

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

Report on Audited
Basic
Financial Statements
and
Supplemental Information

For the Year Ended December 31, 2019

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each fund of the Housing Authority of the City of Caldwell, Idaho (the Housing Authority), as of and for the year ended December 31, 2019, 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, 2019, 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 24, 2020, 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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
July 24, 2020

**Housing Authority
of the City of Caldwell, Idaho**
Statement of Net Position
December 31, 2019

	Operating Fund	Store Fund	Development Fund	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ 79,288	\$ 8,053	\$ 12,598	\$ 99,939
Accounts Receivable, Net	77,203	-	-	77,203
Prepaid Items	1,364	-	-	1,364
Inventory	-	23,262	-	23,262
Due (to)/from Other Funds	1,217	-	(1,217)	-
Total Current Assets	159,072	31,315	11,381	201,768
Noncurrent Assets:				
Restricted Assets:				
Required Reserve	351,313	-	-	351,313
Deposit Funds	102,440	-	-	102,440
Land	240,000	-	-	240,000
Buildings and Improvements, Net	1,736,531	-	-	1,736,531
Equipment, Net	96,151	8,281	-	104,432
Waste Water Project, Net	1,241,621	-	-	1,241,621
Investments in Property	(2,000)	-	38,632	36,632
Total Noncurrent Assets	3,766,056	8,281	38,632	3,812,969
Total Assets	3,925,128	39,596	50,013	4,014,737
Deferred Outflows				
Pension Related Items	82,386	-	-	82,386
Total Deferred Outflows	82,386	-	-	82,386
Liabilities				
Current Liabilities:				
Accounts Payable	31,212	2,085	-	33,297
Accrued Interest	4,335	-	-	4,335
Accrued Benefits - Current Portion	2,619	-	-	2,619
Accrued Liabilities	20,922	-	-	20,922
Security Deposits	90,946	-	-	90,946
Notes Payable - Current Portion	65,496	-	-	65,496
Total Current Liabilities	215,530	2,085	-	217,615
Noncurrent Liabilities:				
Accrued Benefits - Long Term Portion	23,568	-	-	23,568
Notes Payable - Long Term Portion	3,042,742	-	-	3,042,742
Net Pension Liability	185,305	-	-	185,305
Total Noncurrent Liabilities	3,251,615	-	-	3,251,615
Total Liabilities	3,467,145	2,085	-	3,469,230
Deferred Inflows				
Pension Related Items	84,967	-	-	84,967
Total Deferred Inflows	84,967	-	-	84,967
Net Position				
Invested in Capital Assets, Net of Related Debt	204,065	8,281	38,632	250,978
Unrestricted	(111,470)	29,230	11,381	(70,859)
Restricted	362,807	-	-	362,807
Total Net Position	\$ 455,402	\$ 37,511	\$ 50,013	\$ 542,926

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, 2019

	Operating Fund	Store Fund	Development Fund	Total
Operating Revenues				
Tenant Rent and Subsidy	\$ 1,721,300	\$ -	\$ -	\$ 1,721,300
Non-Dwelling Rent	33,760	-	-	33,760
Sales	-	271,621	-	271,621
Gain/(Loss) on Sale of Assets	(821)	-	-	(821)
Other Project Income	17,589	9	487	18,085
Total Operating Revenues	<u>1,771,828</u>	<u>271,630</u>	<u>487</u>	<u>2,043,945</u>
Operating Expenses				
Salaries - Management	271,615	-	-	271,615
Salaries - Repairs and Maintenance	410,392	-	-	410,392
Payroll Taxes and Employee Benefits	146,070	-	-	146,070
Sales Tax Expense	-	14,418	-	14,418
Computer Consultant	7,965	-	-	7,965
Merchant Fees	-	238,434	-	238,434
Grounds Maintenance	101,380	-	-	101,380
Insurance - Medical	177,508	-	-	177,508
Insurance - Other	46,269	-	-	46,269
Legal and Accounting	7,409	-	-	7,409
Other Management Expenses	37,610	3,292	-	40,902
Repair and Maintenance	228,280	6,512	-	234,792
Security Services	350	-	-	350
Utilities and Telephone	32,297	4,885	-	37,182
Miscellaneous	2,479	-	-	2,479
Water and Irrigation	60,996	-	-	60,996
Water Treatment	2,597	-	-	2,597
Depreciation and Amortization	431,808	2,410	-	434,218
Total Operating Expenses	<u>1,965,025</u>	<u>269,951</u>	<u>-</u>	<u>2,234,976</u>
Operating Income (Loss)	<u>(193,197)</u>	<u>1,679</u>	<u>487</u>	<u>(191,031)</u>
Nonoperating Revenues (Expenses)				
Interest Income	1,310	12	27	1,349
Interest Expense and Bank Charges	(76,970)	(2,739)	(5,890)	(85,599)
Total Nonoperating Revenues (Expenses)	<u>(75,660)</u>	<u>(2,727)</u>	<u>(5,863)</u>	<u>(84,250)</u>
Transfers	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Net Income (Loss)	<u>\$ (278,857)</u>	<u>\$ 8,952</u>	<u>\$ (5,376)</u>	<u>\$ (275,281)</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, 2019

	Operating Fund	Store Fund	Development Fund	Total
Balances, Beginning of Year - Previous	\$ 734,259	\$ 28,559	\$ 55,389	\$ 818,207
Increase (Decrease) In Net Position	<u>(278,857)</u>	<u>8,952</u>	<u>(5,376)</u>	<u>(275,281)</u>
Balances, End of Year	<u>\$ 455,402</u>	<u>\$ 37,511</u>	<u>\$ 50,013</u>	<u>\$ 542,926</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, 2019

	Operating Fund	Store Fund	Development Fund	Total
Cash Flows from Operating Activities				
Charges for Services	\$ 1,697,357	\$ -	\$ -	\$ 1,697,357
Other Receipts	51,349	271,630	(12,148)	310,831
Payments to Employees	(842,262)	-	-	(842,262)
Payments to Suppliers	(702,065)	(274,272)	-	(976,337)
Net Cash Provided (Used) by Operating Activities	<u>204,379</u>	<u>(2,642)</u>	<u>(12,148)</u>	<u>189,589</u>
Cash Flows from Noncapital Financing Activities				
Transfers In (Out)	(10,000)	10,000	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(10,000)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities				
Purchase of Capital Assets	(28,910)	-	-	(28,910)
Principal Paid on Capital Debt	(80,379)	-	-	(80,379)
Interest Paid on Capital Debt and Bank Charges	(73,273)	(2,739)	(5,890)	(81,902)
Net Cash Provided (Used) by Financing Activities	<u>(182,562)</u>	<u>(2,739)</u>	<u>(5,890)</u>	<u>(191,191)</u>
Cash Flows from Investing Activities				
Interest and Dividends	1,310	12	27	1,349
Net Cash Provided (Used) by Investing Activities	<u>1,310</u>	<u>12</u>	<u>27</u>	<u>1,349</u>
Net Increase (Decrease) in Cash	13,127	4,631	(18,011)	(253)
Cash - Beginning of Year	<u>519,914</u>	<u>3,422</u>	<u>30,609</u>	<u>553,945</u>
Cash - End of Year	<u>\$ 533,041</u>	<u>\$ 8,053</u>	<u>\$ 12,598</u>	<u>\$ 553,692</u>
Displayed As:				
Cash and Cash Equivalents	\$ 79,288	\$ 8,053	\$ 12,598	\$ 99,939
Restricted Assets	453,753	-	-	453,753
	<u>\$ 533,041</u>	<u>\$ 8,053</u>	<u>\$ 12,598</u>	<u>\$ 553,692</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, 2019

	Operating Fund	Store Fund	Development Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (193,197)	\$ 1,679	\$ 487	\$ (191,031)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation and Amortization	431,808	2,410	-	434,218
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(24,956)	-	-	(24,956)
(Increase) Decrease in Prepaid Expenses	1,195	-	-	1,195
(Increase) Decrease in Inventory	-	(8,382)	-	(8,382)
(Increase) Decrease in Due (To)/From Other Funds	-	-	-	-
(Increase) Decrease in Investment Property	-	-	(12,635)	(12,635)
(Increase) Decrease in Deferred Outflows	16,774	-	-	16,774
Increase (Decrease) in Accounts Payable	(11,687)	1,651	-	(10,036)
Increase (Decrease) in Accrued Liabilities	13,567	-	-	13,567
Increase (Decrease) in Unearned Rent	(15,128)	-	-	(15,128)
Increase (Decrease) in Accrued Benefits	(10,860)	-	-	(10,860)
Increase (Decrease) in Security Deposits	16,141	-	-	16,141
Increase (Decrease) in Net Pension Liability	(59,397)	-	-	(59,397)
Increase (Decrease) in Deferred Inflows	39,298	-	-	39,298
Net Cash Provided by Operating Activities	<u>\$ 203,558</u>	<u>\$ (2,642)</u>	<u>\$ (12,148)</u>	<u>\$ 188,768</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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

2. CASH AND INVESTMENTS

Deposits

As of December 31, 2019, the carrying amounts of the Housing Authority's deposits were \$553,492 and the respective bank balances totaled \$547,667. 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, 2019, 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, 2019.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

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>553,692</u>
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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, 2019, was as follows:

Beginning	Earned	Used	Ending	Current Portion
\$ 37,047	\$ 31,159	\$ (42,020)	\$ 26,186	\$ 2,619

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 \$351,313, refundable security deposits of \$102,440, less the corresponding security deposit liability of \$90,946 for total restricted nets assets of \$362,807.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

7. LONG-TERM OBLIGATIONS

Notes payable have been issued to provide funds for housing projects. In December 2019 Caldwell Housing Authority paid off in full all 4 Rural Development loans by obtaining two new loans from Sunwest Bank. Payments are based on a twenty-year note. The note is for ten years with a balloon payment of the balance due in December 2029. Interest rate is currently 5% for the first five years. At that time, it will adjust based on the Five Year Treasury Constant Maturity index plus 2.75%, with minimum rate set at 5%. Caldwell Housing Authority's intent is to refinance the note before the balloon payment is due.

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

Description	Rate	Maturity	12/31/2018	Increase	Decrease	12/31/2019	Current Portion
Sunwest	5%	2029	\$ -	\$ 390,000	\$ -	\$ 390,000	\$ 11,845
Sunwest	5%	2029	-	342,522	-	342,522	10,403
Rural Development	1%	2025	43,599	-	(43,599)	-	-
Rural Development	1%	2025	35,903	-	(35,903)	-	-
Rural Development	1%	2025	90,399	-	(90,399)	-	-
Rural Development	1%	2028	595,423	-	(595,423)	-	-
IHA	0%	2033	357,046	-	(1,017)	356,029	-
IHA	0%	2033	673,363	-	(1,848)	671,515	-
DEQ WW1305	1.25%	2043	1,392,884	-	(44,712)	1,348,172	43,248
			<u>\$ 3,188,617</u>	<u>\$ 732,522</u>	<u>\$ (812,901)</u>	<u>\$ 3,108,238</u>	<u>\$ 65,496</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

7. LONG-TERM OBLIGATIONS (continued)

Debt service requirements on long-term debt at December 31, 2019, are as follows:

Year Ending December 31,	Notes Payable		
	Principal	Interest	Total
2020	\$ 65,496	52,852	\$ 118,348
2021	67,176	51,172	118,348
2022	68,922	49,426	118,348
2023	70,735	47,612	118,347
2024	72,620	45,727	118,347
2025-2029	845,290	197,620	1,042,910
2030-2034	1,278,703	48,739	1,327,442
2035-2039	267,303	32,593	299,896
2040-2044	284,487	15,409	299,896
2045-2046	89,506	1,108	90,614
	<u>\$ 3,110,238</u>	<u>\$ 542,258</u>	<u>\$ 3,652,496</u>

Interest expense for the fiscal year ended December 31, 2019, was \$29,217.

No interest was capitalized for the year ended December 31, 2019.

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, 2019, is as follows:

Beginning Balance	\$ 389,270
Increase	96,419
Withdrawals:	
Authorized Expenditures	<u>(134,376)</u>
Ending Balance	<u>\$ 351,313</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

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.

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.

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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

9. PENSION PLAN (continued)

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, 2019, 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 \$67,491 the year ended December 31, 2019.

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

At December 31, 2019, 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, 2019, 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, 2019, Housing Authority of the City of Caldwell, Idaho's proportion was 0.01623390 percent.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

9. PENSION PLAN (continued)

For the year ended December 31, 2019, Housing Authority of the City of Caldwell, Idaho recognized pension expense/(revenue) of \$64,167. At December 31, 2019, 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	\$ 17,221	\$ 21,839
Changes in assumptions or other inputs	10,308	-
Net difference between projected and actual earnings on pension plan investments	-	63,128
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions.	19,126	
Housing Authority of the City of Caldwell, Idaho's contributions subsequent to the measurement date	35,731	-
Total	\$ 82,386	\$ 84,967

\$35,731 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, 2019.

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, 2018, the beginning of the measurement period ended June 30, 2019, is 4.8 and 4.8 for the measurement period June 30, 2019.

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
2018	\$ 35,654
2019	(21,993)
2020	(7,989)
2021	(8,253)

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

9. PENSION PLAN (continued)

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	3.00%
Salary increases	3.75%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expense
Cost-of-living adjustments	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 for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

9. PENSION PLAN (continued)

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.

<u>Asset Class</u>		<u>Target Allocation</u>	<u>Long-Term Expected Nominal Rate of Return (Arithmetic)</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Core Fixed Income	Barclays Aggregate	30.00%	3.05%	0.80%
Broad US Equities	Wilshire 5000/Russell 3000	55.00%	8.30%	6.05%
Developed Foreign Equities	MSCI EAFE/World ex US	15.00%	8.45%	6.20%
Assumed Inflation - Mean			2.25%	2.25%
Assumed Inflation - Standard Deviation			1.50%	1.50%
Portfolio Arithmetic Mean Return			6.75%	4.50%
Portfolio Standard Deviation			12.54%	12.54%
Portfolio Long-Term (Geometric) Expected Rate of Return			6.13%	3.77%
Assumed Investment Expenses			0.40%	0.40%
Portfolio Long-Term (Geometric) Expected Rate of Return, Net of Investment Expenses			5.73%	3.37%
Portfolio Long-Term Expected Real Rate of Return, Net of Investment Expenses				4.19%
Portfolio Standard Deviation				14.16%
Valuation Assumptions Chosen by PERSI Board				
Long-Term Expected Real Rate of Return, Net of Investment Expenses				4.05%
Assumed Inflation				3.00%
Long-Term Expected Geometric Rate of Return, Net of Investment Expenses				<u>7.05%</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

9. PENSION PLAN (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.05%. 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 7.05 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 (6.05 percent) or 1-percentage-point higher (8.05 percent) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 559,694	\$ 185,305	\$ (124,302)

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.

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

10. ACCOUNTS RECEIVABLE

The accounts receivable is made up of tenant receivables. The amount to be collected as of December 31, 2019 is as follows:

Tenant Accounts Receivable	\$124,761
Less Allowance for Doubtful Accounts	(47,558)
Accounts Receivable Net	<u>\$ 77,203</u>

11. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Disposals	Balance 12/31/2019
Capital Assets Not Being Depreciated:				
Land	<u>\$ 240,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,000</u>
Capital Assets Being Depreciated:				
Buildings and Furnishings	11,586,703	-	(20,866)	11,565,837
Equipment	348,338	28,910	(47,231)	330,017
Waste Water Project	1,478,120	-	-	1,478,120
Improvements	<u>296,055</u>	<u>-</u>	<u>-</u>	<u>296,055</u>
Total Historical Cost	<u>13,709,216</u>	<u>28,910</u>	<u>(68,097)</u>	<u>13,670,029</u>
Less: Accumulated Depreciation				
Buildings and Furnishings	9,506,300	343,525	(20,520)	9,829,305
Equipment	240,809	31,531	(46,754)	225,586
Waste Water Project	177,374	59,125	-	236,499
Improvements	<u>296,055</u>	<u>-</u>	<u>-</u>	<u>296,055</u>
Total Accumulated Depreciation	<u>10,220,538</u>	<u>434,181</u>	<u>(67,274)</u>	<u>10,587,445</u>
Net Depreciable Assets	<u>3,488,678</u>	<u>(405,271)</u>	<u>(823)</u>	<u>3,082,584</u>
Capital Assets - Net	<u>\$3,728,678</u>	<u>\$(405,271)</u>	<u>\$(823)</u>	<u>\$3,322,584</u>

**Housing Authority
of the City of Caldwell, Idaho**
Notes to Financial Statements
For the Year Ended December 31, 2019

12. LEASES

The Housing Authority has two copier leases. It is anticipated that the copiers will be returned at the end of their leases.

Future minimum lease payments are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2020	9,996
2021	7,751
2022	4,608
2023	4,608
2024	2,304
	<u>\$ 29,267</u>

Lease expense for the fiscal year ended December 31, 2019, was \$8,844.

13. OTHER COMMITMENTS

The District has credit cards available for use with a total credit limit of \$28,300. Of the available credit, \$1,826 was in use as of December 31, 2019.

14. TRANSFERS

Transfers between funds were as follows:

\$ 10,000 From General Fund to the Store for store startup costs
\$ 10,000

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*

	2019	2018	2017	2016	2015
Housing Authority proportion of the net pension liability (asset)	0.0162339%	0.0165898%	0.0170476%	0.0150990%	0.0151367%
Housing Authority's proportionate share of the net pension liability (asset)	\$ 185,305	\$ 244,702	\$ 267,959	\$ 306,080	\$ 199,326
Housing Authority's covered-employee payroll	\$ 581,016	\$ 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	31.89%	45.03%	51.15%	64.80%	44.75%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	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, 2019

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 67,491	\$ 61,519	\$ 59,304	\$ 53,466	\$ 50,424
Contributions in relation to the contractually required contribution	<u>67,491</u>	<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>	<u>\$ -</u>
Housing Authority's covered-employee payroll	\$ 581,016	\$ 543,452	\$ 523,884	\$ 472,310	\$ 445,444
Contributions as a percentage of covered-employee payroll	11.62%	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, 2019

**Housing Authority
of the City of Caldwell, Idaho**
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2019

<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	\$ 363,997
		363,997
<u>U.S. Department of Housing and Urban Development:</u>		
Passed through Idaho Housing and Finance:		
HOME - Loan Balances	14.239	1,027,544
		1,027,544
Total		\$ 1,391,541

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, 2019

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, 2019. 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.

4. LOANS

The HOME- Loan Balances (CFDA 14.239) is part of a loan to the Housing Authority from Idaho Housing and Finance. As of December 31, 2019, the Housing Authority owed \$1,027,544 in relation to the loan.

FEDERAL REPORTS



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, 2019, 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 24, 2020.

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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses.

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*.

Response to Findings

Nampa Housing Authorities' response to the findings identified in our audit are described in the accompanying schedule of findings. The Cities response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
July 24, 2020



ZWYGART JOHN

CERTIFIED PUBLIC ACCOUNTANTS

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Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by 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, 2019. 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, 2019.

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.

Zwygart John & Associates, CPAs PLLC

Nampa, Idaho
July 24, 2020

**Housing Authority
of the City of Caldwell**

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2019

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
10.427	Rural Rental Assistance

**Housing Authority
of the City of Caldwell**
Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2019

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

2019-001: Cash and Other Reconciliations

Conditions: During the course of our audit, we identified that the Housing Authority was not performing adequate reconciliations procedures for cash and other balances.

Criteria: The Housing Authority should design and implement standardized policies and procedures to ensure timely and accurate reconciliation of the cash and other balances.

Cause: The Housing Authority did not have or follow standardized reconciliation policies and procedures for the cash and other accounts.

Effect: Multiple accounts were materially misstated as a direct result of the lack of reconciliation procedures.

Recommendation: The Housing Authority should implement internal controls regarding standardized reconciliation procedures, to ensure the cash and other balances are regularly reconciled to supporting documents. The standardized procedures should indicate all accounts that are to be reconciled, as well as the frequency of the reconciliations to be performed. Such procedures will ensure errors do not accumulate, but can be identified and attributed to a particular period, which will make it easier to perform future reconciliations.

**Housing Authority
of the City of Caldwell**
Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2019

Section II - Financial Statement Findings (continued)

2019-002: Material Audit Adjustments

Conditions: During the audit, we proposed multiple material adjustments to properly state assets, liabilities, revenues, and expenses for various funds. Our proposed adjustments were identified as a result of our audit procedures.

Criteria: The Housing Authority should design and implement internal controls to prevent and detect material misstatements to fund trial balances in a timely manner.

Cause: The internal controls currently in place were not sufficient to identify material misstatements in various funds.

Effect: Several of the accounts in the trial balance we received were materially misstated.

Recommendation: The Housing Authority should implement internal controls, which should include standard accounting and operating procedures, to ensure all balances in all funds are properly stated at year-end.

Section III - Findings and Questioned Costs for Federal Awards

None

**Housing Authority
of the City of Caldwell, Idaho**
Management's Response to Findings
For the Year Ended December 31, 2019

2019-001: Cash and Other Reconciliations

The new Finance Manager has put new controls in place to make sure that balances are being reconciled and monitored on a regular basis to prevent and detect any misstatements.

2019-002: Material Audit Adjustments

The Finance Manager has put monthly checks in place to monitor balances which will reduce adjustments needed going forward

If there are any questions on management's response to findings please contact the Housing Authority Treasurer at (208)-459-2232.