

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO**

ANNUAL CONTRIBUTIONS CONTRACT

SF - 184

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

AT DECEMBER 31, 2016

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS IDAHO**

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INDEPENDENT AUDITOR'S REPORT

June 2, 2017

To the Board of Commissioners
Twin Falls Housing Authority

Report on the Financial Statements

I have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the Twin Falls Housing Authority (PHA), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the PHA'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

My responsibility is to express opinions on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Twin Falls Housing Authority, as of December 31, 2016, 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 the management's discussion and analysis on pages 3-7, budgetary comparison information on page 23, and public employee pension information on page 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. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the PHA's basic financial statements. The accompanying Financial Data Schedule and supplementary information on pages 20-21 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards on page 24 is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The Financial Data Schedule and supplementary information as well as the schedule of expenditures of federal awards are 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 my opinion, the Financial Data Schedule and supplementary information as well as the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 2, 2017, on my consideration of the Twin Falls Housing Authority's internal control over financial reporting and on my tests of its 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 my 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 *Government Auditing Standards* in considering the PHA's internal control over financial reporting and compliance.



DENNIS R. BROWN
Certified Public Accountant
Twin Falls, Idaho

TWIN FALLS HOUSING AUTHORITY

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TWIN FALLS, IDAHO
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Management's Discussion and Analysis

June 2, 2017

The Twin Falls Housing Authority (PHA) general purpose external financial statements are presented in this report. The components of the general purpose external financial statements include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Other Required Supplementary Information. (RSI)

Within this section of the Housing Authority's annual financial report, the Authority's management provides narrative discussion and analysis of the financial activities of the Authority for the year ended December 31, 2016. The Authority's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section.

Financial Highlights

- The PHA's assets exceeded liabilities by \$ 1,804,410 (net position) for the year 2016.
- Total net position is comprised of the following:

Capital assets, net of related debt (none) of \$1,477,495 include property and equipment and net of accumulated depreciation. Unrestricted net position of \$ 326,915 represents the portion available to maintain the PHA's continuing obligations to tenants and creditors.

- Total liabilities at the end of the year were \$ 376,342.

Overview of the Financial Statements

The PHA's basic financial statements comprise the following elements:

Fund Financial Statements

Fund financial statements focus on individual parts of the PHA, reporting the PHA's operations. Fund financial statements include the statements for governmental and proprietary funds.

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the fund financial statements.

Refer to Note 1 of the financial statements for more detailed information on the elements of the financial statements.

Table 1 (below) summarizes the major features of the basic financial statements.

Table 1: Major Features of the Basic Financial Statements

Fund Financial Statements

Proprietary Funds

Scope	Activities of the Authority that are operated similar to private businesses.
Required financial statements	* Statement of net position * Statement of revenues, expenses, and changes in net assets * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.

Condensed Financial Information

The largest component (\$ 1,477,495) of the PHA's net position reflects its investment in capital assets (e.g. land, buildings, equipment, and furnishings and fixtures), less any related debt (at the financial statement date there was no related debt) that was needed to acquire or construct the assets. The PHA uses these capital assets to provide low rent public housing to the residents of Twin Falls, Idaho; consequently, this net position is not eligible for future spending. The remaining portion of net position is unrestricted, which can be used to finance PHA operations.

Table 2: Condensed Statement of Net Position

As of December 31, 2016

	Business-type Activities
Current and other assets	\$ 653,804
Capital assets and Deferred Outflows	1,615,872
Total Assets and Deferred Outflows	2,269,676
Other Liabilities and Deferred Inflows	465,266
Total Liabilities and Deferred Inflows	465,266
Net assets:	
Invested in capital assets net of related debt	1,477,495
Unrestricted	326,915
Total Net Assets	\$ 1,804,410

Program Expenses and Revenues for Business-type Activities

Table 3 (below) presents expenses and revenues for business-type activities. Program revenues generated from business-type activities were sufficient to cover program expenses before depreciation. When including depreciation, the authority still has sufficient reserves to offset any deficit.

**Table 3: Program Expenses and Revenues
for Business-type Activities
For the Year Ended December 30, 2016**

PHA Programs	Program Expenses Before Depreciation	Program Revenues	Net Program (Expenses) Revenues
Public Housing Assistance	\$ 1,010,240	\$ 1,013,095	\$ 2,855
Totals	<u>\$ 1,010,240</u>	<u>\$ 1,013,095</u>	<u>\$ 2,855</u>

The Twin Falls Housing Authority adopts an annual budget. A budgetary comparison statement is provided below. Significant variances are attributable to the following: Tenant revenues are higher than the budget due to current economic conditions. During the current year, federal subsidies and grants were higher than budget. Maintenance costs were over budget. General expense included insurance costs were over budget.

**Table 4: Analysis of Significant Budget Variances
As of December 31, 2016**

	Original and Final Budget	Actual	Variances
Revenues:			
Tenant	\$ 613,363	\$ 636,590	\$ 23,227
Other	9,166	13,641	4,475
Subsidies and Grants	419,783	490,068	70,285
Totals	<u>1,042,312</u>	<u>1,140,299</u>	<u>97,987</u>
Expenditures:			
Administrative	323,750	299,630	24,120
Utilities	165,000	154,886	10,114
Ordinary Maintenance	411,070	473,691	(62,621)
General Expenses	42,000	52,678	(10,678)
Insurance	24,000	26,205	(2,205)
Extraordinary Maintenance and Items	80,000	15,032	64,968
Depreciation	197,708	197,708	0
Capital Improvements	0	0	0
Totals	<u>1,243,528</u>	<u>1,219,830</u>	<u>23,698</u>
Excess (Deficiency)	<u>\$ (201,216)</u>	<u>\$ (79,531)</u>	<u>\$ 121,685</u>

The following is a schedule of the changes in fixed assets during the current year.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 99,631			\$ 99,631
Buildings and Improvements	7,674,895	110,901		7,785,796
Furnishings and Equipment	591,031	4,421		595,452
Totals	<u>8,365,557</u>	<u>115,322</u>	<u>0</u>	<u>8,480,879</u>
Accumulated Depreciation	<u>(6,805,676)</u>	<u>(197,708)</u>		<u>(7,003,384)</u>
Net Book Value	<u>\$ 1,559,881</u>			<u>\$ 1,477,495</u>

Tables 5 and 6 below contain comparison information from the previous year. The significant changes continue to be from GASB 68 Pension information reporting.

**Table 5: Comparison of Statement of Net Position
As of December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Current Assets	\$ 653,804	\$ 643,527	1.5970%
Capital Assets and Deferred Outflows	1,615,872	1,655,529	-2.3954%
Total Assets	<u>2,269,676</u>	<u>2,299,056</u>	<u>-1.2779%</u>
Current Liabilities	90,799	90,322	0.5281%
Non-Current Liabilities and Deferred Inflows	374,467	324,793	15.2940%
Total Liabilities	<u>465,266</u>	<u>415,115</u>	<u>12.0812%</u>
Net Position:			
Invested in Capital Assets net of related debt	1,477,495	1,559,881	-5.2816%
Unrestricted	326,915	324,060	0.8810%
Total Net Position	<u>\$ 1,804,410</u>	<u>\$ 1,883,941</u>	<u>-4.2215%</u>

The following is a comparison of the changes in net position from the previous to the current year. The decrease in net position is due primarily to increased costs in administration and maintenance.

**Table 6: Comparison of Changes of Net Position
 As of December 31, 2016 and 2015**

	2016	2015	Percentage Change
Revenues:			
Tenant	\$ 636,590	\$ 614,214	3.6430%
Other	13,641	18,408	-25.8963%
Subsidies and Grants	490,068	412,506	18.8026%
Totals	<u>1,140,299</u>	<u>1,045,128</u>	<u>9.1062%</u>
Expenditures:			
Administrative	299,630	241,666	23.9852%
Utilities	154,886	152,678	1.4462%
Ordinary Maintenance	473,691	364,513	29.9517%
General Expenses	78,883	83,040	-5.0060%
Extraordinary Maintenance and Items	15,032	48,876	-69.2446%
Depreciation	197,708	194,796	1.4949%
Totals	<u>1,219,830</u>	<u>1,085,569</u>	<u>12.3678%</u>
Increase (Decrease) Net Position	<u>(79,531)</u>	<u>(40,441)</u>	<u>96.6593%</u>
Beginning Net Position	1,883,941	2,142,067	
Prior Period Adjustment-Pension Activity		(217,685)	
Ending Net Position	<u>\$ 1,804,410</u>	<u>\$ 1,883,941</u>	

No capital improvement projects have been finished in the current year.

Requests for Information:

Requests for information regarding the PHA's finances should be directed to:

Leanne Trappen
 Executive Director
 Twin Falls Housing Authority
 200 North Elm Street
 Twin Falls, Idaho 83301
 Telephone: (208)733-5765

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
Statement of Net Position
at December 31, 2016

ASSETS

Current Assets:

Cash	\$ 259,673	
Restricted Cash - Tenant Deposit	37,125	
Tenant and Other Accounts Receivable, Net of Uncollectable	13,833	
Investments	334,055	
Prepaid Expenses	<u>9,118</u>	
Total Current Assets		\$ 653,804

Property and Equipment:

Land	99,631	
Buildings	7,785,796	
Furnishings and Equipment	<u>595,452</u>	
Total	8,480,879	
Less: Accumulated Depreciation	<u>(7,003,384)</u>	
Total Property and Equipment		1,477,495

Deferred Outflows of Resources:

Deferred Outflows from Pension Activity		<u>138,377</u>
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Total Assets and Deferred Outflows of Resources		\$ <u>2,269,676</u>
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts and Accrued Liabilities Payable	\$ 7,310	
Accrued Compensated Absences		
Security Deposits	37,125	
Accrued Payment in Lieu of Taxes	<u>46,364</u>	
Total Current Liabilities		\$ 90,799

Noncurrent Liabilities:

Accrued Compensated Absences	13,655	
Accrued Pension Liability	<u>271,888</u>	
Total Noncurrent Liabilities		285,543

Deferred Inflows of Resources:

Deferred Inflows from Pension Activities		<u>88,924</u>
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Total Liabilities and Deferred Inflows of Resources		465,266
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Net Position:

Invested in Capital Assets Net of Related Debt	1,477,495	
Unrestricted	<u>326,915</u>	
Total Net Position		\$ <u>1,804,410</u>

The accompanying notes are a part of these financial statements.

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
Statement of Revenues, Expenses, and Changes in Net Position
for the year ended December 31, 2016

Revenues:

Tenant Revenue - Dwelling Rent	\$ 624,206	
Other Tenant Revenue	12,384	
Other Income	8,823	
HUD Operating Subsidy and Capital Grant Soft Costs	<u>374,746</u>	
 Total Revenues		 \$ 1,020,159

Operating Expenses:

Administration	298,901	
Relocation Costs	729	
Utilities	154,886	
Ordinary Maintenance and Operation	473,691	
Protective Services		
Insurance Premiums	26,205	
Other General Expense	53,090	
Extraordinary Maintenance	2,738	
Depreciation	<u>197,708</u>	
 Total Operating Expenses		 <u>1,207,948</u>

Net Operating Income (Loss) (187,789)

Nonoperating Revenues (Expenses):

Gain on Sale of Assets	922	
Gain (Loss) on Pension Activities	(11,882)	
Interest Income	<u>3,896</u>	
 Total Nonoperating Revenues (Expenses):		 <u>(7,064)</u>

Net Income (Loss) Before Contributions and Transfers (194,853)

Capital Grants		<u>115,322</u>
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Change in Net Position (79,531)

Total Net Position - Beginning 1,883,941

Total Net Position - Ending \$ 1,804,410

The accompanying notes are a part of these financial statements.

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
Statement of Cash Flows
for the year ended December 31, 2016

Cash Flows From Operating Activities:

Receipts from other governments and customers	\$ 1,125,644	
Payments to suppliers and vendors	(491,775)	
Payments to employees and volunteers	(527,329)	
Other receipts	<u>8,823</u>	
Net cash provided (used) by operations		\$ 115,363

Cash Flows From Capital Related Financing Activities:

Proceeds from Sale of Assets	922	
Purchase and construction of capital assets	<u>(115,322)</u>	
Net cash used by capital and related financing activities		(114,400)

Cash Flows From Investing Activities:

Interest Income		<u>3,896</u>
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Net Increase (Decrease) in Cash and Equivalents 4,859

Balances - Beginning of the year 625,994

Balances - Ending of the year \$ 630,853

Displayed as:

Cash and Restricted Cash	296,798	
Investments	<u>334,055</u>	

Balances - Ending of the year \$ 630,853

Reconciliation of Operating Income (Loss) to Net Cash

Provided (Used) by Operating Activities:

Net Change in Net Position - Increase (Decrease)	(79,531)	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Less Proceeds from Sale of Assets	(922)	
Depreciation expense	197,708	
Investment Income	(3,896)	
Change in assets and liabilities:		
Tenant, Other Accounts Receivable and Uncollected Accounts	(1,014)	
Prepaid Insurance	(4,404)	
Accounts and Accrued Liabilities Payable	380	
Accrued Compensated Absences	(4,937)	
Security Deposits	(100)	
Accrued Payment in Lieu of Taxes and Other Accruals	197	
Change in Public Pension Liabilities and Deferrals	<u>11,882</u>	

Net Cash Provided (Used) by Operating Activities: \$ 115,363

The accompanying notes are a part of these financial statements.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization and Operations

The project is a Public Housing Agency located in the City of Twin Falls, Idaho, under contract with the United States of America acting through the Department of Housing and Urban Development, for financial assistance for low-income public housing pursuant to the United States Housing Act of 1937, as amended, 42 United States Code Section 1437 et seq. The Twin Falls Housing Authority has no component units. Organized in 1942, the Authority is governed by a five-member Board of Commissioners appointed by the Mayor and City Council of the City of Twin Falls, Idaho. The Board elects a chairman, vice chairman, and secretary.

Fund Accounting

The financial activities of the Authority are reported in accordance with GASB 34. The Housing Authority records transactions using an Enterprise Fund format. Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred, and / or net income is necessary for management accountability.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The accompanying financial statements have been prepared using the accrual basis of accounting for all funds. Accordingly, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Budgets

Budgets are adopted on the basis of accounting consistent with the basis of accounting for the fund to which it applies. The Authority prepares annual operating budgets for the Low Income Public Housing program. The budgets are formally adopted by its governing Board of Commissioners and are approved by the funding agency. The budgets for the programs funded by HUD form the basis of the Federal Financial Assistance received through HUD.

Cash Deposits and Investments

Cash deposits and investments consist of checking and timed certificates of deposits in local federally insured banks. These deposits and investments are Category 1 type risk investments fully insured by the FDIC. The Authority has no other investments that would require a risk category.

Accounts Receivable

Accounts receivable represent amounts due from tenants for rent, excess utility charges, tenant caused damages and services provided for the tenant by the Authority. There has been an allowance for uncollectible accounts established at this report date of \$ 1,563.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

Cash Equivalents

For the statement of cash flows, investment instruments, which are all unrestricted and which consist of certificates of deposits and savings accounts at local banks, are liquid within 30 days and are cash equivalents.

Fixed Assets

Fixed assets purchased are recorded as capital assets at the time of purchase. Such assets are recorded at cost. Donated assets are recorded at fair market value at the date of donation. Because developments and major capital repairs or improvements are financed through cash advances from HUD, there are no capitalized interest costs in current programs.

Depreciation of property and equipment is computed by the straight-line method based upon the estimated useful lives of the assets as follows:

<u>Class</u>	<u>Life</u>
Building	20-30 years
Furniture and Fixtures	7-10 years
Maintenance Equipment	7-10 years

It is the policy of the Authority to capitalize assets costing \$1,000 or more.

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.

Compensated Absences

Employees earn annual leave and sick leave. At termination, employees are paid for any accumulated annual leave. The liability for accumulated annual leave at the financial statement date is reported on the statement of net assets.

Deferred Outflows/Inflows of Resources

In 2007, the Governmental Accounting Standards Board (GASB) released Concepts Statement No. 4 *Elements of Financial Statements* which provides a framework for determining the nature of financial accounting or reporting issues. Since the release of the framework, GASB has been looking at the assets and liabilities on the balance sheet to determine if they should continue to be reflected as such. GASB has concluded that, in order to improve financial reporting, there are assets and liabilities that no longer should be reflected as assets and liabilities. These changes are included in the recently-issued GASB Statement No. 65, *Items Previously Reported as Asset and Liabilities*.

These changes include two new items that are reflected on the Statement of Net Position.

- Deferred outflow of resources – the current *consumption* of net assets that is applicable to a *future* reporting period.
- Deferred inflows of resources – the current *acquisition* of net assets that is applicable to a *future* reporting period.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

The Authority's financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period.

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.

NOTE 2 - INVESTMENTS

The Authority held the below listed investments as of the financial statement date. The investments are categorized to give an indication of the level of risk assumed by the Authority at the end of the year. The categories are described as follows:

Category A – Insured, registered, or securities held by the Authority or its agent in the Authority's name.

<u>Description</u>	<u>Amount</u>
Certificates of Deposit:	
Idaho Central Credit Union	\$ 215,260
First Federal Savings Bank	118,795

These amounts are classified on the financial statements as \$ 334,055 Investments. Each of these investments conforms to the Department of Housing and Urban Development guidelines. Interest earned on investments is recorded on an accrual basis.

NOTE 3 - FIXED ASSETS

A summary of changes in fixed assets is as follows

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 99,631			\$ 99,631
Buildings and Improvements	7,674,895	110,901		7,785,796
Furnishings and Equipment	591,031	4,421		595,452
Totals	8,365,557	115,322	0	8,480,879
Accumulated Depreciation	<u>(6,805,676)</u>	<u>(197,708)</u>		<u>(7,003,384)</u>
Net Book Value	\$ <u>1,559,881</u>			\$ <u>1,477,495</u>

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

NOTE 4 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the Housing Authority expects such amounts, if any, to be insignificant.

NOTE 5 – EMPLOYEE RETIREMENT PLAN

Plan Description

The Authority 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 services (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% 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) that are adequate to accumulate sufficient assets to pay benefits when due.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

-Continued

The contribution rates for employees are set by statute at 60% of employer rate for general employees. As of June 30, 2016, it was 6.79% for general employees. The employer contribution rate is set by the Retirement Board and was 11.32% for general employees. The Authority's contributions were \$ 48,045 for the year ended December 31, 2016.

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

At December 31, 2016, the Authority reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on the Authority'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, 2016, the Authority's proportion was 0.0134123 percent.

For the year ended December 31, 2016, the Authority recognized pension expense (revenue) of \$11,882. At December 31, 2016, the Authority 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	\$ 106,077	\$ 67,182
Changes in assumptions or other inputs	\$ 6,605	
Net difference between projected and actual earnings on pension plan investments	\$ 66,748	\$ 21,742
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$(65,585)	
Authority's contributions subsequent to the measurement date	\$ 24,532	
Total	\$ 138,377	\$ 88,924

\$ 24,532 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, 2017.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

-Continued

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, 2016 is 4.9 and 5.5 for the measurement period June 30, 2016.

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:

Year ended December 31, 2016:

2017	\$ 276
2018	\$ 276
2019	\$ 31,544
2020	\$ 17,357
2021 and Therafter	\$ 0

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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.5 – 10.25%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
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:

- Set back 3 years for teachers
- Set back one year for all general employees and all beneficiaries

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, 2016 is based on the results of an actuarial valuation date of July 1, 2016.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

-Continued

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

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2016.

Capital Market Assumptions

	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
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%
			<u>Expected Real Return</u>	<u>Expected Risk</u>
Total Fund				
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

Actuarial Assumptions:

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

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

-Continued

Discount Rate

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

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10%, 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%) or 1-percentage-point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Employer's proportionate share of the net pension liability (asset)	\$ 299,077	\$ 271,888	\$ 244,699

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

Payables to the pension plan

At December 31, 2016, the Authority reported payables to the defined benefit pension plan of \$ 0 for legally required employer contributions and \$ 0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 6 - ANNUAL CONTRIBUTIONS BY FEDERAL AGENCIES

Annual Contributions Contract SF-184 from HUD is an operating subsidy. Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget under the Annual Contributions Contract. Operating subsidy and capital grant soft cost contributions for the Low -Income Public Housing Program were \$ 374,746 in the current period.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2016**

NOTE 7 - RISK MANAGEMENT

The Authority is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance coverage for these risks to the extent deemed prudent by Authority management.

NOTE 8 – SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through June 2, 2017, the date on which the financial statements were available to be issued.

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
HUD Project No. SF-184

SUPPLEMENTARY INFORMATION
REQUIRED BY HUD

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
HUD Project No. SF-184
Financial Data Schedule
Balance Sheet
at December 31, 2016

ASSETS

Acct No

Current Assets:			
111	Cash Unrestricted	\$ 259,673	
114	Cash Tenant Security Deposits	37,125	
125	Miscellaneous Accounts Receivable	13,129	
126	Tenant Accounts Receivable Net of Allowance	704	
131	Investments - Unrestricted	334,055	
142	Prepaid Expenses and Other Assets	<u>9,118</u>	
	Total Current Assets		\$ 653,804
Property and Equipment			
161	Land	99,631	
162	Buildings	7,785,796	
163	Furnishings and Equipment Dwellings	311,123	
164	Furnishings and Equipment Administration	<u>284,329</u>	
	Total	8,480,879	
166	Less: Accumulated Depreciation	<u>(7,003,384)</u>	
	Total Property and Equipment		1,477,495
Other Non-Current Assets:			
200	Deferred Outflow of Resources		<u>138,377</u>
	Total Assets and Deferred Outflow of Resources		<u>\$ 2,269,676</u>

LIABILITIES AND EQUITY

Current Liabilities:			
312	Accounts Payable	\$ 51,761	
321	Accrued Payroll Taxes	1,913	
322	Accrued Compensated Absences Current		
341	Security Deposits	<u>37,125</u>	
	Total Current Liabilities		\$ 90,799
Noncurrent Liabilities:			
354	Accrued Compensated Absences Noncurrent	13,655	
357	Accrued Pension Liability	<u>271,888</u>	
	Total Noncurrent Liabilities		<u>285,543</u>
	Total Liabilities		376,342
Other Non-Current Assets:			
400	Deferred inflow of Resources		88,924
508	Invested in Capital Assets	1,477,495	
512	Unrestricted Net Position	<u>326,915</u>	
	Total Equity / Net Position		<u>1,804,410</u>
	Total Liabilities, Deferred Inflow of Resources, and Equity		<u>\$ 2,269,676</u>

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
HUD Project No. SF-184
Financial Data Schedule
Statement of Activities Data
for the year ended December 31, 2016

Acct. No.			
	Revenues:		
70300	Dwelling Rental	\$	624,206
70400	Tenant Revenue - Other		12,384
70600	HUD PHA Operating Grants		374,746
70610	Capital Grants		115,322
71100	Investment Income		3,896
71500	Other Revenue		8,823
71600	Gain on Sale of Captial Assets		<u>922</u>
	Total Revenues		\$ 1,140,299
	Operating Expenses:		
	Administration		
91100	Administrative Salaries	157,151	
91200	Audit Fees	7,125	
91500	Employee Benefit Contributions - Administrative	88,152	
91600	Office Expense	32,764	
91900	Other General Expense	13,709	
	Tenant Services		
92200	Relocation Costs	729	
	Utilities		
93100	Water	40,498	
93200	Electricity	39,618	
93300	Gas	33,924	
93600	Sewer	40,846	
	Ordinary Maintenance and Operation		
94100	Labor	190,870	
94200	Materials	109,462	
94300	Contract Costs	90,036	
94500	Employee Benefit Contributions - Maintenance	83,323	
	General Expenses		
96110	Insurance	18,372	
96130	Workmen's Compensation	7,833	
96210	Compensated Absences		
96300	Payment in Lieu of Taxes	46,364	
96400	Bad Debt - Tenant Rents	6,314	
	Other Expenses		
97100	Extraordinary Maintenance	2,738	
97200	Casualty Losses - Non-Capitalized	412	
97400	Depreciation	197,708	
10070	Extraordinary Items, Net (Gain)/Loss	<u>11,882</u>	
	Total Operating Expenses		<u>1,219,830</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses		\$ <u><u>(79,531)</u></u>

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
HUD Project No. SF-184
for the year ended December 31, 2016

COMPUTATION OF SURPLUS CASH--ANNUAL

Cash		\$ 630,853
Current Obligations		
Accounts Payable	51,761	
Accrued Payroll Taxes	1,913	
Accrued Compensated Absences Current	0	
Security Deposits	<u>37,125</u>	
Total Current Obligations		<u>90,799</u>
Surplus Cash		<u>\$ 540,054</u>

SCHEDULE OF CHANGES IN FIXED ASSETS ACCOUNTS

	Begin Balance	Additions	Deletions	Ending Balance
Land	99,631			\$ 99,631
Buildings	7,674,896	110,900		7,785,796
Furnishings and Fixtures	311,123			311,123
Equipment	<u>279,907</u>	<u>4,422</u>		<u>284,329</u>
Total	<u>8,365,557</u>	<u>115,322</u>	<u>0</u>	8,480,879
Accumulated Depreciation	<u>(6,805,676)</u>	<u>(197,708)</u>	<u>0</u>	<u>(7,003,384)</u>
Net Book Value				<u>\$ 1,477,495</u>

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
HUD Project No. SF-184
Statement of Revenues and Expenses - Budgeted to Actual
for the year ended December 31, 2016

	<u>Budget</u> <u>2016</u>	<u>Actual</u> <u>2016</u>
Revenues:		
Dwelling Rental	\$ 598,251	\$ 624,206
Tenant Revenue - Other	15,112	12,384
HUD PHA Operating Grants & Capital Grant Soft Costs	285,218	374,746
Capital Grants	134,565	115,322
Investment Income	278	3,896
Other Revenue	8,888	8,823
Gain on Sale of Capital Assets		922
	<hr/>	<hr/>
Total Revenues	1,042,312	1,140,299
Operating Expenses:		
Administration		
Administrative Salaries	179,100	157,151
Audit Fees	7,000	7,125
Employee Benefit Contributions - Administrative	87,000	88,152
Office Expense	28,450	32,764
Other General Expenses	21,200	13,709
Tenant Services		
Relocation Costs	1,000	729
Utilities		
Water	42,000	40,498
Electricity	40,000	39,618
Gas	45,000	33,924
Sewer	38,000	40,846
Ordinary Maintenance and Operation		
Labor	184,000	190,870
Materials	74,000	109,462
Contract Costs	70,070	90,036
Employee Benefit Contributions - Maintenance	83,000	83,323
General Expenses		
Insurance	18,000	18,372
Workman's Compensation	6,000	7,833
Compensated Absences		0
Payment in Lieu of Taxes	40,000	46,364
Bad Debt - Tenant Rents	2,000	6,314
Other Expenses		
Extraordinary Maintenance	80,000	2,738
Casualty Losses - Non-Capitalized		412
	<hr/>	<hr/>
Total Expenses	1,045,820	1,010,240
Excess (Deficiency) of Operating Revenue Over (Under)		
Expenses before Depreciation and Extraordinary Items	(3,508)	130,059
Depreciation	197,708	197,708
Extraordinary Items, Net (Gain)/Loss		11,882
	<hr/>	<hr/>
Excess (Deficiency) of Operating Revenue Over (Under) Expenses after Depreciation	\$ (201,216)	\$ (79,531)

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
HUD Project No. SF-184
Schedule of Expenditures of Federal Awards
for the year ended December 31, 2016

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Low-Income Housing Assistance Program		
Major Programs:		
Capital Funding 2014	14.872	\$ 111,981
Capital Funding 2015	14.872	118,311
Operating Subsidy	14.850a	<u>259,776</u>
Total		<u>\$ 490,068</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Twin Falls Housing Authority, HUD Project No. SF-184. The information in this 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 Twin Falls Housing Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 - DE MINIMIS INDIRECT COST RATE

The Twin Falls Housing Authority has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The examination of the records of the Twin Falls Housing Authority for the year ended December 31, 2015, revealed no areas of comments.

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The examination of the records of the Twin Falls Housing Authority for the year ended December 31, 2016, revealed no areas of comments, findings or questioned costs

**TWIN FALLS HOUSING AUTHORITY
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended December 31, 2016**

Required Supplementary Information

**Schedule of Employer's Share of Net Pension Liability
PERSI - Base Plan
Last 10 - Fiscal Years***

	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	.0134123%	.00137728%
Employer's proportionate share of the net pension liability	\$ 271,888	\$ 181,365
Employer's covered-employee payroll	\$ 424,478	\$ 369,885
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	64.05%	49.03%
Plan fiduciary net position as a percentage of the total pension liability	663.66%	1038.76%

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

Data reported is measured as of June 30, 2016

**Schedule of Employer's Contributions
PERSI - Base Plan
Last 10 - Fiscal Years***

	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 48,045	\$ 41,871
Contributions in relation to the statutorily required contribution	\$ (48,045)	\$ (41,871)
Contribution (deficiency) excess	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 424,478	\$ 369,885
Contributions as a percentage of covered-employee payroll	11.32%	11.32%



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

June 2, 2017

To the Board of Commissioners
Twin Falls Housing Authority
Twin Falls, Idaho

I 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 Twin Falls Housing Authority (PHA), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Twin Falls Housing Authority's basic financial statements, and have issued my report thereon dated June 2, 2017.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the PHA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Twin Falls Housing Authority's internal control. Accordingly, I do not express an opinion on the effectiveness of the PHA'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 PHA'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.

My consideration of the 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 my audit I did not identify any deficiencies in internal control that I 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 PHA's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the PHA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the PHA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dennis R. Brown". The signature is written in a cursive style.

DENNIS R. BROWN
Certified Public Accountant
Twin Falls, Idaho