

DUANE BILLEDEAUX
CERTIFIED PUBLIC ACCOUNTANT

INTERNAL CONTROL LETTER

Round Valley Indian Housing Authority
Covelo, Ca.

Re: Statements on Auditing Standards (SAS) No. 114-
Required Communication with those charged with governance

To the Board of Directors:

This letter is a result of the audit of the financial statements of Round Valley Indian Housing Authority (RVIHA) for the year October 1, 2013 to September 30, 2014. The purpose of the audit was to express an opinion on the general purpose financial statements and not to provide assurance on internal control. Therefore I am not expressing an opinion on internal control.

My Responsibility under U.S. General Accepted Auditing Standards

As stated in my engagement letter dated October 14, 2013, my responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with my oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the U.S. My audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

There were no significant audit findings

Other Items

Being able to obtain a copy of the original bank signature card from Tri-City Bank has been a problem. The auditor never has had a problem obtaining bank signature cards from any other bank.

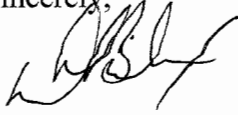
Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are immaterial, and communicate them to the appropriate level of management. There were no corrected misstatements.

P.O. Box 79473, Corona, CA. 92877
Phone 626-771-2600 Fax 626-610-3572

I encountered no significant difficulties in dealing with management in performing and completing my audit. I have found the staff RVIHA to be pleasant and very helpful in completing my audit. It has been a pleasure to work with the staff of RVIHA during the 2013-2014 audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Duane Billedeaux', written in a cursive style.

Duane Billedeaux
6/3/2015

Round Valley Indian Housing Authority

Financial Statement Audit
And Other Reports

For the Period Ended September 30, 2014

DRAFT

COPY

ROUND VALLEY INDIAN HOUSING AUTHORITY
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SEPTEMBER 30, 2014

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DUANE BILLEDEAUX
CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners:

Round Valley Indian Housing Authority
Covelo, California

Report on Financial Statements

I have audited the accompanying financial statements of the governmental activities of Round Valley Indian Housing Authority for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the Round Valley Indian Housing Authority's basic financial statements as listed in the table of contents. Management's Responsibility for the Financial Statements. Management is responsible for the preparation and fair presentation of 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 an opinion 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 standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Consolidated Audit Guide for Audits of HUD programs issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. 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 opinion.

Auditor's Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate remaining fund information of the Round Valley Indian Housing Authority, as of September 30, 2014, and the respective changes in financial position, and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 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. 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 my 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 us with sufficient evidence to express an opinion or provide any assurance.

My audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and supplemental information 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-Profits Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated June 3, 2015 on my consideration of the Round Valley Indian 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 and should be considered in assessing the results of my audit.

This report is intended solely for the information and use by Round Valley Indian Housing Authority's governing body and management, Federal awarding agencies and passes through entities and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

June 3, 2015

Corona, California

P.O. Box 79473 Corona, California 92877
626-771-2600 Fax 626-610-3572

ROUND VALLEY INDIAN HOUSING AUTHORITY
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014

The Round Valley Indian Housing Authority (RVIHA) was established to engage in or assist in development and operation of low rent housing for qualified individuals, as a Tribally Designated Housing Entity (TDHE). RVIHA is a political subdivision of the Round Valley Indian Tribes of the Round Valley Reservation (Tribe), a federally recognized Indian Tribe. RVIHA carries out low-income housing activities for tribal members living both on and off the reservation. As the financial managers of RVIHA, we offer the readers of RVIHA's financial statements this narrative overview and analysis of the financial activities of RVIHA for the 12 month period ended September 30, 2014. This overview is titled Management's Discussion and Analysis (MD&A). Please read it in conjunction with the financial statements and notes to the financial statements.

Financial Highlights

The main source of revenue is federal grants received from the U.S. Department of Housing and Urban Development, authorized by NAHASDA. The Authority also administers the Tribe's Housing Improvement Program (HIP) Grants along with smaller grants. In the twelve month period ended September 30, 2014, RVIHA expensed \$4,842,339 in grant and housing funds. This was an increase from the \$4,434,790 that was expensed in 2013. These funds along with program revenue were used for the following activities:

<u>Description</u>	<u>2013-2014</u>
Operational Costs of Housing Authority	\$ 683,782.
Tenant and Rental Assistance	1,627,489.
Development, Rehabilitation, Acquisition of Housing Units	2,123,519.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Round Indian Housing Authority's basic financial statements. RVIHA's financial statements are comprised of five components: 1) *Management's Discussion and Analysis* (this section), 2) the *Basic Financial Statements*, 3) *Notes to the Financial Statements*, 4) *Required Supplementary Information*, and 5) *Supplementary Information*.

Government-wide Financial Statements. The *Government-wide Financial Statements* are designed to provide readers with a broad overview of RVIHA's finances, in a manner similar to a private-sector business in that all governmental and business-type activities are consolidated into columns which add to a total for the primary government. These statements, for the first time, combine governmental fund's current financial resources with capital assets and long-term obligations.

The *Statement of Net Position* (page 10) presents information on all of RVIHA's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of RVIHA is improving or deteriorating.

The *Statement Revenues and Expenses and Changes in Net Position* (page 11) present information showing how RVIHA's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods. For example, uncollected rents and earned but unused vacation leave result in cash flows for future periods. The focus of the Statement of Activities is on both the gross and net cost of various activities. This is intended to summarize information and simplify the user's analysis of cost of various governmental services to various business-type activities.

The governmental activities reflect RVIHA's basic services including general administrative services, and low income housing services. These services are financed primarily through NAHASDA grants. The business-type activities reflect the collection of rent payments from the community, where revenue is generated to cover a portion of the cost operations.

FINANCIAL ANALYSIS OF THE AUTHORITY The following table summarizes select financial information regarding the Authority's financial position as of September 30, 2014 and 2013.

	<u>2014</u>	<u>2013</u>	<u>Variance</u>
Assets			
Cash and Investments	\$ 399,070	\$ 599,956	\$ (200,886)
Account and Grants Receivable	371,187	209,865	161,322
Capital Assets	13,539,375	18,214,570	(4,675,195)
Accumulated Depreciation	<u>(5,128,991)</u>	<u>(4,757,908)</u>	<u>(371,083)</u>
Total Assets	\$ 9,180,641	\$ 14,266,483	\$(5,085,842)
Liabilities			
Current Liabilities	\$ 194,035	\$ 143,765	\$ 50,270
Noncurrent Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	194,035	143,765	50,270
Net Position			
Invested in Capital Assets	8,410,384	13,456,662	(5,046,278)
Unrestricted	<u>576,222</u>	<u>666,056</u>	<u>(89,834)</u>
Total Net Position	8,986,606	14,122,718	(5,136,112)
Total Liability and Net Position	\$ 9,180,641	\$ 14,266,483	\$ (5,085,842)
Operating Revenues			
Grants	\$ 4,257,549	\$ 3,693,844	\$ 563,705
Other	<u>122,872</u>	<u>303,237</u>	<u>(180,365)</u>
Total Operating Revenues	4,380,421	3,997,081	383,340
Operating Expenses			
Administrative	856,017	600,787	255,230
Services	<u>3,615,239</u>	<u>3,487,820</u>	<u>127,419</u>
Total Operating Expenses	4,471,256	4,088,607	382,649
Other Expenses			
Depreciation	<u>371,083</u>	<u>346,183</u>	<u>24,900</u>
Change in Net Position	<u>\$ (461,918)</u>	<u>\$ (437,709)</u>	<u>\$ (24,209)</u>

This annual report consists of the Statement of Net Assets, the Statement of Revenue, Expenses and Changes in Net Position, and the Statement of Cash Flows. The Housing Authority utilizes the enterprise fund accounting

system in accordance with guidance issued by the Department of Housing and Urban Development and in accordance with Government Accounting Standards Board Statement 34.

Business Type Activities

The Housing Authority is responsible for maintaining 65 low-income rental units. RVIHA’s housing program for the rental units provides operating, maintenance, tenant counseling and modernization. The units were constructed in prior years utilizing the 1937 Housing Act and, more recently, NAHASDA funds. The renter’s monthly payment is determined by household income, not to exceed 30% of their determined income.

Budgetary Highlights

In accordance with the formula developed to allocate NAHASDA funds among the various tribes, the Housing Authority was granted \$2,841,283 for fiscal grant year 2014. This amount is subject to change in future years based on changes in the formula and federal funding of NAHASDA. The following is a summary of grant award #IH0608630:

<u>HUD Grants</u>	<u>Grant Year</u>	<u>Grant Expenditures Current Year</u>
NAHASDA	2013-2014	\$ 4,295,020
Total		4,295,020
Total Federal Assistance		<u>\$ 4,295,020</u>

These funds are available in future years for housing related activities as outlined on the Housing Authority's Indian Plan (IHP) submitted annually to the Department of Housing and Urban Development.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The Housing Authority's Property Management Policy capitalizes capital expenses in excess of \$5,000. Expenditures of \$5,000 or less for non-consumable goods are included in current year expenses at the time of purchase. Low-income rental units and the Housing Authority's office and maintenance facility are depreciated over twenty-five years. Equipment is depreciated over five years. Buildings, net of accumulated depreciation, and equipment, net of accumulated depreciation, as of September 30, 2014 is \$8,010,037.

	<u>Cost</u>	<u>Accumulated Depreciation 9/30/2013</u>	<u>Accumulated Depreciation Current period</u>	<u>Accumulated Depreciation 9/30/2014</u>
Land Improvements	\$ 2,209,131	\$ 400,968	\$ 50,086	\$ 451,054
Structures	10,402,153	4,027,257	272,919	4,300,176
Equipment	527,744	329,683	48,078	377,761
Totals	<u>\$13,139,028</u>	<u>\$4,757,908</u>	<u>\$ 371,083</u>	<u>\$ 5,128,991</u>

Debt

The Housing Authority has no debt.

Next Year's Activities

RVIHA uses a substantial portion of their resources to maintain and operate the housing units constructed under the 1937 Housing Act.

In addition, specific projects for next year include:

- Research and apply for alternative funding and identify additional resources to leverage funds in order to increase and improve current housing development activities.
- Provide annual inspections and re-certifications on all rental units.
- Provide emergency and homeless assistance services to displaced tribal members.
- Maintain a website to provide the community with information about affordable housing activities.
- Provide increased security and develop programs to reduce crime and illegal activity.
- Expand low rent housing stock through construction or acquisition of new units.
- Modernize existing low rent housing stock.
- Increase promotion of homeownership opportunities for tribal members.
- Provide infrastructure assistance to tribal members developing land for residency.
- Review, and modify if necessary, long range plans for affordable housing development.

Requests for Information:

This financial report is designed to provide a general overview of the Round Valley Indian Housing Authority's finances for all those with an interest in RVIHA's finances. Questions concerning any of the information provided in this report or for additional financial information should be addressed to:

Round Valley Indian Housing Authority
P.O. Box 682
Covelo, CA 95428.
Phone (707) 983-6188
Fax (707) 983-8069

ROUND VALLEY INDIAN HOUSING AUTHORITY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

Assets

Current Assets

Cash in bank accounts	\$ 399,070
Accounts receivable (note 7)	144,816
Accounts receivable tribe	40,000
Grants receivable	155,816
Advances commissioners/employees (note 8)	<u>30,555</u>
Total current assets	770,257

Non-Current Assets

Non-current assets	<u>-</u>
Total non-current assets	-

Capital Assets

Fixed Assets net of depreciation (note 3)	8,010,036
Land	<u>400,348</u>
Total capital assets	8,410,384
Total assets	<u><u>\$ 9,180,641</u></u>

Liabilities

Current Liabilities

Accounts payable	\$ 101,414
Deferred revenue	21,850
Accrued payroll liabilities	98
Accrued benefits (note 10)	55,104
Security deposits (note 11)	<u>15,569</u>
Total current liabilities	194,035

Non-Current Liabilities

Non-current liabilities	<u>-</u>
Total non-current assets	-
Total liabilities	194,035

Net Assets

Unrestricted net position	576,222
Investment in capital assets	<u>8,410,384</u>
Total net position	8,986,606

Total liabilities and net position	<u><u>\$ 9,180,641</u></u>
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See accompanying notes to these financial statements

ROUND VALLEY INDIAN HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

Operating Revenue

Federal grant revenue	\$ 4,257,549
Program income	24,216
Late fee and misc. revenue	17,494
Dwelling rental and administration fees	46,355
Tribal programs	<u>34,610</u>
Total operating revenue	<u>4,380,224</u>

Operating Expense

Development	2,236,607
Operations	698,444
Tenant services	311,829
Crime prevention & safety	327,975
Planning and administration	856,017
Tribal programs	40,384
Depreciation	<u>371,083</u>
Total operating expense	<u>4,842,339</u>

Total operating revenue exceeding (expense) (462,115)

Non-Operating Revenue (Expense)

Interest income	<u>197</u>
Total non-operating revenue (expense)	<u>197</u>

Net revenue (expense) (461,918)

Net deductions to investment in capital assets (4,674,154)

Net position September 30, 2013 14,122,678

Net position September 30, 2014 \$ 8,986,606

See accompanying notes to these financial statements

ROUND VALLEY INDIAN HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

Cash Flows From Operating Activities

Cash from grants and programs	\$ (4,990,762)
Cash paid to employees and suppliers	<u>4,418,793</u>
Net Cash provided (used) by operating activities	(571,969)

Cash Flow From Investing Activities

Phase 3 development	4,675,196
Depreciation	<u>371,083</u>
Net cash provided (used by) investing activities	5,046,279

Cash Flow From Financing Activities

Net cash provided (used by) financing activities Phase 3	<u>(4,675,196)</u>
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Net increase (decrease) in cash and cash equivalents	(200,886)
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Cash and cash equivalents, beginning of year	<u>599,956</u>
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Cash and cash equivalents, end of year	<u>\$ 399,070</u>
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Reconciliation of operating (loss) to net cash provided by operating activities operating income (loss)	<u>\$ (461,918)</u>
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Decrease in accounts receivables	81,481
Decrease in grants receivable	325,720
Increase in deposits	1,590
Decrease in deferred revenue	(466,690)
Increase in prepaid insurance	(26,583)
Decrease in insurance deposits	(30,198)
Decrease in payroll liabilities	5,622
Decrease in accrued vacation pay	<u>(993)</u>

Net cash flow provided (used) by operating activities	<u>\$ (571,969)</u>
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See accompanying notes to these financial statements

ROUND VALLEY INDIAN HOUSING AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

Note 1. Organization and Summary of Significant Accounting Policies

A. Reporting Entity

Round Valley Indian Housing Authority (RVHIA) was established to administer the tribe's Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA) Low-Income Mutual Help ownership and Low Rent Housing programs. The programs are administered by the Department of Housing and Urban Development (HUD) under the United States Housing Act of 1937 as amended. The housing authority derives all financial support from the U.S. Government and rental income from its Low Rent Housing program.

Method of Accounting

The Authority applies all applicable Governmental Accounting Standards Board (GASB) pronouncements including GASB 34, along with Statements of the Financial Accounting Standards Board Procedures issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The financial statements of the Authority have been prepared on the modified accrual basis of accounting. The Authority uses QuickBooks software in their financial recordings.

Financial Statement Presentation

Proprietary Fund – Enterprise Fund

Proprietary Funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. The general accepted accounting principles used here are those in private sector business. Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises-where the intent of the government body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. RVIHA has determined that the enterprise fund is the one to use to account for the management of housing services.

B. Significant Accounting Policies

Basis of Accounting and Measurement Focus

Basis of Accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The basis of accounting utilized depends on the

purpose for which the fund has been established. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

Cash in Bank Accounts

Cash is pooled and held in the fund. The fund's pooled cash and cash investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific fund and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents". All cash equivalents are shown at fair market value.

Revenue Recognition

A substantial portion of RVIHA's revenue is derived from restricted grants and contracts. Revenue from such restricted sources is deemed to be earned when RVIHA has incurred costs which satisfy restrictions imposed by the respective grants or contracts. Funds received from restricted sources in excess of costs incurred are reported as deferred revenue until such costs are incurred. For costs incurred in excess of funds received from restricted sources, revenue and related receivables are recognized to the extent of such costs unless, in management's opinion future grant or contract funds will be insufficient. In such cases, costs are charged to unrestricted funds. Contributions and donations from unrestricted sources are generally recognized when received.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Income Taxes

Round Valley Indian Housing Authority is a Tribal Designated Housing Entity and consequently exempt from federal income taxes under Section 7871 of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

Prepaid Expenses

Costs incurred that benefit future periods. These are recorded at cost and are amortized over the related period(s).

Expenses

Expenses charged to the various contracts must meet the specific criteria as set by the funding sources in order to be classified as allowable costs. Basically, to be allowable, the costs must be:

- Provided for in the approved budget
- Adequately supported
- Incurred during the period authorized
- Not specifically defined as unallowable

Note 2. Significant Concentrations of Credit Risk

The agency maintains several bank accounts (demand and certificate) that regularly exceed Federal Deposit Insurance Corporation maximum amount of \$250,000 per depositor at each institution. The deposits are deposited nightly into the Federal Reserve by the bank.

Note 3. Fixed Assets

Capital assets owned by the Housing Authority are recorded at historical cost. If actual historical is not available, or if contributed property, at their fair market value at the time of contribution. Repairs and maintenance are recorded as expenses, renewals and betterments are capitalized. Assets capitalized comply with the policy of the Housing Authority. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Dwelling/ Structures	20-50 years
Other Buildings	30-50 years
Equipment	5-10 years

	Cost	Accumulated Depreciation 9/30/2013	Current period Depreciation	Accumulated Depreciation 9/30/2014
Land Improvements	\$ 2,209,131	\$ 400,968	\$ 50,086	\$ 451,054
Structures	10,402,153	4,027,257	272,919	4,300,176
Equipment	524,744	329,683	48,078	377,761
Totals	<u>\$13,136,028</u>	<u>\$4,757,908</u>	<u>\$ 371,083</u>	<u>\$5,128,991</u>

Note 4. Pension Plan

Currently RVIHA does not have a pension plan.

Note 5. Leases

RVIHA currently has the following long-term lease obligation.

Xerox lease dated October 10, 2013 lease term 60 months. The payments are \$ 205.48 per month plus tax.

Minimum lease payments:	10/1/2014-9/30/2015	\$ 2,466.
	10/1/2015-9/30/2016	2,466.
	10/1/2017-9/30/2018	2,466.
	10/1/2019-9/30/2020	<u>2,466.</u>
Total minimum lease payments		<u>\$10,069.</u>

Note 6. Contingent Liabilities

RVIHA participates in several Governmental assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. Accordingly, until final approval of the operation of the grant by the grantor, RVIHA has a contingent liability to return grant funds not used in accordance with the grant terms. The amount, if any, of expenses which may be disallowed in the future, in the opinion of RVIHA, would be immaterial.

Note 7. Accounts Receivable

Accounts Receivable are shown net of Allowance for Doubtful Accounts and management has determined are collectable.

Total Accounts Receivable	\$197,816.
Allowance for Doubtful Accounts	<u>53,000.</u>
Total	<u>\$144,026.</u>

Note 8. Advances Commissioners, Employees

Advances to the Board of Commissioners and the employees of the Authority.

Note 9. Insurance Deposits

Repair funds advanced for repair or construction prior to insurance reimbursement. In Management opinion all are collectable.

Note 10. Vacation and Sick Leave

Under the terms of the housing authority policies employees are granted vacation and sick leave.

Annual Leave- 4 hours is earned per pay period or thirteen (13) working days per year. After three years of service and satisfactory evaluation the leave is increased by 1/3 days per month to 1 1/3 per month. The cumulative total for each employee shall not exceed 20 working days of annual leave.

Sick Leave-2 hours is earned per pay period or thirteen (5) working days per year. Payments if any are made out of current operations and are not accrued.

Note 11. Security Deposits

Deposits held in trust for rental units.

Note 12. Audit Fees

Audit Fees of \$8,750 for the current period have not been accrued as allowable by grantor agencies, a portion of these services will be performed in the subsequent period. This is not in accordance with generally accepted accounting principles, but is not considered material in relationship to the organization taken as a whole.

Note 13. Long-Term Debt

The Round Valley Indian Housing Authority has no long-term debt.

Note 14. Subsequent Events

Events subsequent to September 30, 2014 have been evaluated through the date of the audit report, the date these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events to be disclosed.

Note 15. Memorandum Only – Total Columns

The total columns are captioned “memo total” to indicate that they are presented only to facilitate financial analysis. Data in these columns does not present financial position or results of operations in conformity with generally accepted accounting principles. This data does not represent a consolidation and Interfund elimination has not been made.

REQUIRED SUPPLEMENTAL INFORMATION

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ROUND VALLEY INDIAN HOUSING AUTHORITY
 STATEMENT OF REVENUE AND EXPENSES
 FOR THE PERIOD OCTOBER 1, 2013 THROUGH SEPTEMBER 30, 2014

	GENERAL		
	<u>FUND</u>	<u>NAHASDA</u>	<u>memo totals</u>
<u>Revenue</u>			
Grant revenue	\$ -	\$ 4,257,549	\$ 4,257,549
Dwelling revenue	33,100	-	33,100
Late fees and misc. revenue	17,494	-	17,494
Interest revenue	197	-	197
Program revenue	-	37,471	37,471
Tribal programs	34,610	-	34,610
Total revenue	<u>85,401</u>	<u>4,295,020</u>	<u>4,380,421</u>
<u>Expense</u>			
Development	22,999	2,213,608	2,236,607
Operations	(83,469)	781,913	698,444
Tenet services	-	311,829	311,829
Crime prevention & safety	-	327,975	327,975
Planning and administration	196,322	659,695	856,017
Tribal HIP	40,384	-	40,384
Depreciation	<u>371,083</u>	<u>-</u>	<u>371,083</u>
Total Expenses	547,319	4,295,020	4,842,339
Total Revenue Over Expenses	<u>\$ (461,918)</u>	<u>\$ -</u>	<u>\$ (461,918)</u>

See accompanying notes to these financial statements

DUANE BILLEDEAUX
CERTIFIED PUBLIC ACCOUNTANT

**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 Board of Commissioners:

Round Valley Indian Housing Authority
Covelo, California

I have audited the financial statements of Round Valley Indian Housing Authority as of and for the year ended September 30, 2014, and have issued my report thereon dated June 3, 2015. 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 and the Consolidated Audit Guide for Audits of HUD Programs, issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General.

Internal Control over Financial Reporting

In planning and performing my audit, I considered Round Valley Indian Housing Authority's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Round Valley Indian Housing Authority's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Round Valley Indian Housing Authority's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. My audit did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Round Valley Indian Housing Authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of 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*.

This report is intended solely for the information and use of the management of Round Valley Indian Housing Authority, its Board of Commissions, others within the entity, Federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

Corona, California
June 3, 2015

P.O. Box 79473, Corona, CA. 92877
Phone 626-771-2600 Fax 626-610-3572

DUANE BILLEDEAUX
CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To Board of Commissioners:

Round Valley Indian Housing Authority
Covelo, California

Compliance

I have audited the compliance of Round Valley Indian Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the period October 1, 2013 through September 30, 2014. Round Valley Indian Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Round Valley Indian Housing Authority's management. My responsibility is to express an opinion on Round Valley Indian Housing Authority's compliance based on my audit.

I conducted my 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General. Those standards and OMB Circular A-133 require that I 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 Round Valley Indian Housing Authority's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Round Valley Indian Housing Authority's compliance with those requirements.

In my opinion, Round Valley Indian Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2014.

Internal Control over Compliance

The management of Round Valley Indian Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Round Valley Indian Housing Authority's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Round Valley Indian Housing Authority's internal control over compliance.

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

My 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 deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of Round Valley Indian Housing authority, its Board of Commissioners, others within the entity and, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

DRAFT

Corona, California
June 3, 2015

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ROUND VALLEY INDIAN HOUSING AUTHORITY
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 SEPTEMBER 30, 2014

Federal Programs

Department of Housing and Urban Development

Indian Community Housing Block Grant

	<u>CFDA</u>	<u>Grant Year</u>	<u>Grant Expenditures</u>
NAHASDA*	14.867	2013-14	\$ 4,295,020
Total Housing and Urban Development			4,295,020
Total Federal Financial Assistance			\$ 4,295,020

* major program

NOTE-BASIS OF PRESENTATION

The schedule of expenditures of federal financial awards includes the grant activity of Round Valley Indian Housing Authority. The information is presented using the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Government, and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparations of, the financial reporting of the grant program(s).

See accompany accountant's notes to these Consolidated Financial Statements

ROUND VALLEY INDIAN HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE PERIOD ENDED SEPTEMBER 30, 2014

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Round Valley Indian Housing Authority.
2. Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ yes X none reported.

Non-compliance material to financial statements noted? _____ yes X no
3. Federal Awards:

Internal control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes X none reported
4. Type of auditor's report issued on compliance for major programs is unqualified.
5. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? _____ yes X no
7. The program tested as a major program: CFDA 14.867
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Round Valley Indian Housing Authority qualified as a low-risk auditee.

ROUND VALLEY INDIAN HOUSING AUTHORITY
FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2014

CURRENT YEAR FINDINGS

NONE

ROUND VALLEY INDIAN HOUSING AUTHORITY
PRIOR YEARS FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 2014

NONE

End of Report