

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

---

Report on Audited  
Basic  
Financial Statements  
and  
Supplemental Information

---

For the Year Ended December 31, 2018

## Table of Contents

	<u>Page</u>
<b>Independent Auditor's Report</b>	1
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	3
Statement of Revenues and Expenses	4
Statement of Changes in Fund Net Position	5
Statement of Cash Flows	6
Notes to Financial Statements	8
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the Housing Authority's Proportionate Share of the Net Pension Liability	24
Schedule of the Housing Authority Contributions	25
<b>FEDERAL REPORTS</b>	
Schedule of Expenditures of Federal Awards	26
Notes to the Schedule of Expenditures of Federal Awards	27
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 <i>Government Auditing Standards</i>	28
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	30
Schedule of Findings and Questioned Costs	32



## **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, 2018, 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, 2018, 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 schedule of expenditures of 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 July 8, 2019, 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 John & Associates, CPAs PLLC**

Nampa, Idaho  
July 8, 2019

**Housing Authority  
of the City of Caldwell, Idaho**  
Statement of Net Position  
December 31, 2018

	Operating Fund	Store Fund	Development Fund	Total
<b>Assets</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 28,347	\$ 3,422	\$ 30,608	\$ 62,377
Accounts Receivable, Net	52,247	-	-	52,247
Prepaid Items	2,559	-	-	2,559
Inventory	-	14,880	-	14,880
Due (to)/from Other Funds	1,217	-	(1,217)	-
<b>Total Current Assets</b>	<u>84,370</u>	<u>18,302</u>	<u>29,391</u>	<u>132,063</u>
Noncurrent Assets:				
Restricted Assets:				
Required Reserve	389,271	-	-	389,271
Deposit Funds	102,294	-	-	102,294
Land	240,000	-	-	240,000
Buildings and Improvements, Net	2,080,403	-	-	2,080,403
Equipment, Net	96,874	10,691	-	107,565
Waste Water Project, Net	1,300,746	-	-	1,300,746
Investments in Property	(2,000)	-	25,998	23,998
<b>Total Noncurrent Assets</b>	<u>4,207,588</u>	<u>10,691</u>	<u>25,998</u>	<u>4,244,277</u>
<b>Total Assets</b>	<u>4,291,958</u>	<u>28,993</u>	<u>55,389</u>	<u>4,376,340</u>
<b>Deferred Outflows</b>				
Pension Related Items	99,160	-	-	99,160
<b>Total Deferred Outflows</b>	<u>99,160</u>	<u>-</u>	<u>-</u>	<u>99,160</u>
<b>Liabilities</b>				
Current Liabilities:				
Accounts Payable	42,899	434	-	43,333
Accrued Interest	638	-	-	638
Accrued Benefits - Current Portion	3,705	-	-	3,705
Accrued Liabilities	7,355	-	-	7,355
Security Deposits	74,805	-	-	74,805
Prepaid Rent	15,128	-	-	15,128
Notes Payable - Current Portion	124,382	-	-	124,382
<b>Total Current Liabilities</b>	<u>268,912</u>	<u>434</u>	<u>-</u>	<u>269,346</u>
Noncurrent Liabilities:				
Accrued Benefits - Long Term Portion	33,342	-	-	33,342
Notes Payable - Long Term Portion	3,064,234	-	-	3,064,234
Net Pension Liability	244,702	-	-	244,702
<b>Total Noncurrent Liabilities</b>	<u>3,342,278</u>	<u>-</u>	<u>-</u>	<u>3,342,278</u>
<b>Total Liabilities</b>	<u>3,611,190</u>	<u>434</u>	<u>-</u>	<u>3,611,624</u>
<b>Deferred Inflows</b>				
Pension Related Items	45,669	-	-	45,669
<b>Total Deferred Inflows</b>	<u>45,669</u>	<u>-</u>	<u>-</u>	<u>45,669</u>
<b>Net Position</b>				
Invested in Capital Assets, Net of Related Debt	527,407	10,691	25,998	564,096
Unrestricted	(209,908)	17,868	29,391	(162,649)
Restricted	416,760	-	-	416,760
<b>Total Net Position</b>	<u>\$ 734,259</u>	<u>\$ 28,559</u>	<u>\$ 55,389</u>	<u>\$ 818,207</u>

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

**Housing Authority  
of the City of Caldwell, Idaho**  
Statement of Revenues and Expenses  
For the Year Ended December 31, 2018

	Operating Fund	Store Fund	Development Fund	Total
<b>Operating Revenues</b>				
Tenant Rent and Subsidy	\$ 1,526,308	\$ -	\$ -	\$ 1,526,308
Non-Dwelling Rent	35,615	-	-	35,615
Sales	-	153,514	-	153,514
Gain/(Loss) on Sale of Low Income Housing	-	-	-	-
Other Project Income	67,085	-	318	67,403
<b>Total Operating Revenues</b>	<b>1,629,008</b>	<b>153,514</b>	<b>318</b>	<b>1,782,840</b>
<b>Operating Expenses</b>				
Salaries - Management	264,339	-	-	264,339
Salaries - Repairs and Maintenance	347,853	-	-	347,853
Payroll Taxes and Employee Benefits	112,207	-	-	112,207
Sales Tax Expense	-	8,385	-	8,385
Computer Consultant	8,025	-	-	8,025
Merchant Fees	-	141,454	-	141,454
Grounds Maintenance	113,335	-	-	113,335
Insurance - Medical	178,131	-	-	178,131
Insurance - Other	39,397	-	-	39,397
Legal and Accounting	10,552	-	-	10,552
Other Management Expenses	63,271	5,346	-	68,617
Repair and Maintenance	188,295	948	-	189,243
Security Services	1,242	-	-	1,242
Utilities and Telephone	35,451	1,282	-	36,733
Miscellaneous	12,294	-	-	12,294
Water and Irrigation	57,167	-	-	57,167
Water Treatment	1,394	-	-	1,394
Depreciation and Amortization	424,012	1,251	-	425,263
<b>Total Operating Expenses</b>	<b>1,856,965</b>	<b>158,666</b>	<b>-</b>	<b>2,015,631</b>
<b>Operating Income (Loss)</b>	<b>(227,957)</b>	<b>(5,152)</b>	<b>318</b>	<b>(232,791)</b>
<b>Nonoperating Revenues (Expenses)</b>				
Interest Income	1,522	7	35	1,564
Interest Expense and Bank Charges	(27,716)	(2,477)	-	(30,193)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(26,194)</b>	<b>(2,470)</b>	<b>35</b>	<b>(28,629)</b>
<b>Net Income (Loss)</b>	<b>\$ (254,151)</b>	<b>\$ (9,207)</b>	<b>\$ 353</b>	<b>\$ (263,005)</b>

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, 2018

	Operating Fund	Store Fund	Development Fund	Total
<b>Balances, Beginning of Year - Previous</b>	\$ 988,410	\$ 37,766	\$ 55,036	\$ 1,081,212
<b>Increase (Decrease) In Net Position</b>	(254,151)	(9,207)	353	(263,005)
<b>Balances, End of Year</b>	<u>\$ 734,259</u>	<u>\$ 28,559</u>	<u>\$ 55,389</u>	<u>\$ 818,207</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, 2018

	Operating Fund	Store Fund	Development Fund	Total
<b>Cash Flows from Operating Activities</b>				
Charges for Services	\$ 1,542,351	\$ -	\$ -	\$ 1,542,351
Other Receipts	104,700	153,514	(8,246)	249,968
Payments to Employees	(732,252)	-	-	(732,252)
Payments to Suppliers	(711,624)	(150,528)	-	(862,152)
Net Cash Provided (Used) by Operating Activities	<u>203,175</u>	<u>2,986</u>	<u>(8,246)</u>	<u>197,915</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Net Cash Provided (Used) by Noncapital Financing Activities	<u>-</u>	<u>(1,585)</u>	<u>-</u>	<u>(1,585)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Purchase of Capital Assets	(68,542)	(10,615)	-	(79,157)
Sale of Capital Assets	-	-	-	-
Principal Paid on Capital Debt	(122,738)	-	-	(122,738)
Principal Received on Line of Credit	-	-	-	-
Interest Paid on Capital Debt and Bank Charges	(27,282)	(2,477)	-	(29,759)
Net Cash Provided (Used) by Financing Activities	<u>(218,562)</u>	<u>(13,092)</u>	<u>-</u>	<u>(231,654)</u>
<b>Cash Flows from Investing Activities</b>				
Interest and Dividends	1,522	7	35	1,564
Net Cash Provided (Used) by Investing Activities	<u>1,522</u>	<u>7</u>	<u>35</u>	<u>1,564</u>
<b>Net Increase (Decrease) in Cash</b>	<b>(13,865)</b>	<b>(11,684)</b>	<b>(8,211)</b>	<b>(33,760)</b>
<b>Cash - Beginning of Year</b>	<b>533,777</b>	<b>15,106</b>	<b>38,819</b>	<b>587,702</b>
<b>Cash - End of Year</b>	<b>\$ 519,912</b>	<b>\$ 3,422</b>	<b>\$ 30,608</b>	<b>\$ 553,942</b>
<b>Displayed As:</b>				
Cash and Cash Equivalents	\$ 28,347	\$ 3,422	\$ 30,608	\$ 62,377
Restricted Assets	491,565	-	-	491,565
	<u>\$ 519,912</u>	<u>\$ 3,422</u>	<u>\$ 30,608</u>	<u>\$ 553,942</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, 2018

	Operating Fund	Store Fund	Development Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (227,957)	\$ (5,152)	\$ 318	\$ (232,791)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	424,012	1,251	-	425,263
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	11,570	-	-	11,570
(Increase) Decrease in Prepaid Expenses	(1,309)	-	-	(1,309)
(Increase) Decrease in Inventory	-	6,453	-	6,453
(Increase) Decrease in Due (To)/From Other Funds	-	-	-	-
(Increase) Decrease in Investment Property	2,000	-	(8,564)	(6,564)
(Increase) Decrease in Deferred Outflows	4,789	-	-	4,789
Increase (Decrease) in Accounts Payable	13,003	434	-	13,437
Increase (Decrease) in Accrued Liabilities	(14,764)	-	-	(14,764)
Increase (Decrease) in Unearned Rent	13,128	-	-	13,128
Increase (Decrease) in Accrued Benefits	5,141	-	-	5,141
Increase (Decrease) in Security Deposits	(8,655)	-	-	(8,655)
Increase (Decrease) in Net Pension Liability	(23,257)	-	-	(23,257)
Increase (Decrease) in Deferred Inflows	5,474	-	-	5,474
Net Cash Provided by Operating Activities	<u>\$ 203,175</u>	<u>\$ 2,986</u>	<u>\$ (8,246)</u>	<u>\$ 197,915</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, 2018

---

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 development fund subsidiary organization, Caldwell Housing Corporation, for the specific purpose of acquiring by gift, grant, bequest, loan, or otherwise real property or funding necessary to carry out the planning, re-planning, development and construction of low-income housing in the City of Caldwell.

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, 2018

---

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 development fund subsidiary.

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, 2018

---

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. See footnote No. 10.

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, 2018

---

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 (RHS) 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, 2018

---

2. CASH AND INVESTMENTS

Deposits

As of December 31, 2018, the carrying amounts of the Housing Authority's deposits were \$553,742 and the respective bank balances totaled \$568,714 . All 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, 2018, the entire balance of 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 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 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, 2018.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

2. CASH AND INVESTMENTS (continued)

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

Cash and cash equivalents	\$ <u>553,942</u>
---------------------------	-------------------

3. COMPENSATED ABSENCES

Full-time employees that have worked for the Housing Authority for at least six months earn eight hours per month, after five years of service employees earn ten hours per month, and after ten years of service employees earn twelve hours per month. A maximum of 160 hours can carryover. Compensated absences for the year ended December 31, 2018, was as follows:

<u>Beginning</u>	<u>Earned</u>	<u>Used</u>	<u>Ending</u>	<u>Current Portion</u>
\$ 31,905	\$ 45,007	\$ (39,865)	\$ 37,047	\$ 3,705

4. 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.

5. 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.

6. RESTRICTED NET POSITION

Restricted net position consist of the required reserves of \$389,271, refundable security deposits of \$102,294, less the corresponding security deposit liability of \$74,805 for total restricted nets assets of \$416,760.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

7. 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, 2018, are as follows:

Description	Rate	Maturity	12/31/2017	Increase	Decrease	12/31/2018
Rural Development	1%	2025	\$ 49,893	\$ -	\$ (6,293)	\$ 43,600
Rural Development	1%	2025	41,084	-	(5,182)	35,902
Rural Development	1%	2025	103,447	-	(13,048)	90,399
Rural Development	1%	2028	651,758	-	(56,334)	595,424
IHA	0%	2033	357,046	-	-	357,046
IHA	0%	2033	673,363	-	-	673,363
DEQ WW1305	1.25%	2043	1,434,764	-	(41,881)	1,392,883
			<u>\$ 3,311,355</u>	<u>\$ -</u>	<u>\$ (122,738)</u>	<u>\$ 3,188,617</u>

Debt service requirements on long-term debt at December 31, 2018, are as follows:

Year Ending December 31,	Notes Payable	
	Principal	Interest
2019	\$ 124,382	\$ 24,546
2020	125,738	23,190
2021	127,109	21,819
2022	128,495	20,433
2023	129,896	19,032
2024-2028	581,753	75,036
2029-2033	1,278,456	51,849
2034-2038	263,993	35,903
2039-2043	280,964	18,932
2044-2046	147,831	2,763
	<u>\$ 3,188,617</u>	<u>\$ 293,503</u>

Interest expense for the fiscal year ended December 31, 2018, was \$26,625.

No interest was capitalized for the year ended December 31, 2018.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

8. RESERVE REQUIREMENTS

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

The summary of the debt reserve accounts at December 31, 2018, is as follows:

Beginning Balance	\$ 393,138
Increase	269,333
Withdrawals:	
Authorized Expenditures	<u>(273,200)</u>
Ending Balance	<u>\$ 389,271</u>

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](http://www.persi.idaho.gov).

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.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

9. PENSION PLAN (continued)

*Pension Benefits*

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 highest average salary. Members become fully vested in their retirement benefits with five years of credited service (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classifications. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

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% of the employer rate for general employees and 72% for police and firefighters. As of June 30, 2017, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate as a percent of covered payroll is set by the Retirement Board and was 11.32% general employees and 11.66% for police and firefighters. Housing Authority of the City of Caldwell, Idaho's contributions were \$61,519 the year ended December 31, 2018.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

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, 2018, 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 June 30, 2017, 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 June 30, 2017, Housing Authority of the City of Caldwell, Idaho's proportion was 0.01658980 percent.

For the year ended December 31, 2018, Housing Authority of the City of Caldwell, Idaho recognized pension expense/(revenue) of \$48,525. At December 31, 2018, 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:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 26,861	\$ 18,481
Changes in assumptions or other inputs	15,923	-
Net difference between projected and actual earnings on pension plan investments	-	27,188
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions.	25,721	
Housing Authority of the City of Caldwell, Idaho's contributions subsequent to the measurement date	30,655	-
<b>Total</b>	<b>\$ 99,160</b>	<b>\$ 45,669</b>

\$30,655 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, 2018.

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, 2016, the beginning of the measurement period ended June 30, 2017, is 4.9 and 5.5 for the measurement period June 30, 2017.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

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:

<b>For the Year Ended December 31:</b>	<b>PERSI</b>
2018	\$ 57,141
2019	8,939
2020	(13,457)
2021	868

*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 June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
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

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

9. PENSION PLAN (continued)

An experience study was performed for the period July 1, 2007 through June 30, 2013 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, 2017 is based on the results of an actuarial valuation date of July 1, 2017.

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, 2017.

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

9. PENSION PLAN (continued)

Asset Class	Expected Return	Expected Risk	Strategic Normal	Strategic Ranges
Equities			70%	66% - 77%
Broad Domestic Equity	9.15%	19.00%	55%	50% - 65%
International	9.25%	20.20%	15%	10% - 20%
Fixed Income	3.05%	3.75%	30%	23% - 33%
Cash	2.25%	0.90%	0%	0% - 5%
Total Fund	Expected Return	Expected Inflation	Expected Real Return	Expected Risk
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

\* Expected arithmetic return net of fees and expenses

Assumed Inflation - Mean	3.25%
Assumed Inflation - Standard Deviation	2.00%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	7.50%
Assumed Investment Expenses	0.40%
<b>Long-Term Expected Geometric Rate of Return, Net of Investment Expenses</b>	<b><u>7.10%</u></b>

*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.*

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

9. PENSION PLAN (continued)

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:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
Employer's proportionate share of the net pension liability (asset)	\$ 612,545	\$ 244,702	\$ (59,887)

*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](http://www.persi.idaho.gov).

10. ACCOUNTS RECEIVABLE

The accounts receivable is made up of tenant receivables. The amount to be collected as of December 31, 2018 is as follows:

Tennant Accounts Receivable	\$ 88,353
Less Allowance for Doubtful Accounts	(33,106)
Accounts Receivable Net	<u>\$ 55,247</u>

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Disposals	Balance 12/31/2018
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 240,000	\$ -	\$ -	\$ 240,000
<b>Capital Assets Being Depreciated:</b>				
Buildings and Furnishings	11,540,013	46,690	-	11,586,703
Equipment	315,873	32,465	-	348,338
Waste Water Project	1,478,120	-	-	1,478,120
Improvements	296,055	-	-	296,055
Total Historical Cost	<u>13,630,061</u>	<u>79,155</u>	<u>-</u>	<u>13,709,216</u>
<b>Less: Accumulated Depreciation</b>				
Buildings and Furnishings	9,163,625	342,675	-	9,506,300
Equipment	217,307	23,466	-	240,773
Waste Water Project	118,250	59,124	-	177,374
Improvements	296,055	-	-	296,055
Total Accumulated Depreciation	<u>9,795,237</u>	<u>425,265</u>	<u>-</u>	<u>10,220,502</u>
Net Depreciable Assets	<u>3,834,824</u>	<u>(346,110)</u>	<u>-</u>	<u>3,488,714</u>
Capital Assets - Net	<u>\$4,074,824</u>	<u>\$ (346,110)</u>	<u>\$ -</u>	<u>\$3,728,714</u>

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to Financial Statements  
For the Year Ended December 31, 2018

---

12. LEASES

The Housing Authority has a copier lease. 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>
2019	\$ 5,388
2020	5,388
2021	<u>3,143</u>
	<u>\$ 13,919</u>

Lease expense for the fiscal year ended December 31, 2018, was \$5,388.

**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\*

	2018	2017	2016	2015
Housing Authority proportion of the net pension liability (asset)	0.0165898%	0.0170476%	0.0150990%	0.0151367%
Housing Authority's proportionate share of the net pension liability (asset)	\$ 244,702	\$ 267,959	\$ 306,080	\$ 199,326
Housing Authority's covered-employee payroll	\$ 543,452	\$ 523,884	\$ 472,310	\$ 445,444
Housing Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	45.03%	51.15%	64.80%	44.75%
Plan fiduciary net position as a percentage of the total pension liability	87.26%	87.26%	82.26%	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 June 30, 2018

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

Public Employees Retirement System of Idaho

Last 10 - Fiscal Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 61,519	\$ 59,304	\$ 53,466	\$ 50,424
Contributions in relation to the contractually required contribution	<u>61,519</u>	<u>59,304</u>	<u>53,466</u>	<u>50,424</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ 543,452	\$ 523,884	\$ 472,310	\$ 445,444
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%	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, 2018

**FEDERAL REPORTS**

**Housing Authority  
of the City of Caldwell, Idaho**  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

<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	\$ 446,484
		<u>446,484</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Passed through Idaho Housing and Finance:		
HOME - Loan Balances	14.239	1,030,408
		<u>1,030,408</u>
Total		<u>\$ 1,561,672</u>

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

**Housing Authority  
of the City of Caldwell, Idaho**  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2018

---

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of the Housing Authority of the City of Caldwell, Idaho under programs of the Federal Governmental for the year ended December 31, 2018. The information in the Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Housing Authority of the City of Caldwell, Idaho, it is not intended to and does not present the financial position or changes in Net Position of the Housing Authority of the City of Caldwell, Idaho.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, where certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. INDIRECT COST RATE

The Housing Authority of the City of Caldwell, Idaho has not elected to use the 10-percent de minimis indirect cost rate.



ZWYGART JOHN  
CERTIFIED PUBLIC ACCOUNTANTS

Zwygart John & Associates CPAs, PLLC

16130 North Merchant Way, Suite 120 ♦ Nampa, Idaho 83687

Phone: 208-459-4649 ♦ FAX: 208-229-0404

**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, 2018, and the related notes to the financial statements, which collectively comprise the Housing Authority's basic financial statements and have issued our report thereon dated July 8, 2019.

***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.

**Zwygart John & Associates, CPAs PLLC**

Nampa, Idaho  
July 8, 2019



**ZWYGART JOHN**  
CERTIFIED PUBLIC ACCOUNTANTS

Zwygart John & Associates CPAs, PLLC

16130 North Merchant Way, Suite 120 ♦ Nampa, Idaho 83687

Phone: 208-459-4649 ♦ FAX: 208-229-0404

**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, 2018. 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, 2018.

**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.

**Zwysart John & Associates, CPAs PLLC**

Nampa, Idaho  
July 8, 2019

**Housing Authority  
of the City of Caldwell**  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2018

**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  
2CFR SECTION 200.516(A)?       yes     no

Identification of major programs:

CFDA Numbers	Name of Federal Program
14.239	Home Investment Partnerships

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000

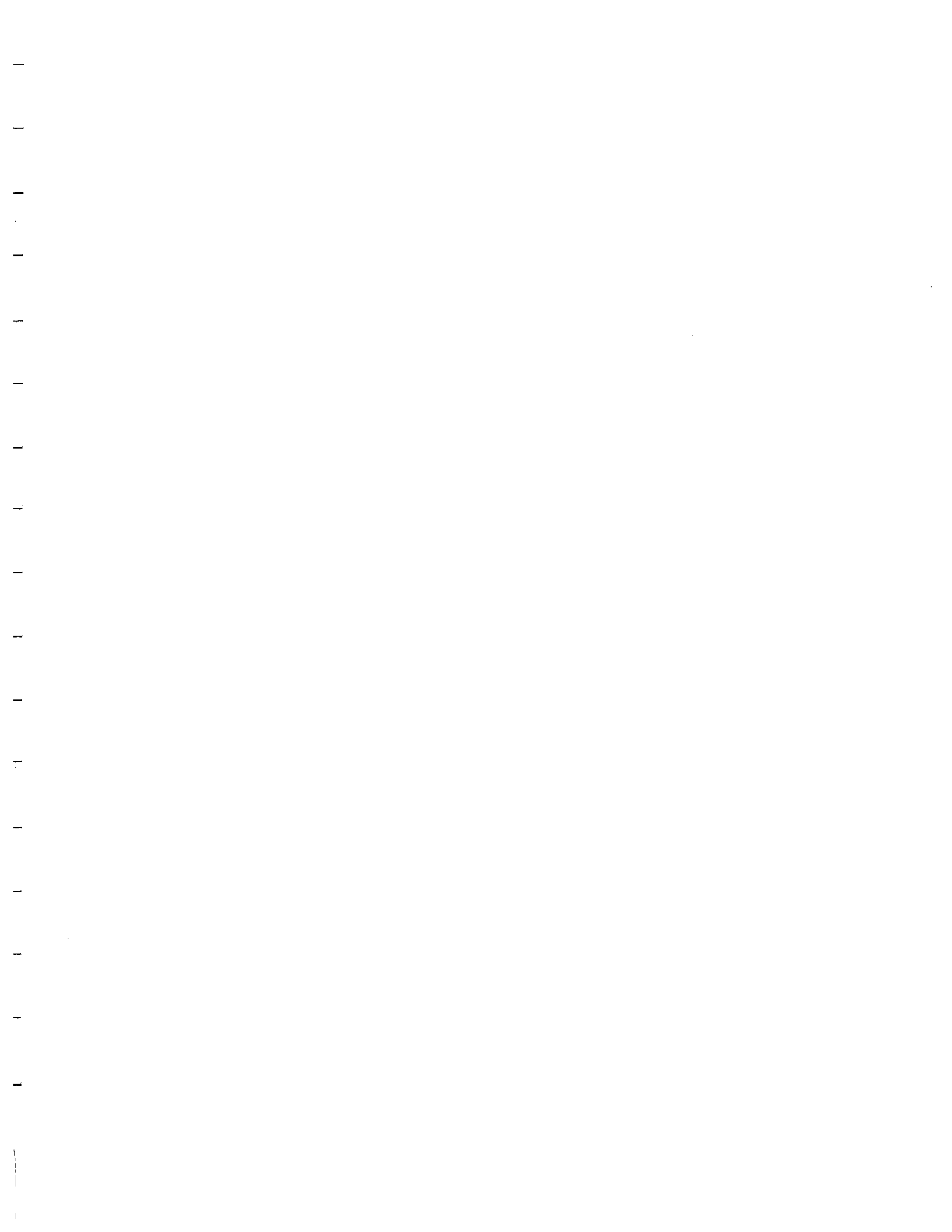
Auditee qualified as low risk auditee?  yes  no

**Section II - Financial Statement Findings**

None

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

None





**ZWYGART JOHN**  
CERTIFIED PUBLIC ACCOUNTANTS

Zwygart John & Associates CPAs, PLLC

16130 North Merchant Way, Suite 120 ♦ Nampa, Idaho 83687

Phone: 208-459-4649 ♦ FAX: 208-229-0404

July 8, 2019

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, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance Supplement, 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 18, 2018. 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 under audit. 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 July 8, 2019.

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.

Reconciling of Accounting Models:

- During the audit we noted that the balance sheet items such as Cash on Hand and Accounts receivable were not being reconciled to the supporting reports. It is very important that the balance sheet items be reconciled to the supporting documents.

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,

*Zwygart John & Associates, CPAs PLLC*