

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

ANNUAL CONTRIBUTIONS CONTRACT

SF - 184

**GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

AT DECEMBER 31, 2019

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS IDAHO**

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INDEPENDENT AUDITOR'S REPORT

July 30, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Twin Falls Housing Authority (PHA), as of and for the year ended December 31, 2019, 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

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 of the Twin Falls Housing Authority, 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 the management's discussion and analysis and budgetary comparison information 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. 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Twin Falls Housing Authority's basic financial statements. The accompanying Financial Data Schedule and supplementary information on pages 20-22 and the schedule of expenditures of federal awards on page 24 are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 our opinion, the Financial Data Schedule and supplementary information along with 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*, we have also issued our report dated July 30, 2020, on our consideration of the Twin Falls Housing Authority's internal control over financial reporting and on our 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 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 *Government Auditing Standards* in considering the Twin Falls Housing Authority's internal control over financial reporting and compliance.

Workman & Company

WORKMAN & COMPANY
Certified Public Accountants
Twin Falls, Idaho

TWIN FALLS HOUSING AUTHORITY

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TWIN FALLS, IDAHO
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Management's Discussion and Analysis

July 30, 2020

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, 2017. 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 \$ 1,860,923 (net position) for the year 2019.
- Total net position is comprised of the following:

Capital assets, net of related debt (none) of \$1,318,348 include property and equipment and net of accumulated depreciation. Unrestricted net position of \$ 542,575 represents the portion available to maintain the PHA's continuing obligations to tenants and creditors.

- Total liabilities at the end of the year were:
 - Current \$ 159,690
 - Non-Current 159,457

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 (\$ 1,318,348) 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, 2019**

	Business-type Activities
Current and other assets	\$ 907,000
Capital assets and Deferred Outflows	1,339,565
Total Assets and Deferred Outflows	2,246,565
Current Liabilities	159,690
Noncurrent Liabilities & Deferred Inflows	226,435
Total Liabilities and Deferred Inflows	386,125
Net assets:	
Invested in capital assets net of related debt	1,317,865
Unrestricted	542,575
Total Net Assets	\$ 1,860,440

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 31, 2019**

PHA Programs	Program Expenses Before Depreciation	Program Revenues	Net Program (Expenses) Revenues
Public Housing Assistance	\$ 1,001,357	\$ 1,059,291	\$ 57,934
Totals	\$ <u>1,001,357</u>	\$ <u>1,059,291</u>	\$ <u>57,934</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 spent were lower than budget. Maintenance costs were under budget. General expense included insurance costs were slightly over budget.

**Table 4: Analysis of Significant Budget Variances
 As of December 31, 2019**

	Original and Final Budget	Actual	Variances
Revenues:			
Tenant	\$ 665,630	\$ 680,904	\$ 15,274
Other	15,100	30,179	15,079
Subsidies and Grants	<u>1,004,731</u>	<u>577,327</u>	<u>(427,404)</u>
Totals	<u>1,685,461</u>	<u>1,288,410</u>	<u>(397,051)</u>
Expenditures:			
Administrative	315,853	316,923	(1,070)
Utilities	157,000	151,385	5,615
Ordinary Maintenance	470,966	449,884	21,082
General Expenses	48,000	53,085	(5,085)
Insurance	27,800	30,080	(2,280)
Extraordinary Maintenance and Items	347,141	0	347,141
Depreciation	193,000	193,962	(962)
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>1,559,760</u>	<u>1,195,319</u>	<u>364,441</u>
Excess (Deficiency)	\$ <u>125,701</u>	\$ <u>93,091</u>	\$ <u>(32,610)</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 99,631			\$ 99,631
Buildings and Improvements	7,972,427	170,589	(53,314)	8,089,702
Furnishings and Equipment	691,191	93,412	(93,650)	690,953
Totals	<u>8,763,249</u>	<u>264,001</u>	<u>(146,964)</u>	<u>8,880,286</u>
Accumulated Depreciation	<u>(7,344,512)</u>	<u>(193,962)</u>	<u>(23,947)</u>	<u>(7,562,421)</u>
Net Book Value	<u>\$ 1,418,737</u>			<u>\$ 1,317,865</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, 2019 and 2018**

	2019	2018	Percentage Change
Current Assets	\$ 907,000	\$ 800,364	13.3234%
Capital Assets and Deferred Outflows	1,339,565	1,453,061	-7.8108%
Total Assets	<u>2,246,565</u>	<u>2,253,425</u>	<u>-0.3044%</u>
Current Liabilities	159,690	131,637	21.3109%
Non-Current Liabilities and Deferred Inflows	226,435	244,972	-7.5670%
Total Liabilities	<u>386,125</u>	<u>376,609</u>	<u>2.5268%</u>
Net Position:			
Invested in Capital Assets net of related debt	1,317,865	1,418,788	-7.1133%
Unrestricted	542,575	458,028	18.4589%
Total Net Position	<u>\$ 1,860,440</u>	<u>\$ 1,876,816</u>	<u>-0.8725%</u>

The following is a comparison of the changes in net position from the previous to the current year. The increase in net position is due primarily to HUD funding of capitalized projects.

**Table 6: Comparison of Changes of Net Position
 As of December 31, 2019 and 2018**

	2019	2018	Percentage Change
Revenues:			
Tenant	\$ 680,904	\$ 640,037	6.3851%
Other	30,179	41,231	-26.8051%
Subsidies and Grants	<u>577,327</u>	<u>500,619</u>	15.3226%
Totals	<u>1,288,410</u>	<u>1,181,887</u>	9.0130%
Expenditures:			
Administrative	316,923	273,824	15.7397%
Utilities	151,385	157,140	-3.6623%
Ordinary Maintenance	449,884	397,359	13.2185%
General Expenses	83,165	78,241	6.2934%
Extraordinary Maintenance and Items	0	0	
Depreciation	<u>193,962</u>	<u>181,431</u>	6.9068%
Totals	<u>1,195,319</u>	<u>1,087,995</u>	9.8644%
Increase (Decrease) Net Position	93,091	93,892	<u>-0.8531%</u>
Beginning Net Position	1,876,816	<u>1,782,924</u>	
Less: Prior Period Adjustment	<u>(109,467)</u>		
Ending Net Position	<u>\$ 1,860,440</u>	<u>\$ 1,876,816</u>	

The 2017 capital improvement project was completed 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, 2019

ASSETS

Current Assets:

Cash	\$ 148,343	
Restricted Cash - Tenant Deposit	35,950	
Tenant and Other Accounts Receivable, Net of Uncollectable	11,900	
Investments	705,354	
Prepaid Expenses	<u>5,453</u>	
Total Current Assets		\$ 907,000

Property and Equipment:

Land	99,631	
Buildings	8,089,702	
Furnishings and Equipment	<u>690,953</u>	
Total	8,880,286	
Less: Accumulated Depreciation	<u>(7,562,421)</u>	
Total Property and Equipment		1,317,865

Deferred Outflows of Resources:

Deferred Outflows from Pension Activity		<u>21,700</u>
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Total Assets and Deferred Outflows of Resources		\$ <u>2,246,565</u>
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LIABILITIES AND NET POSITION

Current Liabilities:

Accounts and Accrued Liabilities Payable	\$ 63,961	
Accrued Compensated Absences	6,693	
Security Deposits	35,950	
Accrued Payment in Lieu of Taxes	<u>53,086</u>	
Total Current Liabilities		\$ 159,690

Noncurrent Liabilities:

Accrued Compensated Absences	13,385	
Accrued Pension Liability	<u>146,072</u>	
Total Noncurrent Liabilities		159,457

Deferred Inflows of Resources:

Deferred Inflows from Pension Activities		<u>66,978</u>
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Total Liabilities and Deferred Inflows of Resources		386,125
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Net Position:

Invested in Capital Assets Net of Related Debt	1,317,865	
Unrestricted	<u>542,575</u>	
Total Net Position		\$ <u>1,860,440</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, 2019

Revenues:

Tenant Revenue - Dwelling Rent	\$ 680,904	
Other Tenant Revenue	15,248	
Other Income		
HUD Operating Subsidy and Capital Grant Soft Costs	<u>363,139</u>	
Total Revenues		\$ 1,059,291

Operating Expenses:

Administration	316,923	
Utilities	151,385	
Ordinary Maintenance and Operation	449,884	
Insurance Premiums	30,080	
Other General Expense	53,085	
Extraordinary Maintenance		
Depreciation	<u>193,962</u>	
Total Operating Expenses		<u>1,195,319</u>

Net Operating Income (Loss) (136,028)

Nonoperating Revenues (Expenses):

Gain on Sale of Assets		
Gain (Loss) on Pension and Other Activities	6,981	
Interest Income	<u>7,950</u>	
Total Nonoperating Revenues (Expenses):		<u>14,931</u>

Net Income (Loss) Before Contributions and Transfers (121,097)

Capital Grants		<u>214,188</u>
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Change in Net Position 93,091

Total Net Position - Beginning 1,876,816

Prior Period Adjustment from Unrecorded Depreciation Expense		<u>(109,467)</u>
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Total Net Position - Ending **\$ 1,860,440**

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, 2019

Cash Flows From Operating Activities:

Receipts from other governments and customers	\$ 1,256,364	
Payments to suppliers and vendors	(406,623)	
Payments to employees and volunteers	(504,672)	
Other receipts	<u>15,248</u>	

Net cash provided (used) by operations \$ 360,317

Cash Flows From Capital Related Financing Activities:

Proceeds from Sale of Assets		
Purchase and construction of capital assets	<u>(264,001)</u>	
Net cash used by capital and related financing activities		(264,001)

Cash Flows From Investing Activities:

Interest Income		<u>7,950</u>
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Net Increase (Decrease) in Cash and Equivalents 104,266

Balances - Beginning of the year 785,381

Balances - Ending of the year \$ 889,647

Displayed as:

Cash and Restricted Cash	184,293	
Investments	<u>705,354</u>	

Balances - Ending of the year \$ 889,647

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:

Net Change in Net Position - Increase (Decrease)	93,091	
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Less Proceeds from Sale of Assets	0	
Depreciation expense	193,962	
Investment Income	(7,950)	
Change in assets and liabilities:		
Tenant, Other Accounts Receivable and Uncollected Accounts	(1,867)	
Prepaid Insurance	(503)	
Accounts and Accrued Liabilities Payable	(21,677)	
Accrued Compensated Absences	(3,587)	
Security Deposits	825	
Accrued Payment in Lieu of Taxes and Other Accruals	(4,631)	
Change in Public Pension Liabilities and Deferrals	<u>112,654</u>	

Net Cash Provided (Used) by Operating Activities: \$ 360,317

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, 2019**

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 \$ 536.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2019**

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 \$2,000 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, 2019**

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	\$ 229,665
DL Evans Savings	354,111
First Federal Savings Bank	121,578

These amounts are classified on the financial statements as \$ 705,354 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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land	\$ 99,631			\$ 99,631
Buildings and Improvements	7,972,427	170,589	(53,314)	8,089,702
Furnishings and Equipment	691,191	93,412	(93,650)	690,953
Totals	<u>8,763,249</u>	<u>264,001</u>	<u>(146,964)</u>	<u>8,880,286</u>
Accumulated Depreciation	<u>(7,344,512)</u>	<u>(193,962)</u>	<u>(23,947)</u>	<u>(7,562,421)</u>
Net Book Value	<u>\$ 1,418,737</u>			<u>\$ 1,317,865</u>

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2019**

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. 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, 2019**

-Continued

The contribution rates for employees are set by statute at 60% of employer rate for general employees. As of June 30, 2019, it was 6.79% for general employees. The employer contribution rate, as a percent of covered payroll, is set by the Retirement Board and was 11.32% for general employees. The Authority's contributions were \$ 49,605 for 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, the Authority 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. 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, 2019, the Authority's proportion was 0.0127968 percent.

For the year ended December 31, 2019, the Authority recognized pension expense (revenue) of (\$6,981). At December 31, 2019, 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	\$ 13,575	\$ 17,216
Changes in assumptions or other inputs	\$ 8,125	
Net difference between projected and actual earnings on pension plan investments		\$ 49,762
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$ (26,002)	
Authority's contributions subsequent to the measurement date	\$ 26,002	
Total	\$ 21,700	\$ 66,978

\$ 26,002 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, 2020.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2019**

-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, 2018 the beginning of the measurement period ended June 30, 2018 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:

Year ended December 31, 2019:

2020	\$ (5,260)
2011	\$ (22,535)
2022	\$ (10,977)
2023	\$ (6,505)

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, 2019 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 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, 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.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2019**

-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, 2017.

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 Deviation	3.25%
Portfolio Arithmetic Mean Return	2.00%
Geometric Rate of Return	8.42%
Assumed Investment Expenses	7.50%
Long-Term Expected Geometric Rate of Return Net of Investment Expenses	<u>0.45%</u>
	7.05%

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2019**

-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%, 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%) or 1-percentage-point higher (8.05%) 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)	\$ 147,532	\$ 146,072	\$ 144,611

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, 2019, 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 \$ 363,139 in the current period.

**TWIN FALLS HOUSING AUTHORITY
TWIN FALLS, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
At December 31, 2019**

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 – PRIOR PERIOD ADJUSTMENT

In the current accounting period, the Authority determined that the calculation of depreciation in the asset records was inaccurate and understated depreciation in several of the previous year's totaling \$109,467.

NOTE 9 – SUBSEQUENT EVENTS

Management evaluated events and transactions that occurred after the balance sheet date for potential recognition and disclosure through July 30, 2020, 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, 2019

ASSETS

Acct No

Current Assets:			
111	Cash Unrestricted	\$ 148,343	
114	Cash Tenant Security Deposits	35,950	
125	Miscellaneous Accounts Receivable	11,900	
126	Accounts Receivable - Tenants	536	
126.1	Allowance for Doubtful Accounts - Tenants	(536)	
131	Investments - Unrestricted	705,354	
142	Prepaid Expenses and Other Assets	<u>5,453</u>	
	Total Current Assets		\$ 907,000
Property and Equipment			
161	Land	99,631	
162	Buildings	8,089,702	
163	Furnishings and Equipment Dwellings	443,644	
164	Furnishings and Equipment Administration	<u>247,309</u>	
	Total	8,880,286	
166	Less: Accumulated Depreciation	<u>(7,562,421)</u>	
	Total Property and Equipment		1,317,865
Other Non-Current Assets:			
200	Deferred Outflow of Resources		<u>21,700</u>
	Total Assets and Deferred Outflow of Resources		<u>\$ 2,246,565</u>

LIABILITIES AND EQUITY

Current Liabilities:			
312	Accounts Payable	\$ 35,515	
321	Accrued Wages and Payroll Tax Payable	28,446	
322	Accrued Compensated Absences - Current	6,693	
333	Accounts Payable Other Government	53,086	
341	Security Deposits	<u>35,950</u>	
	Total Current Liabilities		\$ 159,690
Noncurrent Liabilities:			
354	Accrued Compensated Absences Noncurrent	13,385	
357	Accrued Pension Liability	<u>146,072</u>	
	Total Noncurrent Liabilities		<u>159,457</u>
	Total Liabilities		319,147
Other Non-Current Assets:			
400	Deferred inflow of Resources		66,978
508	Invested in Capital Assets	1,317,865	
512	Unrestricted Net Position	<u>542,575</u>	
	Total Equity / Net Position		<u>1,860,440</u>
	Total Liabilities, Deferred Inflow of Resources, and Equity		<u>\$ 2,246,565</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, 2019

Acct. No.			
	Revenues:		
70300	Dwelling Rental	\$	680,904
70400	Tenant Revenue - Other		15,248
70600	HUD PHA Operating Grants		363,139
70610	Capital Grants		214,188
71100	Investment Income		7,950
71500	Other Revenue		
71600	Gain on Sale of Capital Assets		
	Total Revenues		\$ 1,281,429
	Operating Expenses:		
	Administration		
91100	Administrative Salaries		158,282
91200	Audit Fees		7,400
91500	Employee Benefit Contributions - Administrative		87,662
91600	Office Expense		33,280
91700	Legal Expense		3,164
91800	Travel		802
91900	Other General Expense		15,582
	Tenant Services		
92200	Relocation Costs		328
	Utilities		
93100	Water		42,856
93200	Electricity		38,592
93300	Gas		26,241
93600	Sewer		43,696
	Ordinary Maintenance and Operation		
94100	Labor		177,741
94200	Materials		83,456
94300	Contract Costs		86,090
94500	Employee Benefit Contributions - Maintenance		95,050
	General Expenses		
96110	Insurance		20,304
96130	Workmen's Compensation		9,776
96210	Compensated Absences		17,970
96300	Payment in Lieu of Taxes		53,085
	Other Expenses		
97400	Depreciation		193,962
10070	Extraordinary Items, Net (Gain)/Loss Pensions		(6,981)
	Total Operating Expenses		1,188,338
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	\$	93,091

TWIN FALLS HOUSING AUTHORITY
Twin Falls, Idaho
HUD Project No. SF-184
for the year ended December 31, 2019

SCHEDULE OF CHANGES IN FIXED ASSETS ACCOUNTS

	<u>Begin</u> <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Land	99,631			\$ 99,631
Buildings	7,972,427	170,589	(53,314)	8,089,702
Furnishings and Fixtures	354,132	89,512		443,644
Equipment	<u>337,059</u>	<u>3,900</u>	<u>(93,650)</u>	<u>247,309</u>
Total	<u>8,763,249</u>	<u>264,001</u>	<u>(146,964)</u>	8,880,286
Accumulated Depreciation	<u>(7,344,512)</u>	<u>(193,962)</u>	<u>(23,947)</u>	<u>(7,562,421)</u>
Net Book Value	<u>1,418,737</u>			\$ <u>1,317,865</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, 2019

	<u>Budget</u> <u>2019</u>	<u>Actual</u> <u>2019</u>
Revenues:		
Dwelling Rental	\$ 665,630	\$ 680,904
Tenant Revenue - Other	8,900	15,248
HUD PHA Operating Grants & Capital Grant Soft Costs	254,000	363,139
Capital Grants	750,731	214,188
Investment Income	6,200	7,950
Other Revenue		0
Gain on Sale of Capital Assets		0
	<hr/>	<hr/>
Total Revenues	<u>1,685,461</u>	<u>1,281,429</u>
Operating Expenses:		
Administration		
Administrative Salaries	169,000	158,282
Legal and Audit Fees	11,500	10,564
Employee Benefit Contributions - Administrative	76,173	87,662
Office Expense	44,880	33,280
Travel	1,200	802
Other General Expenses	12,100	15,582
Tenant Services		
Relocation Costs	1,000	328
Utilities		
Water	42,000	42,856
Electricity	43,000	38,592
Gas	30,000	26,241
Sewer	42,000	43,696
Ordinary Maintenance and Operation		
Labor	234,131	177,741
Materials	104,800	83,456
Contract Costs	36,530	86,090
Employee Benefit Contributions - Maintenance	95,505	95,050
General Expenses		
Insurance	19,000	20,304
Workman's Compensation	8,800	9,776
Compensated Absences		17,970
Payment in Lieu of Taxes	48,000	53,085
Bad Debt - Tenant Rents	500	
Other Expenses		
Extraordinary Maintenance	<u>347,141</u>	<hr/>
	<hr/>	<hr/>
Total Expenses	<u>1,367,260</u>	<u>1,001,357</u>
Excess (Deficiency) of Operating Revenue Over (Under)		
Expenses before Depreciation and Extraordinary Items	318,201	280,072
Depreciation	193,000	193,962
Extraordinary Items, Net (Gain)/Loss		<u>(6,981)</u>
	<hr/>	<hr/>
Excess (Deficiency) of Operating Revenue Over (Under) Expenses after Depreciation	<u>\$ 125,201</u>	<u>\$ 93,091</u>

TWIN FALLS HOUSING AUTHORITY
Twin Falls Idaho
HUD Project No. SF-184
Schedule of Expenditures of Federal Awards
for the year ended December 31, 2019

Federal Grantor/Pass-through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Expenditures During Audit Period	Totals
U.S. Department of Housing and Urban Development			
Low-Income Housing Assistance Program			
U.S. Department of Housing and Urban Development			
Capital Funding 2017	14.872	\$ 176,369	
Capital Funding 2018	14.872	150,066	
Capital Funding 2019	14.872	0	
Operating Subsidy 2019	14.850a	<u>250,892</u>	
Total			\$ <u>577,327</u>
Total All Programs			\$ <u><u>577,327</u></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. 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, Costs Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the 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, 2018 revealed no areas of comments, findings or questioned costs.

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The examination of the records of the Twin Falls Housing Authority for the year ended December 31, 2019 revealed no areas of comments, findings or questioned costs.

**TWIN FALLS HOUSING AUTHORITY
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended December 31, 2019**

Required Supplementary Information

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	.0127968%	.0132894%	.0140072%	.0134123%	.0137728%
Employer's proportionate share of the net pension liability	\$ 146,072	\$ 196,021	\$ 220,069	\$ 271,888	\$ 181,365
Employer's covered-employee payroll	\$ 438,205	\$ 434,326	\$ 425,885	\$ 424,478	\$ 369,885
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	33.33%	45.13%	51.67%	64.05%	49.03%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%

* 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 PHA will present information for those years for which information is available.

Data reported is measured as of June 30, 2019

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 49,605	\$ 49,166	\$ 48,210	\$ 48,045	\$ 41,871
Contributions in relation to the statutorily required contribution	\$ (49,605)	\$ (49,166)	\$ 48,210	\$ (48,045)	\$ (41,871)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 438,205	\$ 434,326	\$ 425,885	\$ 424,478	\$ 369,885
Contributions as a percentage of covered-employee payroll	11.32%	11.32%	11.32%	11.32%	11.32%

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Office of
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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

July 30, 2020

To the Board of Commissioners
Twin Falls Housing Authority
Twin Falls, 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 Twin Falls Housing Authority (PHA), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Twin Falls Housing Authority's basic financial statements, and have issued our report thereon dated July 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we 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 our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the PHA's internal control. Accordingly, we 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.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the PHA's financial statements are free of material misstatement, we 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 our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

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Certified Public Accountants
Twin Falls, Idaho