

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

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended December 31, 2013

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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, 2013, 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.

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 each fund of the Housing Authority of the City of Caldwell, Idaho, as of December 31, 2013, 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.

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 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's basic financial statements.

The 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 basic financial statements.

The federal awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated April, 16, 2014, 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.

Zwyzart & Associates PC

Nampa, Idaho
April 16 2014

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Net Position
December 31, 2013

R17 Balance Sheet

	Operating Fund	Store Fund	Special Project Fund	Total
Assets				
Current Assets:				
Cash and Cash Equivalents #1	\$ 90,208 #1	\$ 3,533	\$ 1,988	\$ 95,729
Accounts Receivable, Net #7	32,494 #7	-	-	32,494
Prepaid Items	560 #10	-	-	560
Inventory	-	9,696	-	9,696
Total Current Assets	123,262	13,229	1,988	138,479
Noncurrent Assets:				
Restricted Assets:				
Required Reserve #3	344,461 #3	-	-	344,461
Deposit Funds #4	51,867 #4	-	-	51,867
Land #13	240,000 #13	-	-	240,000
Construction in Progress	40,051	-	-	40,051
Buildings and Improvements, Net	3,790,067	-	-	3,790,067
Equipment, Net #16 <i>Brack Fees?</i>	32,916	1,763	-	34,679
Total Noncurrent Assets	4,499,362	1,763	-	4,501,125
Total Assets	4,622,624 #21	14,992	1,988	4,639,604
Liabilities				
Current Liabilities:				
Accounts Payable	23,266	800	-	24,066
Accrued Interest	1,010	-	-	1,010
Accrued Benefits - Current Portion	2,163	-	-	2,163
Accrued Liabilities	1,547	-	-	1,547
Security Deposits <i>Separate #24</i>	109,107	-	-	109,107
Prepaid Rent	4,839	-	-	4,839
Notes Payable - Current Portion #23	77,688 #23	-	-	77,688
Total Current Liabilities	219,620 #23	800 #23	-	220,420
Noncurrent Liabilities:				
Accrued Benefits - Long Term Portion	19,466	-	-	19,466
Notes Payable - Long Term Portion	2,156,563	-	-	2,156,563
Total Noncurrent Liabilities	2,176,029	-	-	2,176,029
Total Liabilities	2,395,649	800	-	2,396,449
Net Position				
Invested in Capital Assets, Net of Related Debt	1,828,732	1,763	-	1,830,495
Unrestricted	111,022	12,429	-	123,451
Restricted	287,221	-	1,988	289,209
Total Net Position	\$ 2,226,975	\$ 14,192	\$ 1,988	\$ 2,243,155

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, 2013

	Operating Fund	Store Fund	Special Project Fund	Total
Operating Revenues				
Tenant Rent and Subsidy	\$ 1,305,117	\$ -	\$ -	\$ 1,305,117
Non-Dwelling Rent	21,362	-	-	21,362
Sales	897	57,587	-	58,484
Other Project Income	101,114	152	1,988	103,254
Total Operating Revenues	1,428,490	57,739	1,988	1,488,217
Operating Expenses				
Salaries - Management	250,710	-	-	250,710
Salaries - Repairs and Maintenance	212,084	-	-	212,084
Payroll Taxes and Employee Benefits	94,866	-	-	94,866
Sales Tax Expense	-	2,715	-	2,715
Computer Consultant	4,232	-	-	4,232
Merchant Fees	-	45,695	-	45,695
Grounds Maintenance	54,831	-	-	54,831
Insurance - Medical	86,482	-	-	86,482
Insurance - Other	63,618	-	-	63,618
Legal and Accounting	18,061	-	-	18,061
Other Management Expenses	98,541	2,186	-	100,727
Repair and Maintenance	284,655	-	-	284,655
Security Services	300	-	-	300
Utilities and Telephone	40,985	4,708	-	45,693
Water and Irrigation	13,454	-	-	13,454
Water Treatment	26,521	-	-	26,521
Depreciation and Amortization	398,005	114	-	398,119
Total Operating Expenses	1,647,345	55,418	-	1,702,763
Operating Income (Loss)	(218,855)	2,321	1,988	(214,546)
Nonoperating Revenues (Expenses)				
Interest Income	643	-	-	643
Interest Expense and Bank Charges	(16,330)	(1,437)	-	(17,767)
Total Nonoperating Revenues (Expenses)	(15,687)	(1,437)	-	(17,124)
Net Income (Loss)	\$ (234,542)	\$ 884	\$ 1,988	\$ (231,670)

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

**Housing Authority
of the City of Caldwell, Idaho
Statement of Changes in Net Position
For the Year Ended December 31, 2013**

	Operating Fund	Store Fund	Special Project Fund	Total
Balances, Beginning of Year	\$ 2,461,517	\$ 13,308	\$ -	\$ 2,474,825
Increase (Decrease) In Net Position	(234,542)	884	1,988	(231,670)
Balances, End of Year	<u>\$ 2,226,975</u>	<u>\$ 14,192</u>	<u>\$ 1,988</u>	<u>\$ 2,243,155</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, 2013

	Operating Fund	Store Fund	Special Project Fund	Total
Cash Flows from Operating Activities				
Charges for Services	\$ 1,306,305	\$ -	\$ -	\$ 1,306,305
Other Receipts	123,373	57,739	1,988	183,100
Payments to Employees	(555,266)	-	-	(555,266)
Payments to Suppliers	(682,516)	(54,691)	-	(737,207)
Net Cash Provided (Used) by Operating Activities	<u>191,896</u>	<u>3,048</u>	<u>1,988</u>	<u>196,932</u>
Cash Flows from Noncapital Financing Activities				
Transfers In (Out)	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(52,951)	(1,877)	-	(54,828)
Principal Paid on Capital Debt	(39,429)	-	-	(39,429)
Interest Paid on Capital Debt and Bank Charges	(13,821)	(1,437)	-	(15,258)
Net Cash Provided (Used) by Financing Activities	<u>(106,201)</u>	<u>(3,314)</u>	<u>-</u>	<u>(109,515)</u>
Cash Flows from Investing Activities				
Interest and Dividends	643	-	-	643
Net Cash Provided (Used) by Investing Activities	<u>643</u>	<u>-</u>	<u>-</u>	<u>643</u>
Net Increase (Decrease) in Cash	86,338	(266)	1,988	88,060
Cash - Beginning of Year	<u>400,198</u>	<u>3,799</u>	<u>-</u>	<u>403,997</u>
Cash - End of Year	<u>\$ 486,536</u>	<u>\$ 3,533</u>	<u>\$ 1,988</u>	<u>\$ 492,057</u>
Displayed As:				
Cash and Cash Equivalents	\$ 90,208	\$ 3,533	\$ 1,988	\$ 95,729
Restricted Assets	396,328	-	-	396,328
Cash Overdraft	-	-	-	-
	<u>\$ 486,536</u>	<u>\$ 3,533</u>	<u>\$ 1,988</u>	<u>\$ 492,057</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, 2013

	Operating Fund	Store Fund	Special Project Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (218,855)	\$ 2,321	\$ 1,988	\$ (214,546)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	398,005	114	-	398,119
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	1,188	-	-	1,188
(Increase) Decrease in Prepaid Expenses	1,140	-	-	1,140
(Increase) Decrease in Inventory	-	1,839	-	1,839
Increase (Decrease) in Accounts Payable	(8,680)	(1,226)	-	(9,906)
Increase (Decrease) in Accrued Liabilities	78	-	-	78
Increase (Decrease) in Unearned Rent	(6,774)	-	-	(6,774)
Increase (Decrease) in Accrued Benefits	2,316	-	-	2,316
Increase (Decrease) in Security Deposits	23,478	-	-	23,478
Net Cash Provided by Operating Activities	<u>\$ 191,896</u>	<u>\$ 3,048</u>	<u>\$ 1,988</u>	<u>\$ 196,932</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, 2013

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, 2013

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.
- *Special Purpose Fund.* This fund accounts for money set aside for special projects. Presently it has the funds for the non-profit subsidy.

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 position 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, 2013

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

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, 2013, totaled \$186,444.

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, 2013

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, 2013, the carrying amounts of the Housing Authority's deposits were \$158,229 and the respective bank balances totaled \$167,563. 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, 2013

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, 2013, 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, 2013**

2. CASH AND INVESTMENTS (continued)

The Housing Authority's investments at December 31, 2013, are summarized below:

Investment	Fair Value	<u>Maturity</u> Less than 1 Year
External Investment Pool	\$ 333,628	\$ 333,628

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

Cash and cash equivalents	\$ 158,429
Investments categorized as cash and cash equivalents	333,628
	\$ 492,057

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, 2013, was as follows:

Beginning	Earned	Used	Ending	Current Portion
\$ 19,313	36,825	(34,509)	\$ 21,629	\$ 2,163

4. RESTRICTED NET POSITION

Restricted net position consist of the required reserves of \$344,461, refundable security deposits of \$51,867, money set aside for special projects of \$1,988, less the corresponding security deposit liability of \$109,107 for total restricted nets assets of \$289,209.

**Housing Authority
of the City of Caldwell, Idaho
Notes to Financial Statements
For the Year Ended December 31, 2013**

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, 2013, are as follows:

Description	Rate	Maturity	1/1/2013	Increase	Decrease	12/31/2013	Current Portion
<i>#26</i> Rural Development	1%	2025	\$ 80,430	\$ -	\$ (5,991)	\$ 74,439	6,046
Rural Development	1%	2025	66,233	-	(4,934)	61,299	4,979
Rural Development	1%	2025	166,764	-	(12,422)	154,342	12,536
Rural Development	1%	2028	925,134	-	(53,633)	871,501	54,127
<i>#27</i> IHA	0%	2027	358,690	-	-	358,690	-
<i>#27</i> IHA	0%	2027	676,429	-	-	676,429	-
<i>#27</i> DEQ WW1305	1.25%	2043	-	37,551	-	37,551	1072.670
			<u>\$2,273,680</u>	<u>\$37,551</u>	<u>\$(76,980)</u>	<u>\$2,234,251</u>	<u>\$ 77,688</u>

RD Balance Sheet

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Debt service requirements on long-term debt at December 31, 2013, are as follows:

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
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
2108	80,857	8,092	88,949
2019-2023	416,635	28,111	444,746
2024-2028	348,694	8,203	356,897
2029-2033	<u>1,035,048</u>	<u>\$ -</u>	<u>1,035,048</u>
	<u>\$ 2,196,700</u>	<u>\$ 84,736</u>	<u>\$ 2,281,436</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, 2013**

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, 2013, is as follows:

Beginning Balance	\$ 370,837
Increase	83,520
Withdrawals:	
Authorized Expenditures	<u>(109,896)</u>
Ending Balance	<u>\$ 344,461</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, 2013

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, 2013, 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 \$46,285, \$41,145, and \$39,122 for the three years ended December 31, 2013, 2012, and 2011, respectively.

10. OTHER COMMITMENTS

The Housing Authority has four credit cards with credit limits totaling \$27,800 of which, \$25,258 was available for use as of December 31, 2013.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2013

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Balance 1/1/2013	Additions	Disposals	Balance 12/31/2013
Capital Assets Not Being Depreciated:				
Land	\$ 240,000	\$ -	\$ -	\$ 240,000
Construction in Progress	-	40,051	-	40,051
Total Capital Assets Not Being Depreciated	240,000	40,051	-	280,051
Capital Assets Being Depreciated:				
Buildings and Furnishings	5,923,353	6,900	-	5,930,253
Equipment	197,164	6,000	-	203,164
Store Equipment	4,775	1,877	-	6,652
Phase II Bldgs and Impvmts	3,499,883	-	-	3,499,883
Phase III Bldgs and Impvmts	700,115	-	-	700,115
Phase IV Bldgs and Impvmts	1,900,736	-	-	1,900,736
Total Historical Cost	12,226,026	14,777	-	12,240,803
Less: Accumulated Depreciation				
Buildings and Furnishings	4,422,718	187,691	-	4,610,409
Equipment	150,581	19,667	-	170,248
Store Equipment	4,775	114	-	4,889
Phase II Bldgs and Impvmts	2,048,466	94,298	-	2,142,764
Phase III Bldgs and Impvmts	398,853	25,459	-	424,312
Phase IV Bldgs and Impvmts	992,545	70,890	-	1,063,435
Total Accumulated Depreciation	8,017,938	398,119	-	8,416,057
Net Depreciable Assets	4,208,088	(383,342)	-	3,824,746
Capital Assets - Net	\$4,448,088	\$(383,342)	\$ -	\$4,104,797

#14
RD balance sheet

#16
Equipment
Store Equipment

#15
Total - subtract
Total

#17
Store Equipment
Phase II Bldgs and Impvmts
Phase III Bldgs and Impvmts
Phase IV Bldgs and Impvmts

**Housing Authority
of the City of Caldwell, Idaho
Notes to Financial Statements
For the Year Ended December 31, 2013**

12. LEASES

The Housing Authority has a copier lease. The term of the lease is 63 months which began in January 2014. Payments are due monthly in the amount of \$70. It is anticipated that the copier will be returned at the end of the lease.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2014	\$ 1,800
2015	1,800
2016	1,800
2017	1,800
2018	450
	<u>\$ 7,650</u>

Lease expense for the fiscal year ended 2014, was \$2,306.

FEDERAL REPORTS

Housing Authority
of the City of Caldwell, Idaho
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2013

<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	\$ 561,953
		<u>561,953</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><u>\$ 1,597,072</u></u>

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

**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, 2013, 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 April 16, 2014.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 2013-1.

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.

Zwygart & Associates PC

Nampa, Idaho
April 16, 2014

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, 2013. 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, 2013.

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.

Zwyzart & Associates PC

Nampa, Idaho
April 16, 2014

**Housing Authority
of the City of Caldwell**
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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
10.427

HOME - Loan Balances
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

2013-1: 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 aside for outstanding security deposits.

Effect:

The 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, 2013**

2013-1: 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.