



***Idaho Housing
and Finance***
Association

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**Single Audit Report as of
June 30, 2020 and 2019**

Idaho Housing and Finance Association

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June 30, 2020

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Independent Auditor's Report

To the Board of Commissioners
Idaho Housing and Finance Association
Boise, Idaho

We have audited the accompanying financial statements of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association (the Association), as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Association'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 audits. 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 Association'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 Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the Idaho Housing and Finance Association as of June 30, 2020 and 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 15 to the financial statements, the Association excluded amounts related to various agency balances and incorrectly classified certain debt during the prior year. This resulted in an overstatement of assets, liabilities, revenues, and expenses and understatement of net position as of June 30, 2019. Accordingly, amounts reported for those items have been restated in the 2019 financial statements now presented, to correct the errors. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Association has changed its accounting policy for accounting for conduit debt by early adopting the provisions of GASB Statement No. 91, *Conduit Debt Obligations*. Accordingly, the 2019 financial statements have been restated to adopt this update. Our opinion is not modified with respect to this matter.

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 4-9 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 an opinion on the financial statements that collectively comprise the Idaho Housing and Finance Association's basic financial statements. The supplementary financial information on pages 55- 58 and Section II page 11-14 are presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements.

The supplementary financial information and 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 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 October 15, 2020, on our consideration of the Idaho Housing and Finance Association'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 solely 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 the Authority's 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 Idaho Housing and Finance Association's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Boise, Idaho
October 15, 2020



Supplementary Reports on the Federal Awards
Programs Required by the Uniform Guidance and Cost
Certificate

For the Year Ended June 30, 2020

Idaho Housing and Finance Association

Idaho Housing and Finance Association

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June 30, 2020

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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*

To the Board of Commissioners
Idaho Housing and Finance Association
Boise, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities and discretely presented component unit of the Idaho Housing and Finance Association (the Association), a component of the State of Idaho, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Idaho Housing and Finance Association’s basic financial statements, and have issued our report thereon dated October 15, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Idaho Housing and Finance Association’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Idaho Housing and Finance Association’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Idaho Housing and Finance Association’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 Association’s financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Association's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Boise, Idaho
October 15, 2020



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by *the Uniform Guidance*

To the Board of Commissioners
Idaho Housing and Finance Association
Boise, Idaho

Report on Compliance for Each Major Federal Program

We have audited the Idaho Housing and Finance Association’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Idaho Housing and Finance Association’s major federal programs for the year ended June 30, 2020. The Idaho Housing and Finance Association’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Idaho Housing and Finance Association’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Idaho Housing and Finance Association’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Idaho Housing and Finance Association’s compliance.

Opinion on Each Major Federal Program

In our opinion, the Idaho Housing and Finance Association complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002. Our opinion on each federal program is not modified with respect to these matters.

Idaho Housing and Finance Authority's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Idaho Housing and Finance Association's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Idaho Housing and Finance Association is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Idaho Housing and Finance Association's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Idaho Housing and Finance Association's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Boise, Idaho
October 15, 2020

Idaho Housing and Finance Association
Schedule of Expenditures of Federal Awards
June 30, 2020

| <u>FEDERAL GRANTOR/PROGRAM OR CLUSTER TITLE</u> | <u>Federal CFDA Number</u> | <u>Federal Expenditures</u> | <u>Amounts Passed- Through to Subrecipients</u> |
|---|------------------------------------|---------------------------------|---|
| <u>U.S. Department of Housing and Urban Development</u> | | | |
| Emergency Solutions Grants Program | 14.231 | \$ 1,070,797 | \$ 958,834 |
| HOME Investment Partnerships Program | | | - |
| HOME Investment Partnerships Program | 14.239 | 2,370,637 | |
| CY HOME Loan Disbursements | 14.239 | <u>5,522,968</u> | |
| | | <u>7,893,605</u> | |
| Housing Opportunities for Persons with AIDS | 14.241 | 371,926 | 351,579 |
| Neighborhood Stabilization Program | 14.228 | 501,948 | - |
| Housing Trust Fund | 14.275 | 2,398,154 | - |
| Continuum of Care Program | 14.267 | 2,694,163 | 2,371,736 |
| Comprehensive Housing and Counseling Program | 14.169 | 175,213 | 5,807 |
| Family Self Sufficiency (FSS) Program | 14.896 | 282,523 | - |
| Section 8 Project-Based Cluster: | | | |
| Section 8 New Construction/Substantial Rehabilitation | 14.182 | 1,330,095 | - |
| Section 8 Performance Based Contract Administration | 14.195 | <u>17,928,476</u> | - |
| | | <u>19,258,571</u> | |
| Low Rent Public Housing Operating Subsidy | 14.850 | - | - |
| Public Housing Capital Fund | 14.872 | - | - |
| Housing Voucher Cluster | | | |
| Housing Choice Voucher Program | 14.871 | 20,906,133 | - |
| Mainstream 5-year Program | 14.879 | <u>643,422</u> | - |
| | | <u>21,549,555</u> | |
| <u>HUD Federal Mortgage Insurance & Guarantees</u> | | | |
| Federal Housing Administration - Mortgage Insurance - Homes | 14.117 | 3,365,743,786 | - |
| Public and Indian Housing Indian Loan Guarantee program | 14.865 | 1,756,104 | - |
| Community Development Block Grants/State's program and | | | |
| Non-Entitlement Grants in Hawaii (NSP loan disbursements) | 14.228 | 2,404,862 | - |
| Housing Trust Fund Loan Program | 14.275 | 1,892,702 | - |
| TOTAL HUD EXPENDITURES | | <u>3,427,993,909</u> | <u>3,687,956</u> |
| <u>U.S. Department of Veterans Affairs</u> | | | |
| Dept of Veterans Affairs - Veterans Housing - | | | |
| Guaranteed and Insured Loans | 64.114 | 226,988,196 | - |
| <u>U.S. Department of Agriculture</u> | | | |
| US Department of Agriculture (USDA) - Very Low to | | | |
| Moderate Income Housing Loans | 10.410 | <u>197,654,028</u> | - |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u>\$ 3,852,636,133</u> | <u>\$ 3,687,956</u> |
| See Notes to Schedule of Expenditures of Federal Awards | | | |

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Idaho Housing and Finance Association (the Association) under programs of the federal government for the year ended June 30, 2020. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Association, it is not intended to and does not present the financial position, changes in net position, or cash flows of Idaho Housing and Finance Association.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on this schedule are presented using the accrual basis of accounting as described in Note 2 to the Association's basic financial statements except for subrecipient expenditures, which are recorded on the cash basis. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or are limited as to reimbursement.

The Association has not elected to use the 10% de minimis cost rate.

Note 3 - Major Programs

The following programs represent all Federal awards tested as major programs. Since the Association is a high-risk auditee, coverage of at least 40 percent of federally awarded funds was required. Actual coverage was approximately 93 percent of total federally awarded expenditures.

| <u>Federal Awards Tested as Major Programs</u> | <u>Federal CFDA Number</u> | <u>Expenditures</u> | <u>Amounts Passed- Through to Subrecipients</u> |
|--|------------------------------------|---------------------|---|
| HOME Investment Partnerships Program | | | |
| HOME Investment Partnerships Program | 14.239 | \$ 2,370,637 | |
| CY HOME Loan Disbursements | 14.239 | <u>5,522,968</u> | |
| | | \$ 7,893,605 | \$ - |
| Section 8 Project-Based Cluster: | | | |
| Section 8 New Construction/Substantial Rehabilitation | 14.182 | \$ 1,330,095 | |
| Section 8 Performance Based Contract Administration | 14.195 | <u>17,928,476</u> | |
| | | \$ 19,258,571 | - |
| HUD Federal Mortgage Insurance & Guarantees | | | |
| Federal Housing Administration - Mortgage Insurance - Homes | 14.117 | \$ 3,365,743,786 | - |
| US Department of Agriculture (USDA) - Very Low to Moderate Income Housing Loans | 10.410 | \$ 197,654,028 | - |

Note 4 - Subrecipients

The Association provides grant funds through various subrecipients in the State of Idaho. Federal financial assistance provided to a subrecipient is treated as an expenditure when it is paid to the subrecipient.

The Association has certain compliance responsibilities with respect to its subrecipients, including monitoring the subrecipients to help ensure they use the sub-awards as authorized by law, regulations, and the provisions of the grant agreements.

Section I – Summary of Auditor’s Results

Financial Statements

| | |
|--|---------------|
| Type of auditor’s report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Noncompliance material to financial statements noted? | No |
| Federal Awards | |
| Internal control over major programs: | |
| Material weaknesses identified? | No |
| Significant deficiencies identified not considered to be material weaknesses? | None Reported |
| Type of auditor’s report issued on compliance for | |
| Major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516: | Yes |

Identification of major programs:

| CFDA Number(s) | Name of Federal Program or Cluster |
|-----------------------|--|
| 14.117 | Federal Housing Administration Mortgage Insurance – Home |
| 10.410 | US Department of Agriculture – Very Low to Moderate Income Housing Loans |
| 14.229 | HOME Investment Partnerships Program |
| 14.182, 14.195 | Section 8 Project-Based Cluster |

| | |
|--|-------------|
| Dollar threshold used to distinguish between Type A and Type B programs: | \$1,867,504 |
| Auditee qualifies as low-risk auditee? | No |

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2020-001

U.S. Department of Housing and Urban Development
CFDA # 14.182, 14.195, 2020 Award Year, Award Number: Not Provided
Section 8 Project – Based Cluster
Compliance Requirement: Eligibility
Type of Finding: Compliance

Criteria: The PHA, or owner, as applicable, must perform housing quality inspections at the time of initial occupancy and at least annually thereafter to assure that the units are decent, safe, and sanitary (24 CFR sections 880.612, 881.601, 882.516, 882.808(n), 883.701, 884.217, 886.123, and 886.323).

Condition: As part of our testing for eligibility compliance requirements, we selected a sample of 60 tenants receiving Housing Assistance Payments (HAP). Of the 60, five tenants had no inspection performed in the last twelve months.

Cause: Record keeping and compliance at the project level.

Effect: Not using the correct information or following proper procedures could cause the assistance payment to be considered ineligible.

Questioned Costs: From the date of the missed inspection, tenant errors one through five resulted in a possible overpayment of \$10,420.

Context/Sampling: A nonstatistical sample of 60 out of 3,309 assisted units were selected for eligibility testing. Total monthly HAP tested was \$392,616 out of the total yearly expense of \$17,928,476.

Repeat Finding from Prior Year(s): No

Recommendation: Management should ensure projects perform housing quality inspections on a timely basis in order to ensure compliance with all HUD requirements.

Views of Responsible Officials: Management agrees with the finding.

2020-002

U.S. Department of Housing and Urban Development
CFDA # 14.182, 14.195, 2020 Award Year, Award Number: Not Provided
Section 8 Project – Based Cluster
Compliance Requirement: Eligibility
Type of Finding: Compliance

Criteria: The PHA, or owner, as applicable, must Verify the eligibility of applicants by (a) obtaining signed applications that contain the information needed to determine eligibility (including designation as elderly, disabled, or homeless, if applicable, income, rent, and order of selection).

Condition: As part of our testing for eligibility compliance requirements, we selected a sample of 60 tenants receiving Housing Assistance Payments (HAP). Of the 60, one tenants had no application retained on file.

Cause: Record keeping and compliance at the project level.

Effect: Not using the correct information or following proper procedures could cause the assistance payment to be considered ineligible.

Questioned Costs: The tenant error did not impact financial assistance.

Context/Sampling: A nonstatistical sample of 60 out of 3,309 assisted units were selected for eligibility testing. Total monthly HAP tested was \$392,616 out of the total yearly expense of \$17,928,476.

Repeat Finding from Prior Year(s): No

Recommendation: Management should ensure projects maintain required file documentation in order to ensure compliance with all HUD requirements.

Views of Responsible Officials: Management agrees with the finding.