

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

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended December 31, 2015

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Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

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, 2015, 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, 2015, 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

Accounting principles generally accepted in the United States of America require that schedule of the Housing Authority's proportionate share of the net pension liability and schedule of Housing Authority contributions on pages 24 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Title 2 U.S. Code of Federal Regulations (CFR) U.S., *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 20, 2016, 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.

Millington Zwyzart CPAs, PLLC

April 20, 2016

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Net Position
December 31, 2015

	Operating Fund	Store Fund	Development Fund	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 74,560	\$ -	\$ 96,400	\$ 170,960
Accounts Receivable, Net	138,177	-	-	138,177
Prepaid Items	560	-	-	560
Inventory	-	20,001	-	20,001
Total Current Assets	213,297	20,001	96,400	329,698
Noncurrent Assets:				
Restricted Assets:				
Required Reserve	348,124	-	-	348,124
Deposit Funds	106,172	-	-	106,172
Land	240,000	-	-	240,000
Construction in Progress	1,414,630	-	-	1,414,630
Buildings and Improvements, Net	3,065,185	-	-	3,065,185
Equipment, Net	26,139	2,016	-	28,155
Investments in Property	-	-	65,521	65,521
Total Noncurrent Assets	5,200,250	2,016	65,521	5,267,787
Total Assets	5,413,547	22,017	161,921	5,597,485
Deferred Outflows				
Pension Related Items	107,172	-	-	107,172
Total Deferred Outflows	107,172	-	-	107,172
Liabilities				
Current Liabilities:				
Cash Overdraft	-	205	-	205
Accounts Payable	30,693	1,592	-	32,285
Accrued Interest	945	-	-	945
Accrued Benefits - Current Portion	2,143	-	-	2,143
Accrued Liabilities	6,034	-	-	6,034
Security Deposits	105,816	-	-	105,816
Prepaid Rent	14,575	-	-	14,575
Notes Payable - Current Portion	79,256	-	-	79,256
Total Current Liabilities	239,462	1,797	-	241,259
Noncurrent Liabilities:				
Accrued Benefits - Long Term Portion	19,287	-	-	19,287
Notes Payable - Long Term Portion	3,435,440	-	-	3,435,440
Net Pension Liability	199,326	-	-	199,326
Total Noncurrent Liabilities	3,654,053	-	-	3,654,053
Total Liabilities	3,893,515	1,797	-	3,895,312
Deferred Inflows				
Pension Related Items	128,568	-	-	128,568
Total Deferred Inflows	128,568	-	-	128,568
Net Position				
Invested in Capital Assets, Net of Related Debt	1,231,258	2,016	65,521	1,298,795
Unrestricted	(81,102)	18,204	96,400	33,502
Restricted	348,480	-	-	348,480
Total Net Position	\$ 1,498,636	\$ 20,220	\$ 161,921	\$ 1,680,777

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, 2015

	Operating Fund	Store Fund	Development Fund	Total
Operating Revenues				
Tenant Rent and Subsidy	\$ 1,279,124	\$ -	\$ -	\$ 1,279,124
Non-Dwelling Rent	17,834	-	-	17,834
Sales	290	82,134	-	82,424
Other Project Income	120,143	4	159,151	279,298
Total Operating Revenues	<u>1,417,391</u>	<u>82,138</u>	<u>159,151</u>	<u>1,658,680</u>
Operating Expenses				
Salaries - Management	-	-	-	-
Salaries - Repairs and Maintenance	298,631	-	-	298,631
Payroll Taxes and Employee Benefits	142,629	-	-	142,629
Sales Tax Expense	-	3,960	-	3,960
Computer Consultant	5,812	-	-	5,812
Merchant Fees	-	70,823	-	70,823
Grounds Maintenance	60,215	-	-	60,215
Insurance - Medical	57,501	-	-	57,501
Insurance - Other	570	-	-	570
Legal and Accounting	220,681	-	-	220,681
Other Management Expenses	162,827	4,449	-	167,276
Repair and Maintenance	236,619	568	-	237,187
Security Services	3,794	-	-	3,794
Utilities and Telephone	94,478	5,201	-	99,679
Water and Irrigation	24,053	-	-	24,053
Water Treatment	25,808	-	-	25,808
Depreciation and Amortization	365,567	344	-	365,911
Total Operating Expenses	<u>1,699,185</u>	<u>85,345</u>	<u>-</u>	<u>1,784,530</u>
Operating Income (Loss)	<u>(281,794)</u>	<u>(3,207)</u>	<u>159,151</u>	<u>(125,850)</u>
Nonoperating Revenues (Expenses)				
Interest Income	1,816	-	92	1,908
Interest Expense and Bank Charges	(10,483)	(2,475)	-	(12,958)
Loss on Disposal of Assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	<u>(8,667)</u>	<u>(2,475)</u>	<u>92</u>	<u>(11,050)</u>
Net Income (Loss)	<u>\$ (290,461)</u>	<u>\$ (5,682)</u>	<u>\$ 159,243</u>	<u>\$ (136,900)</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 Position
For the Year Ended December 31, 2015

	Operating Fund	Store Fund	Development Fund	Total
Balances, Beginning of Year - Previous	\$ 2,028,132	\$ 25,902	\$ 2,678	\$ 2,056,712
Prior Period Adjustment	(239,035)	-	-	(239,035)
Balances, Beginning of Year - Restated	1,789,097	25,902	2,678	1,817,677
Increase (Decrease) In Net Position	(290,461)	(5,682)	159,243	(136,900)
Balances, End of Year	<u>\$ 1,498,636</u>	<u>\$ 20,220</u>	<u>\$ 161,921</u>	<u>\$ 1,680,777</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, 2015

	Operating Fund	Store Fund	Development Fund	Total
Cash Flows from Operating Activities				
Charges for Services	\$ 1,204,862	\$ -	\$ -	\$ 1,204,862
Other Receipts	138,267	82,138	159,151	379,556
Payments to Employees	(458,441)	-	-	(458,441)
Payments to Suppliers	(908,665)	(84,642)	-	(993,307)
Net Cash Provided (Used) by Operating Activities	<u>(23,977)</u>	<u>(2,504)</u>	<u>159,151</u>	<u>132,670</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	(1,149,812)	-	-	(1,149,812)
Sale of Capital Assets	-	-	-	-
Principal Paid on Capital Debt	1,134,250	-	-	1,134,250
Interest Paid on Capital Debt and Bank Charges	(10,483)	(2,475)	-	(12,958)
Net Cash Provided (Used) by Financing Activities	<u>(26,045)</u>	<u>(2,475)</u>	<u>-</u>	<u>(28,520)</u>
Cash Flows from Investing Activities				
Interest and Dividends	1,816	-	92	1,908
Purchase Property for Investment	-	-	(65,521)	(65,521)
Net Cash Provided (Used) by Investing Activities	<u>1,816</u>	<u>-</u>	<u>(65,429)</u>	<u>(63,613)</u>
Net Increase (Decrease) in Cash	(48,206)	(4,979)	93,722	40,537
Cash - Beginning of Year	577,062	4,774	2,678	584,514
Cash - End of Year	\$ 528,856	\$ (205)	\$ 96,400	\$ 625,051
Displayed As:				
Cash and Cash Equivalents	\$ 74,560	\$ -	\$ 96,400	\$ 170,960
Restricted Assets	454,296	-	-	454,296
Cash Overdraft	-	(205)	-	(205)
	<u>\$ 528,856</u>	<u>\$ (205)</u>	<u>\$ 96,400</u>	<u>\$ 625,051</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, 2015

	Operating Fund	Store Fund	Development Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (281,794)	\$ (3,207)	\$ 159,151	\$ (125,850)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	365,567	344	-	365,911
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(74,262)	-	-	(74,262)
(Increase) Decrease in Prepaid Expenses	-	-	-	-
(Increase) Decrease in Inventory	-	(782)	-	(782)
(Increase) Decrease in Deferred Outflows	(73,628)	-	-	(73,628)
Increase (Decrease) in Accounts Payable	(1,126)	1,141	-	15
Increase (Decrease) in Accrued Liabilities	2,132	-	-	2,132
Increase (Decrease) in Unearned Rent	(5,395)	-	-	(5,395)
Increase (Decrease) in Accrued Benefits	(1,000)	-	-	(1,000)
Increase (Decrease) in Security Deposits	(9,786)	-	-	(9,786)
Increase (Decrease) in Net Pension Liability	84,634	-	-	84,634
Increase (Decrease) in Deferred Inflows	(29,319)	-	-	(29,319)
Net Cash Provided by Operating Activities	<u>\$ (23,977)</u>	<u>\$ (2,504)</u>	<u>\$ 159,151</u>	<u>\$ 132,670</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, 2015

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, 2015

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, 2015

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 and Improvements	\$1,000	Straight-Line	5 – 40 Years
Equipment	\$ 100	Straight-Line	3 – 15 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, 2015, totaled \$186,444.

Pensions

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New Pronouncements

In June 2014, the GASB issued statement No. 68, *Accounting and Financial Reporting for Pensions*. Beginning with fiscal year 2015, the Housing Authority implemented the provisions of this statement, which establishes accounting standards and financial reporting standards for pension related items.

Implementation of this new statement resulted in a restatement of beginning net position in the Housing Authority's government-wide financial statements (see note 12)

2. CASH AND INVESTMENTS

Deposits

As of December 31, 2015, the carrying amounts of the Housing Authority's deposits were \$625,051 and the respective bank balances totaled \$629,258. \$251,002 of the 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, 2015, \$378,256 of the Housing Authority's deposits were not 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 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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

2. CASH AND INVESTMENTS (continued)

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 had no investments at December 31, 2015.

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

Cash and cash equivalents	<u>\$ 625,051</u>
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2. 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, 2015, was as follows:

<u>Beginning</u>	<u>Earned</u>	<u>Used</u>	<u>Ending</u>	<u>Current Portion</u>
<u>\$ 24,146</u>	<u>42,272</u>	<u>(44,988)</u>	<u>\$ 21,430</u>	<u>\$ 2,143</u>

3. RESTRICTED NET POSITION

Restricted net position consist of the required reserves of \$348,124, refundable security deposits of \$106,172, money set aside for special projects of \$2,678, less the corresponding security deposit liability of \$105,816 for total restricted nets assets of \$351,158.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

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, 2015, are as follows:

Description	Rate	Maturity	1/1/2015	Increase	Decrease	12/31/2015	Current Portion
Rural Development	1%	2025	\$ 68,397	\$ -	\$ (6,106)	\$ 62,291	\$ 6,107
Rural Development	1%	2025	56,324	-	(5,029)	51,295	5,029
Rural Development	1%	2025	141,816	-	(12,662)	129,154	12,662
Rural Development	1%	2028	817,421	-	(54,670)	762,751	54,670
IHA	0%	2027	358,353	-	-	358,353	-
IHA	0%	2027	675,818	-	-	675,818	-
DEQ WW1305	1.25%	2043	262,317	1,212,717	-	1,475,034	-
			<u>\$2,380,446</u>	<u>\$ 1,212,717</u>	<u>\$(78,467)</u>	<u>\$ 3,514,696</u>	<u>\$ 78,468</u>

Debt service requirements on long-term debt at December 31, 2015, are as follows:

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
2016	\$ 79,257	\$ 9,692	\$ 88,949
2017	80,053	8,896	88,949
2018	80,857	8,092	88,949
2019	81,669	7,280	88,949
2020	82,490	6,459	88,949
2021-2025	416,249	19,709	435,958
2026-2030	184,915	2,866	187,781
2031-2033	1,034,171	-	1,034,171
	<u>\$ 2,039,661</u>	<u>\$ 62,994</u>	<u>\$ 2,102,655</u>

No interest was capitalized for the year ended December 31, 2015.

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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

6. RESERVE REQUIREMENTS (continued)

The summary of the debt reserve accounts at December 31, 2015, is as follows:

Beginning Balance	\$ 348,094
Increase	128,263
Withdrawals:	
Authorized Expenditures	<u>(128,233)</u>
Ending Balance	<u>\$ 348,124</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.

9. PENSION

Plan Description

Housing Authority of the City of Caldwell, Idaho contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

9. PENSION PLAN (continued)

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

Employee membership data related to the PERSI Base Plan, as of December 31, 2015 was as follows:

Retirees and beneficiaries currently receiving benefits	40,776
Terminated employees entitled to but not yet receiving benefits	11,504
Active plan members	<u>66,223</u>
	<u>118,503</u>

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age, and the benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

Member and Employer Contributions

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) if current rates are actuarially determined to be inadequate or in excess to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% (72%) of the employer rate. As of June 30, 2015 it was 6.79% (8.36%). The employer contribution rate is set by the Retirement Board and was 11.32% (11.66%) of covered compensation. Housing Authority of the City of Caldwell, Idaho's contributions were \$50,424 the year ended December 31, 2015.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

9. PENSION PLAN (continued)

Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, Housing Authority of the City of Caldwell, Idaho reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of July 1, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Housing Authority of the City of Caldwell, Idaho's proportion of the net pension liability was based on Housing Authority of the City of Caldwell, Idaho's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At July 1, 2015, Housing Authority of the City of Caldwell, Idaho's proportion was 0.0151367 percent.

For the year ended December 31, 2015, Housing Authority of the City of Caldwell, Idaho recognized pension expense/(revenue) of \$39,720. At December 31, 2015, Housing Authority of the City of Caldwell, Idaho reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 23,895
Changes in assumptions or other inputs	7,259	-
Net difference between projected and actual earnings on pension plan investments	73,357	104,673
Housing Authority of the City of Caldwell, Idaho's contributions subsequent to the measurement date	26,556	
Total	\$ 107,172	\$ 128,568

\$26,556 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2015.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2014, the beginning of the measurement period ended June 30, 2015, is 5.6 years.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

9. PENSION PLAN (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

For the Year Ended December 31:	PERSI
2016	\$ (21,045)
2017	(21,045)
2018	(21,045)
2019	15,275
2020	(1,495)

Actuarial Assumptions

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the July 1, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expense
Cost-of-living	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

1. Set back 3 years for teachers
2. No offset for male fire and police
3. Forward one year for female fire and police
4. Set back one year for all general employees and all beneficiaries

An experience study was performed in 2012 for the period July 1, 2007 through June 30, 2011 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2014 is based on the results of an actuarial valuation date of July 1, 2014.

**Housing Authority
of the City of Caldwell, Idaho
Notes to Financial Statements
For the Year Ended December 31, 2015**

9. PENSION PLAN (continued)

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions.

Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets.

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2015.

Asset Class	Index	Target Allocation	Long-Term Expected Real Rate of Return
Core Fixed Income	Barclays Aggregate	30.00%	0.80%
Broad US Equities	Wilshire 5000 / Russell 3000	55.00%	6.90%
Developed Foreign Equities	MSCI EAFE	15.00%	7.55%
Assumed Inflation - Mean			3.25%
Assumed Inflation - Standard Deviation			2.00%
Portfolio Arithmetic Mean Return			8.42%
Portfolio Long-Term Expected Rate of Return			7.50%
Assumed Investment Expenses			0.40%
Long-Term Expected Rate of Return, Net of Investment Expenses			<u>7.10%</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

9. PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10 percent) or 1-percentage-point higher (8.10 percent) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 499,697	\$ 205,161	\$ (39,707)

Pension plan fiduciary net position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at www.persi.idaho.gov.

9. OTHER COMMITMENTS

The Housing Authority has four credit cards with credit limits totaling \$28,300 of which, \$4,805 was in use as of December 31, 2015.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

10. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	Balance <u>1/1/2015</u>	Additions	Disposals	Balance <u>12/31/2015</u>
Capital Assets Not Being Depreciated:				
Land	\$ 240,000	\$ -	\$ -	\$ 240,000
Construction in Progress	<u>264,818</u>	<u>1,149,812</u>	<u>-</u>	<u>1,414,630</u>
Total Capital Assets Not Being Depreciated	<u>504,818</u>	<u>1,149,812</u>	<u>-</u>	<u>1,654,630</u>
Capital Assets Being Depreciated:				
Buildings and Furnishings	5,930,253	-	-	5,930,253
Equipment	219,773	-	-	219,773
Store Equipment	7,552	-	-	7,552
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	<u>1,900,736</u>	<u>-</u>	<u>-</u>	<u>1,900,736</u>
Total Historical Cost	<u>12,258,312</u>	<u>-</u>	<u>-</u>	<u>12,258,312</u>
Less: Accumulated Depreciation				
Buildings and Furnishings	4,790,316	164,538	-	4,954,854
Equipment	182,826	10,808	-	193,634
Store Equipment	5,192	344	-	5,536
Phase II Bldgs and Impvmts	2,237,060	94,299	-	2,331,359
Phase III Bldgs and Impvmts	449,771	25,459	-	475,230
Phase IV Bldgs and Impvmts	<u>1,133,896</u>	<u>70,463</u>	<u>-</u>	<u>1,204,359</u>
Total Accumulated Depreciation	<u>8,799,061</u>	<u>365,911</u>	<u>-</u>	<u>9,164,972</u>
Net Depreciable Assets	<u>3,459,251</u>	<u>(365,911)</u>	<u>-</u>	<u>3,093,340</u>
Capital Assets - Net	<u>\$3,964,069</u>	<u>\$(365,911)</u>	<u>\$ -</u>	<u>\$4,747,970</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2015

11. 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:

Year Ending December 31,	Amount
2015	\$ 1,800
2016	1,800
2017	1,800
2018	450
	<u>\$ 5,850</u>

Lease expense for the fiscal year ended December 31, 2015, was \$1,800.

12. INVESTMENTS IN PROPERTY

The Housing Authority has invested in properties that they plan to renovate and sale. As of December 31, 2015 they had \$65,521 invested in property.

13. RESTATEMENT

As mentioned in Note 1 to the financial statements, the Housing Authority implemented GASB statement No. 68. The provisions of this statement required that the Housing Authority's portion of Net Pension Liability and Deferred Inflows and Outflows from pension related items be reported on the Statement of Net Position. This caused net Position to be restated as follows:

	Business-type Activities
Net Position, Beginning - As Previously Stated	\$ 2,056,712
Decrease in Net Position due to Net Pension Liability	(114,692)
Decrease in Net Position due to Deferred Inflows from Pension Related Items	(157,887)
Increase in Net Position due to Deferred Outflows from Pension Related Items	33,544
Net Position, Beginning - Restated	<u>\$ 1,817,677</u>

REQUIRED SUPPLEMENTAL INFORMATION

**Housing Authority
of the City of Caldwell, Idaho**
Schedule of the Housing Authority's Proportionate Share of the
Net Pension Liability

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	<u>2015</u>
Housing Authority proportion of the net pension liability (asset)	0.0151367%
Housing Authority's proportionate share of the net pension liability (asset)	\$ 199,326
Housing Authority's covered-employee payroll	\$ 445,444
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	44.75%
Plan fiduciary net position as a percentage of the total pension liability	91.38%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Housing Authority of the City of Caldwell, Idaho will present information for those years for which information is available.

Data reported is measured as of July 1, 2015

**Housing Authority
of the City of Caldwell, Idaho**
Schedule of Housing Authority Contributions

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years*

	2015
Contractually required contributions	\$ 50,424
Contributions in relation to the contractually required contribution	50,424
Contribution deficiency (excess)	\$ -
Housing Authority's covered-employee payroll	\$ 445,444
Contributions as a percentage of covered-employee payroll	11.32%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, Housing Authority of the City of Caldwell, Idaho will present information for those years for which information is available.

Data reported is measured as of December 31, 2015

FEDERAL REPORTS



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Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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, 2015, 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 20, 2016.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Millington Zwyzart CPAs, PLLC

April 20, 2016

**Housing Authority
of the City of Caldwell, Idaho**
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2015

<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	\$ 420,290 <u>420,290</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Passed through Idaho Housing and Finance:		
HOME - Loan Balances	14.239	<u>1,034,171</u> <u>1,034,171</u>
<u>Environmental Protection Agency:</u>		
Passed through the Idaho Department of Environmental Quality		
Clean Water State Revolving Fund	66.458	<u>1,212,717</u> <u>1,212,717</u>
Total		<u>\$ 2,667,178</u>

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



Millington Zwygart
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance

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 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, 2015. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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, 2015.

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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Millington Zwyzart CPAs, PLLC

April 20, 2016

**Housing Authority
of the City of Caldwell**
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2015

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

None

Section III - Findings and Questioned Costs for Federal Awards

None



*Strengthening Families and Building a Community by
Providing Affordable Housing*

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April 20, 2016

Millington Zwygart CPAs, PLLC
1803 Ellis Ave
Caldwell, ID 83605

This representation letter is provided in connection with your audit of the financial statements of Housing Authority of the City of Caldwell, which comprise the respective financial position of the business-type activities and fund information as of December 31, 2015, and the respective changes in financial position for the period then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of April 20, 2016 the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 27, 2015, including our responsibility for the preparation and fair presentation of the financial statements and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- 7) All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Housing Authority is contingently liable, if any, have been properly recorded or disclosed.



In accordance with Federal law, the Caldwell Housing Authority is prohibited from discriminating on the basis of race, color, national origin, age, disability, religion, sex and familial status. To file a complaint of discrimination, write USDA, Director, Office of Civil Rights, 1400 Independence Avenue SW, Washington DC 20250-9410 or call 1-800-795-3272 (voice) or 202-720-6382 (TDD).



Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of Housing Authority or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a) Management,
 - b) Employees who have significant roles in internal control, or
 - c) Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

Government—specific

- 19) We have made available to you all financial records and related data and all audit or relevant monitoring reports, if any, received from funding sources.
- 20) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 21) We have a process to track the status of audit findings and recommendations.
- 22) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 23) We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
- 24) The Housing Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 25) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.

- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 27) As part of your audit, you assisted with preparation of the financial statements, related notes, depreciation schedule, and schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements, related notes, depreciation schedule, and schedule of expenditures of federal awards.
- 28) The Housing Authority has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Housing Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) We have followed all applicable laws and regulations in adopting, approving, and amending budgets.
- 31) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements properly classify all funds and activities.
- 33) All funds that meet the quantitative criteria in GASBS Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 34) Components of net position (net investment in capital assets; restricted; and unrestricted) and equity amounts are properly classified and, if applicable, approved.
- 35) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 36) Provisions for uncollectible receivables have been properly identified and recorded.
- 37) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 38) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 39) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 40) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 41) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 42) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 43) We have appropriately disclosed the Housing Authorities' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 45) With respect to the supplementary information on which an in-relation-to opinion is issued.
 - a) We acknowledge our responsibility for presenting the see table of contents in the financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information, including its form and content, is fairly presented in accordance with

- b) accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- c) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.

46) With respect to federal award programs:

- a) We are responsible for understanding and complying with and have complied with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, including requirements relating to preparation of the schedule of expenditures of federal awards.
- b) We acknowledge our responsibility for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of OMB Circular A-133 §310.b, and we believe the SEFA, including its form and content, is fairly presented in accordance with OMB Circular A-133 §310.b. The methods of measurement or presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement or presentation of the SEFA.
- c) If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditor's report thereon.
- d) We have identified and disclosed to you all of our government programs and related activities subject to OMB Circular A-133 and included in the SEFA made during the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.
- e) We are responsible for understanding and complying with, and have complied with, the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major program.
- f) We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance requirements applicable to federal programs that provides reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended.
- g) We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.
- h) We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i) We have complied with the direct and material compliance requirements (except for noncompliance disclosed to you), including when applicable, those set forth in the *OMB Circular A-133 Compliance Supplement*, relating to federal awards and have identified and disclosed to you all amounts questioned and all known noncompliance with the requirements of federal awards.
- j) We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- k) We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the

compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.

- l) Amounts claimed or used for matching were determined in accordance with relevant guidelines in OMB Circular A-87, *Cost Principles for State, Local, and Tribal Governments*, and OMB's *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments*.
- m) We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- n) We have made available to you all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- o) We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- p) There are no such known instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditor's report.
- q) No changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action we have taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), have occurred subsequent to the date as of which compliance was audited.
- r) Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- s) The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
- t) We have charged costs to federal awards in accordance with applicable cost principles.
- u) We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by OMB Circular A-133.
- v) We are responsible for preparing and implementing a corrective action plan for each audit finding.

Signature: _____



Title: Executive Director, Caldwell Housing Authority



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Millington Zwygart

CERTIFIED PUBLIC ACCOUNTANTS

April 20, 2016

To the Board of Commissioners
Housing Authority of the City of Caldwell

We have audited the financial statements of the business-type activities and each fund of Housing Authority of the City of Caldwell for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated October 27, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Housing Authority of the City of Caldwell are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

Management's estimate of the accounts receivable is based on management's knowledge. We evaluated the key factors and assumptions used to develop the accounts receivable in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule to the management representation letter summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated April 20, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We discussed the following matters:

Bank Reconciliations:

- The store bank reconciliations are not being reviewed by anyone. There are old outstanding items that need be dealt with on both store and general checking accounts.

Accounting Procedures:

- While reviewing the accounting procedures and month end procedures. We suggest that a checklist be done to close out the accounts. This will help close out the year end.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Commissioners and management of Housing Authority of the City of Caldwell and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Millington Zwyzart CPAs, PLLC