

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

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended December 31, 2012

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of 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, 2012, and the related notes to the financial statements, which collectively comprise the Housing 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 have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion

We were not able to obtain sufficient appropriate audit evidence related to inventory stated at \$11,535 in the accompanying Statement of Net Assets in the Store fund.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the store fund of the **Housing Authority of the City of Caldwell, Idaho**, as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to in the first paragraph 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, 2012, and the changes in financial position and, where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The **Housing Authority of the City of Caldwell, Idaho** has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. 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.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated July 17, 2013, on our consideration of the Housing Authority's internal control over financial reporting and our tests of 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 *Governmental Auditing Standards* in considering the Housing Authority's internal control over financial reporting and compliance.

Bailey & Co.

Nampa, Idaho
July 17, 2013

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Net Position
December 31, 2012

	Operating Fund	Store Fund	Total
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ 2,538	\$ 3,799	\$ 6,337
Accounts Receivable, Net	33,682	0	33,682
Inventory	1,700	11,535	13,235
Total Current Assets	<u>37,920</u>	<u>15,334</u>	<u>53,254</u>
Noncurrent Assets:			
Restricted Assets:			
Required Reserve	370,837	0	370,837
Deposit Funds	26,823	0	26,823
Land	240,000	0	240,000
Buildings and Improvements, Net	4,161,505	0	4,161,505
Equipment, Net	46,583	0	46,583
Bond Fees, Net	2,595	0	2,595
Total Noncurrent Assets	<u>4,848,343</u>	<u>0</u>	<u>4,848,343</u>
Total Assets	<u>4,886,263</u>	<u>15,334</u>	<u>4,901,597</u>
Deferred Outflows	<u>0</u>	<u>0</u>	<u>0</u>
Liabilities			
Current Liabilities:			
Accounts Payable	31,946	2,026	33,972
Accrued Interest	1,096	0	1,096
Compensated Absences - Short Term	1,931	0	1,931
Accrued Liabilities	1,469	0	1,469
Security Deposits	85,629	0	85,629
Notes Payable - Current Portion	76,915	0	76,915
Prepaid Rent	11,613	0	11,613
Total Current Liabilities	<u>210,599</u>	<u>2,026</u>	<u>212,625</u>
Noncurrent Liabilities:			
Compensated Absences - Long Term	17,382	0	17,382
Notes Payable - Long Term Portion	2,196,765	0	2,196,765
Total Noncurrent Liabilities	<u>2,214,147</u>	<u>0</u>	<u>2,214,147</u>
Total Liabilities	<u>2,424,746</u>	<u>2,026</u>	<u>2,426,772</u>
Deferred Inflows	<u>0</u>	<u>0</u>	<u>0</u>
Net Position			
Net Investment in Capital Assets	2,174,408	0	2,174,408
Unrestricted	(24,922)	13,308	(11,614)
Restricted	312,031	0	312,031
Total Net Position	<u>\$ 2,461,517</u>	<u>\$ 13,308</u>	<u>\$ 2,474,825</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, 2012

	Operating Fund	Store Fund	Total
Operating Revenues			
Tenant Rent and Subsidy	\$ 1,112,416	\$ 0	\$ 1,112,416
Non-Dwelling Rent	24,673	0	24,673
Sales	563	64,446	65,009
Other Project Income	60,458	106	60,564
Total Operating Revenues	<u>1,198,110</u>	<u>64,552</u>	<u>1,262,662</u>
Operating Expenses			
Salaries - Management	235,406	349	235,755
Salaries - Repairs and Maintenance	186,719	0	186,719
Payroll Taxes and Employee Benefits	84,948	0	84,948
Sales Tax Expense	0	2,977	2,977
Computer Consultant	1,220	0	1,220
Merchant Fees	0	48,561	48,561
Grounds Maintenance	43,551	0	43,551
Insurance - Medical	76,340	0	76,340
Insurance - Other	58,647	0	58,647
Legal and Accounting	22,057	0	22,057
Other Management Expenses	70,851	655	71,506
Repairs and Maintenance	243,610	632	244,242
Security Services	951	0	951
Utilities and Telephone	37,003	2,912	39,915
Water and Irrigation	9,552	0	9,552
Lab and Sampling	23,578	0	23,578
Depreciation and Amortization	401,360	133	401,493
Total Operating Expenses	<u>1,495,793</u>	<u>56,219</u>	<u>1,552,012</u>
Operating Income (Loss)	<u>(297,683)</u>	<u>8,333</u>	<u>(289,350)</u>
Nonoperating Revenues (Expenses)			
Interest Income	852	0	852
Interest Expense and Bank Charges	(14,655)	(1,676)	(16,331)
Total Nonoperating Revenues (Expenses)	<u>(13,803)</u>	<u>(1,676)</u>	<u>(15,479)</u>
Net Income (Loss)	<u>\$ (311,486)</u>	<u>\$ 6,657</u>	<u>\$ (304,829)</u>

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

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Changes in Fund Net Position
For the Year Ended December 31, 2012

	Operating Fund	Store Fund	Total
Net Position - Beginning	\$ 2,773,003	\$ 6,651	\$ 2,779,654
Increase (Decrease) In Net Position	<u>(311,486)</u>	<u>6,657</u>	<u>(304,829)</u>
Net Position - Ending	<u>\$ 2,461,517</u>	<u>\$ 13,308</u>	<u>\$ 2,474,825</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, 2012

	Operating Fund	Store Fund	Total
Cash Flows from Operating Activities			
Charges for Services	\$ 1,096,423	\$ 0	\$ 1,096,423
Other Receipts	85,694	64,552	150,246
Payments to Employees	(507,089)	(349)	(507,438)
Payments to Suppliers	(565,648)	(57,798)	(623,446)
Net Cash Provided (Used) by Operating Activities	<u>109,380</u>	<u>6,405</u>	<u>115,785</u>
Cash Flows from Capital and Related Financing Activities			
Purchase of Capital Assets	(15,600)	0	(15,600)
Principal Paid on Capital Debt	(153,003)	0	(153,003)
Interest Paid on Capital Debt	(14,655)	(1,676)	(16,331)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(183,258)</u>	<u>(1,676)</u>	<u>(184,934)</u>
Cash Flows from Investing Activities			
Interest and Dividends	852	0	852
Net Cash Provided (Used) by Investing Activities	<u>852</u>	<u>0</u>	<u>852</u>
Net Increase (Decrease) in Cash	(73,026)	4,729	(68,297)
Cash - Beginning of Year	<u>396,309</u>	<u>(930)</u>	<u>395,379</u>
Cash - End of Year	<u>\$ 323,283</u>	<u>\$ 3,799</u>	<u>\$ 327,082</u>
Displayed As:			
Cash and Cash Equivalents	\$ 2,538	\$ 3,799	\$ 6,337
Restricted Assets	397,660	0	397,660
	<u>\$ 400,198</u>	<u>\$ 3,799</u>	<u>\$ 403,997</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, 2012

	<u>Operating Fund</u>	<u>Store Fund</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	\$ (297,683)	\$ 8,333	\$ (289,350)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation and Amortization	401,360	133	401,493
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	(15,993)	0	(15,993)
(Increase) Decrease in Prepaid Expenses	(1,182)	0	(1,182)
(Increase) Decrease in Inventory	0	(719)	(719)
Increase (Decrease) in Accounts Payable	4,981	(1,342)	3,639
Increase (Decrease) in Accrued Liabilities	326	0	326
Increase (Decrease) in Prepaid Rent	204	0	204
Increase (Decrease) in Compensated Absences	(342)	0	(342)
Increase (Decrease) in Security Deposits	17,709	0	17,709
Net Cash Provided by Operating Activities	<u>\$ 109,380</u>	<u>\$ 6,405</u>	<u>\$ 115,785</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, 2012

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 six 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.

The Housing Authority established a non-profit subsidiary organization, Caldwell Housing Corporation, for the specific purpose of acquiring by gift, grant, bequest, loan, will, devise or otherwise real property or funding necessary to carry out the planning, replanning, development and construction of low-income housing in the City of Caldwell. No activity has transpired.

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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2012

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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

Inventory is stated at cost and is expensed when used on a first-in-first-out (FIFO) basis.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2012

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	\$1,000	Straight-Line	20 – 40 Years
Equipment	\$ 100	Straight-Line	5 – 10 Years
Land Improvements	\$1,000	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, 2012, totaled \$162,253.

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

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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, 2012, the carrying amounts of the Housing Authority's deposits were \$70,659 and the respective bank balances totaled \$83,202. The total bank balance 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, 2012

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, 2012, 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.

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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2012

2. CASH AND INVESTMENTS (continued)

The Housing Authority's investments at December 31, 2012, are summarized below:

Investment	Fair Value	Maturity Less than 1 Year
External Investment Pool	\$ 333,138	\$ 333,138

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

Cash and cash equivalents	\$ 70,859
Investments categorized as cash and cash equivalents	333,138
	\$ 403,997

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, 2012, was as follows:

Beginning	Earned	Used	Ending	Current Portion
\$ 19,655	22,650	(22,992)	\$ 19,313	\$ 1,931

4. RESTRICTED NET ASSETS

Restricted net assets consist of the required reserves of \$370,837, refundable security deposits of \$26,823, less the corresponding security deposit liability of \$85,629 for total restricted nets assets of \$312,031.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2012

5. 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, 2012, are as follows:

Description	Rate	Maturity	1/1/2012	Increase	Decrease	12/31/2012	Current Portion
Rural Development	1%	2025	\$ 86,353	\$ 0	\$ (5,923)	\$ 80,430	\$ 5,986
Rural Development	1%	2025	71,109	0	(4,876)	66,233	4,930
Rural Development	1%	2025	179,042	0	(12,278)	166,764	12,412
Rural Development	1%	2028	978,145	0	(53,011)	925,134	53,587
IHA	0%	2027	358,690	0	0	358,690	0
IHA	0%	2027	676,429	0	0	676,429	0
			<u>\$2,349,768</u>	<u>\$ 0</u>	<u>\$(76,088)</u>	<u>\$2,273,680</u>	<u>\$ 76,915</u>

Debt service requirements on long-term debt at December 31, 2012, are as follows:

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
2013	\$ 76,915	\$ 12,034	\$ 88,949
2014	77,688	11,261	88,949
2015	78,468	10,481	88,949
2016	79,257	9,692	88,949
2017	80,053	8,896	88,949
2018-2022	412,491	32,255	444,746
2023-2027	371,436	11,811	383,247
2028-2032	62,254	340	62,594
2033	1,035,118	0	1,035,118
	<u>\$ 2,273,680</u>	<u>\$ 96,770</u>	<u>\$ 2,370,450</u>

6. 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

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2012

6. RESERVE REQUIREMENTS (continued)

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, 2012, is as follows:

Beginning Balance	\$ 349,996
Increase	114,688
Withdrawals:	
Authorized Expenditures	<u>(93,847)</u>
Ending Balance	<u>\$ 370,837</u>

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. 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, 2012

9. 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.

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, 2012, 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 \$41,145, \$39,122, and \$37,469 for the three years ended December 31, 2012, 2011, and 2010, respectively.

10. OTHER COMMITMENTS

The Housing Authority has four credit cards with credit limits totaling \$35,400 of which, \$29,919 was available for use as of December 31, 2012.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2012

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Balance 1/1/2012	Additions	Disposals	Balance 12/31/2012
Capital Assets Not Being Depreciated:				
Land	\$ 240,000	\$ 0	\$ 0	\$ 240,000
Capital Assets Being Depreciated:				
Buildings and Furnishings	5,923,353	0	0	5,923,353
Equipment	182,213	15,600	649	197,164
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>12,211,075</u>	<u>15,600</u>	<u>649</u>	<u>12,226,026</u>
Less: Accumulated Depreciation				
Buildings and Furnishings	4,233,103	189,615	0	4,422,718
Equipment	130,723	20,507	649	150,581
Store Equipment	4,642	133	0	4,775
Phase II Bldgs and Impvmts	1,954,168	94,298	0	2,048,466
Phase III Bldgs and Impvmts	373,395	25,458	0	398,853
Phase IV Bldgs and Impvmts	<u>921,226</u>	<u>71,319</u>	<u>0</u>	<u>992,545</u>
Total Accumulated Depreciation	<u>7,617,257</u>	<u>401,330</u>	<u>649</u>	<u>8,017,938</u>
Net Depreciable Assets	<u>4,593,818</u>	<u>(385,730)</u>	<u>0</u>	<u>4,208,088</u>
Capital Assets - Net	<u>\$4,833,818</u>	<u>\$(385,730)</u>	<u>\$ 0</u>	<u>\$4,448,088</u>

FEDERAL REPORTS

Housing Authority
of the City of Caldwell, Idaho
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2012

<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	\$ 438,327
		<u>438,327</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>
		<u>\$ 1,473,446</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, 2012

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, and 2011.

Current Status: The loan was renegotiated in January of 2013 and an official waiver was received. It is assumed that the finding warrants no further action.



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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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2012, and the related notes to the financial statements, which collectively comprise the Housing Authority’s basic financial statements and have issued our report thereon dated July 17, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Housing Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. [2012-1]

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 item 2012-2.

Housing Authority of the City of Caldwell, Idaho's Response to Findings

The Housing Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Housing Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bailey & Co.

Nampa, Idaho
July 17, 2013



Certified Public Accountants

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Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

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, 2012. The **Housing Authority of the City of Caldwell, Idaho’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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the **Housing Authority of the City of Caldwell, Idaho’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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Housing Authority’s compliance.

Opinion on Each Major Federal Program

In our opinion, the **Housing Authority of the City of Caldwell, Idaho**, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of the 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 of compliance, we considered the 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 an opinion on compliance for each major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weakness. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Bailey & Co.

Nampa, Idaho
July 17, 2013

**Housing Authority
of the City of Caldwell**
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2012

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
10.427	Rural Rental Assistance Payments
14.239	Home - Loan Balances

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

2012-1: Inventory Controls

Condition:

The Housing Authority has not put in place controls designed to prevent or detect theft of inventory or an incorrect count of inventory.

Criteria:

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

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 and tools to properly account for inventory.

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.

2012-2: Security Deposits:

Condition:

The Housing Authority does not have adequate amounts in a separate account for outstanding security deposits.

Criteria:

Rural Development and Idaho Housing and Finance Association require that amounts be set

Effect:

This lack of control could cause a situation when funds are not available for outstanding security deposits to go undetected.

Cause:

This deficiency is due to a lack of management oversight.

Recommendation:

Management should implement procedures to ensure that adequate amounts are in a separate account for security deposits; amounts should be reviewed monthly.

Response:

See Corrective Action Plan.

Section III - Findings and Questioned Costs for Federal Awards

None.

**Housing Authority
of the City of Caldwell, Idaho**
Corrective Action Plan
For the Year Ended December 31, 2012

2012-1: Inventory Controls

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

2012-2: Security Deposits

Management will implement and monitor controls to review security deposit amounts due and the amounts in the separate account for security deposits.

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