETS

Restricted net assets consist of the required reserves of \$349,937, refundable security deposits of \$26,762, less the corresponding security deposit liability of \$67,920 for total restricted nets assets of \$308,779.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

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7. 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 five 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](http://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, 2011, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% 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 \$39,122, \$37,469, and \$38,306 for the three years ended December 31, 2011, 2010, and 2009, respectively.

8. 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 cannot 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, 2011

9. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Disposals	Balance 12/31/2011
Capital Assets Not Being Depreciated:				
Land	\$ 240,000	\$ 0	\$ 0	\$ 240,000
Capital Assets Being Depreciated:				
Buildings and Furnishings	5,965,148	0	41,795	5,923,353
Equipment	182,923	0	710	182,213
Store Equipment	4,775	0	0	4,775
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>12,253,580</u>	<u>\$ 0</u>	<u>42,505</u>	<u>12,211,075</u>
Less: Accumulated Depreciation				
Buildings and Furnishings	4,084,130	190,768	41,795	4,233,103
Equipment	114,052	17,381	710	130,723
Store Equipment	3,051	1,591	0	4,642
Phase II Bldgs and Impvmts	1,858,667	95,501	0	1,954,168
Phase III Bldgs and Impvmts	347,936	25,459	0	373,395
Phase IV Bldgs and Impvmts	<u>849,909</u>	<u>71,317</u>	<u>0</u>	<u>921,226</u>
Total Accumulated Depreciation	<u>7,257,745</u>	<u>402,017</u>	<u>42,505</u>	<u>7,617,257</u>
Net Depreciable Assets	<u>4,995,835</u>	<u>(402,017)</u>	<u>0</u>	<u>4,593,818</u>
Capital Assets - Net	<u>\$5,235,835</u>	<u>\$(402,017)</u>	<u>\$ 0</u>	<u>\$4,833,818</u>

10. 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.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2011

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11. OTHER COMMITMENTS

The Housing Authority has four credit cards with credit limits totaling \$34,900 of which, \$32,872 was available for use as of December 31, 2011.

**FEDERAL REPORTS**

**Housing Authority**  
**of the City of Caldwell, Idaho**  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended December 31, 2011

<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	\$ 423,766
		<u>423,766</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>\$ 1,458,885</u>

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

**Housing Authority  
of the City of Caldwell, Idaho**  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2011

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U.S. Department of Housing and Urban Development; Passed through Idaho Housing and Finance:

Finding 2010-2: HOME – Loan Balances, CFDA Number 14.239

*Condition:* The required debt service payment for these loans was not made.

*Recommendation:* It was recommended that the Authority contact Idaho Housing and Finance Association (IHFA) and renegotiate the loan payments or request a waiver. IHFA was contacted regarding this in 2009, 2010, 2011, and 2012.

*Current Status:* The loan was not renegotiated, nor was an official waiver received. However, at the time of the audit for the year ended December 31, 2011, considerations were being made to forgive the loans. It is assumed that the finding warrants no further action.



Certified Public Accountants

James Washburn, CPA  
Weston Flamm, CPA  
Jared Zwygart, CPA  
Cassie Zattiero, CPA  
Leroy Loomis, CPA

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**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 and each fund of the **Housing Authority of the City of Caldwell, Idaho** as of and for the year ended December 31, 2011, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated June 18, 2012. 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**

Management of the **Housing Authority of the City of Caldwell, Idaho's** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Housing Authority'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 weaknesses. 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. 2011-1. 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 the **Housing Authority of the City of Caldwell, Idaho'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-2.

The Housing Authority's response to the findings identified in our audit is described in the accompanying corrective action plan. 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 management, the Commissioners, 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  
June 18, 2012



Certified Public Accountants

James Washburn, CPA  
Weston Flamm, CPA  
Jared Zwygart, CPA  
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**Independent Auditor's Report on Compliance With Requirements  
That Could Have a Direct and Material Effect on Each Major Program and on 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 **Housing Authority of the City of Caldwell, Idaho's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Housing Authority's major federal programs for the year ended December 31, 2011. 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 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.

In our opinion, the **Housing Authority of the City of Caldwell, Idaho**, 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133

and which are described in the accompanying schedule of findings and questioned costs as item 2011-2.

### **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 corrective action plan. We did not audit the Housing Authority's responses and, accordingly, we express no opinion on the responses.

This report is intended for the information and use of management, the Commissioners, others within the entity, 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  
June 18, 2012

**Housing Authority  
of the City of Caldwell**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2011

**Section I - Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued: Unqualified - Operating Fund; Qualified - Business-type Activities and Store Fund

Internal Control over financial reporting:

Significant deficiencies disclosed?       yes     none reported

Material weakness(es) disclosed       yes     No

Noncompliance material to financial statements noted?       yes     no

*Federal Awards*

Internal Control over major programs:

Significant deficiencies identified ?       yes     none reported

Material weakness(es) identified ?       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 Balances
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

### 2011-1: Inventory Controls

Condition:

The Housing Authority has not put in place controls designed to prevent or detect theft of inventory. **FARMWAY STORE**

Criteria:

Internal controls over inventory are necessary to prevent or detect theft, as well as to insure accuracy, completeness, and existence of inventory. **Grocery Theft**

Effect:

The lack of this control could cause a misstatement in the annual financial statements and footnotes to go undetected that was caused by either theft of inventory or an incorrect count of inventory.

Cause:

This deficiency is due to a lack of management oversight. **STORE Management**

Recommendation:

Management should implement approval procedures for the purchase of inventory, inventory should be counted more than once a year, and duties of receipting in inventory, counting inventory, and recording of inventory should be handled by different individuals.

Response:

See Corrective Action Plan.

## Section III - Findings and Questioned Costs for Federal Awards

### 2011-2: Required Debt Payment

Condition:

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

Criteria:

Unless specifically exempted, Idaho Housing and Finance Associations requires debt payments on an annual basis.

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, renegotiate payment schedules, or receive a waiver 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, 2011

---

2011-1: Inventory Controls

Management will implement and monitor controls to mitigate opportunities for theft and errors in counts or calculations.

2011-2: Required Debt Payment

The Board of Commissioners and the Executive Director have contacted IHFA and suggested renegotiating 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.