

**SALISH & KOOTENAI
HOUSING AUTHORITY**
(Component Unit of the
Confederated Salish and
Kootenai Tribes)



**Basic Financial Statements and
Independent Auditors' Reports**

December 31, 2019

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

Contents

	<u>Page</u>
FINANCIAL SECTION:	
Independent auditors' report	2-4
Management's discussion and analysis	5-10
Basic financial statements:	
Statement of net position	11
Statement of revenues, expenses, and changes in fund net position	12
Statement of cash flows	13
Notes to basic financial statements	14-36
SINGLE AUDIT:	
AUDITORS' SECTION:	
Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	37-38
Independent auditors' report on compliance for each major federal program and on internal control over compliance required by the <i>Uniform Guidance</i>	39-40
Schedule of findings and questioned costs	41-42
AUDITEE'S SECTION:	
Schedule of expenditures of federal awards	43
Notes to schedule of expenditures of federal awards	44-45
Corrective action plan	46
Summary schedule of prior audit findings	47



INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Salish & Kootenai Housing Authority
Pablo, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities and each major fund of the Salish & Kootenai Housing Authority (SKHA), a Component Unit of the Confederated Salish and Kootenai Tribes, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the SKHA's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of S&K Limited Partnership #4 (LP 4) and S&K Limited Partnership #5 (LP 5), which are each a major fund and represent 7% and 4%, (2%) and 0%, and 3% and 1%, respectively, of the assets, net position, and revenues of the business-type activities. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for LP 4 and LP 5, is based solely on the report of the other auditors. We conducted our audit in accordance with U.S. generally accepted auditing standards 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. The financial statements of LP 4 and LP 5 were not audited in accordance with *Government Auditing Standards*.

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.



Auditors' Responsibility

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund of the Salish & Kootenai Housing Authority as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the basic financial statements, in March 2020, the World Health Organization declared COVID-19 to constitute a “Public Health Emergency of International Concern.” Given the uncertainty of the situation, the duration of any disruption to SKHA’s operations and financial impact cannot be reasonably estimated at this time. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 5-10 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 U.S. generally accepted auditing standards, 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 SKHA’s basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

Other Matters (continued)

Other Information (continued)

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 U.S. generally accepted auditing standards. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of the SKHA'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 effectiveness of the SKHA'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 SKHA's internal control over financial reporting and compliance.

Stauffer & Associates PLLC

Liberty Lake, Washington
September 28, 2020

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Management's Discussion and Analysis

General

This section of the Salish & Kootenai Housing Authority (SKHA) financial report represents a discussion and analysis of the financial performance of SKHA for the year ended December 31, 2019. The Management Discussion and Analysis (MD&A) is designed to focus on the current year and future years' activities, resulting changes and currently known facts and should be read in conjunction with the audited financial statements included in this report. This MD&A focuses on SKHA's basic operating fund and does not include the Limited Partnerships.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the SKHA basic financial statements. The financial statements of SKHA consist of four components. They are as follows:

- Management Discussion and Analysis
- Financial Statements
- Notes to Basic Financial Statements
- Supplemental Schedules, including the Schedule of Expenditures of Federal Awards

The financial statements are presented as enterprise financial statements. The statements are presented on the full accrual basis of accounting in the Statement of Net Position, Statement of Revenues, Expenses, and Changes in Fund Net Position, and Statement of Cash Flows. The Statement of Net Position includes all of the SKHA assets and deferred outflows of resources and liabilities and deferred inflows of resources. Assets and liabilities are classified in the order of relative liquidity for assets and due dates for liabilities. These statements provide a summary of SKHA's investment in assets and obligations to creditors. Liquidity and financial flexibility can be evaluated using the information contained in these statements. The Statement of Revenues, Expenses, and Changes in Fund Net Position summarizes SKHA's revenues and expenses for the current year and prior year. The Statement of Cash Flows provides information about how SKHA finances and meets the cash flow needs of its enterprise activity.

The SKHA activities are divided into three sources of funds:

- 1) Grants from the U.S. Department of Housing and Urban Development, U.S. Department of Energy, Montana Department of Public Health and Human Services, NeighborWorks Montana, and Indian Health Services.
- 2) Business-type activities: Charges to tenants and homebuyers for rental payments, repayment of assistance, and damages, etc.
- 3) Business-type activities: Charges for water and sewer services to users in outlying communities that are connected to the SKHA water and sewer systems.

All of the SKHA basic services are accounted for following the Enterprise Model, which generally focuses on how cash and other assets can readily be converted to cash flow and the year-end balances that are available for spending.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Management's Discussion and Analysis

Financial Highlights

Net Position:

SKHA's net position in 2019 decreased (\$178,311) as compared to 2018 (\$19,394). Factors contributing to the 2019 net position decrease were due to a decrease in operating revenues.

Salish & Kootenai Housing Authority Statement of Net Position December 31, 2019 and 2018				
	2019	2018	Net Change	Percentage Change
Current assets	\$ 4,031,122	\$ 4,159,049	\$ (127,927)	-3%
Non-current assets	26,552,982	26,936,999	(384,017)	-1%
Total assets	30,584,104	31,096,048	(511,944)	-2%
Current liabilities	567,099	763,766	(196,667)	-26%
Non-current liabilities	1,943,022	2,079,988	(136,966)	-7%
Total liabilities	2,510,121	2,843,754	(333,633)	-12%
Net position				
Net investment in capital assets	19,861,376	20,315,339	(453,963)	-2%
Unrestricted net position	8,212,607	7,936,955	275,652	3%
Total net position	\$ 28,073,983	\$ 28,252,294	\$ (178,311)	-1%

Revenues

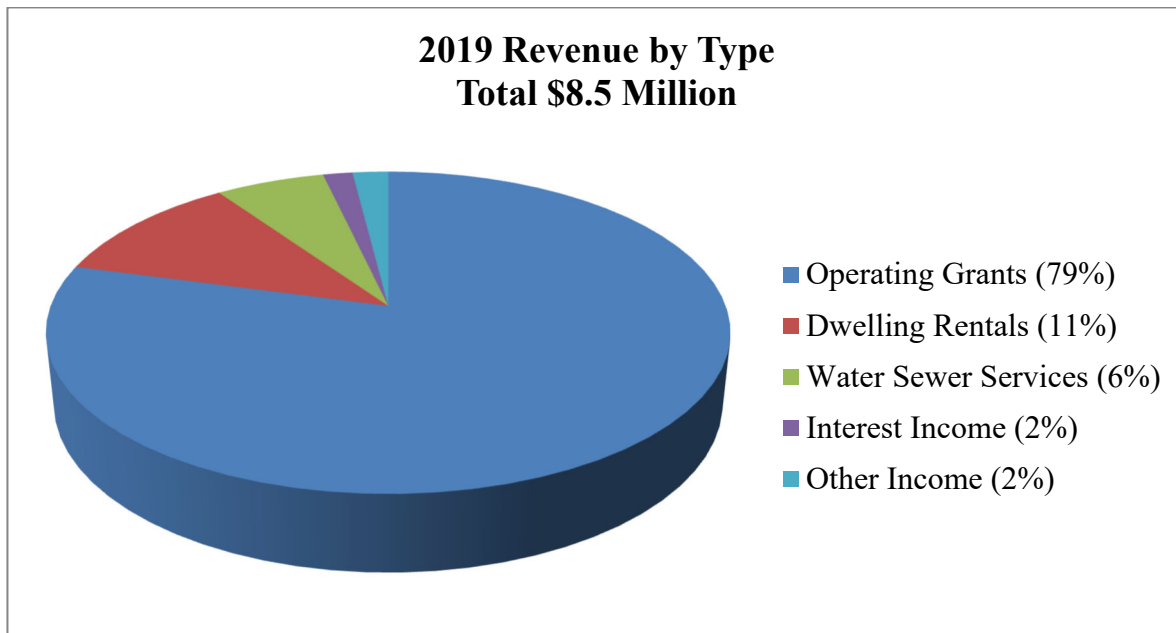
- Total operating revenues decreased in 2019 by \$511,743, which corresponds to a 6% decrease from the prior year. This decrease is mostly attributed to a decrease in federal funding from the U.S. Department of Housing and Urban Development.
- The U.S. Department of Housing and Urban Development grants made up 79% of revenues as reported on the Schedule of Expenditures of Federal Awards (SEFA) and 62% of overall revenues in 2019.
- The U.S. Department of Energy, Montana Homeownership Network, and CSKT Indian Health Services projects made up 21% of revenues as reported on the SEFA and 17% of overall revenues in 2019.
- As noted in the following pie chart, there was a total of \$8.4 million in operating and non-operating revenue in 2019. The largest revenue source was from operating grants (79%), followed by rental revenue (11%), water and sewer revenue (6%), interest income (2%), and other income (2%).

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Management's Discussion and Analysis

Revenues (continued)



Expenses

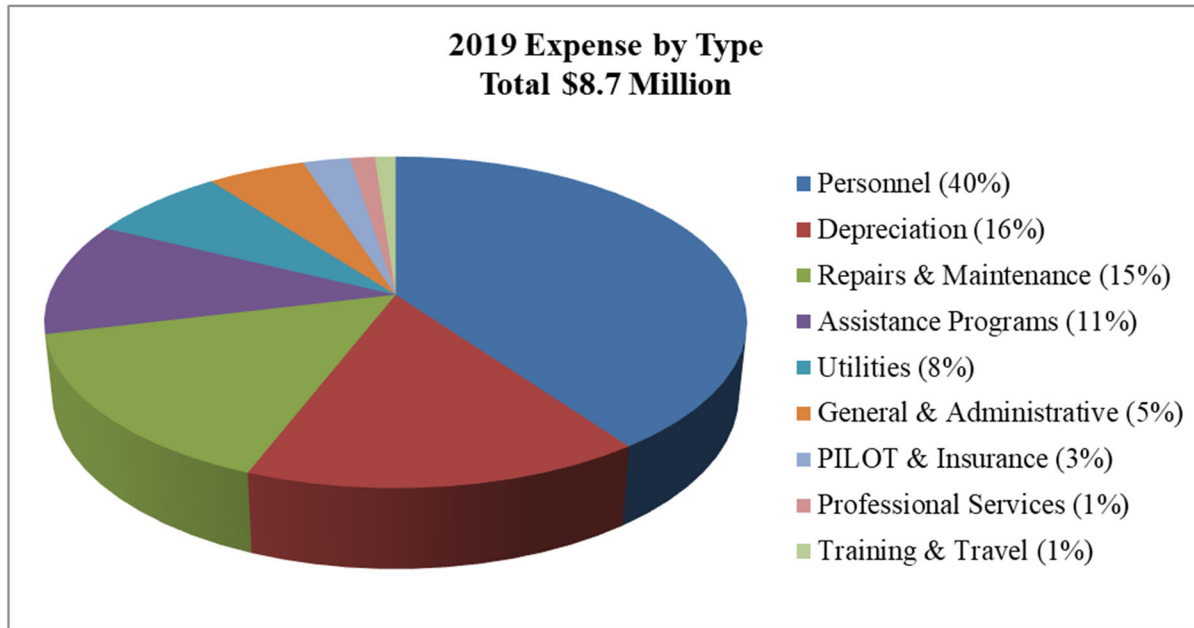
- Total operating expenses decreased in 2019 by \$262,067, which corresponds to a 3% decrease from the prior year. The largest decreases in operating expenses were realized in other expenses (59%), maintenance and repair expenses (29%), staff and board training and travel expenses (28%), general and administrative expenses (14%), and taxes and insurance expenses (12%). The largest increases in operating expenses were realized in assistance expenses (24%), depreciation expense (7%), and vehicle maintenance expenses (5%).
- As noted in the following pie chart, there was a total of \$8.7 million in operating and non-operating expenses in 2019. The largest of these expenses was personnel (40%) followed by depreciation (16%), repairs and maintenance (15%), assistance programs (11%), utilities (8%), general and administrative (5%), taxes and insurance (3%), training and travel (1%), and professional services (1%).

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Management's Discussion and Analysis

Expenses (continued)



Salish & Kootenai Housing Authority
Statement of Revenues, Expenses, and
Changes in Fund Net Position
December 31, 2019 and 2018

	2019	2018	Net Change	Percentage Change
Operating revenues				
Rents and fees	\$ 1,468,588	\$ 1,604,809	\$ (136,221)	-8%
Federal and tribal grants/contracts	6,761,011	7,148,467	(387,456)	-5%
Other income	186,483	174,549	11,934	7%
Total operating revenues	8,416,082	8,927,825	(511,743)	-6%
Operating expenses				
Operating expenses	7,330,577	7,683,688	(353,111)	-5%
Depreciation/amortization expense	1,373,143	1,282,109	91,034	7%
Total operating expenses	8,703,720	8,965,797	(262,077)	-3%
Net operating revenues (expense)	(287,638)	(37,972)	(249,666)	658%
Non-operating revenue (expense)				
Gain (loss) on sale of assets	74,755	(11,006)	85,761	-779%
Net interest income (expense)	55,384	51,678	3,706	7%
Donation of property	(20,000)	(21,292)	1,292	-6%
Other income (expense)	(812)	(812)	-	0%
Net non-operating revenue (expense)	109,327	18,568	90,759	489%
Increase (decrease) in net position	(178,311)	(19,394)	(158,917)	819%
Net position beginning of year	28,252,294	28,271,688	(19,394)	0%
Net position end of year	\$ 28,073,983	\$ 28,252,294	\$ (178,311)	-1%

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Management's Discussion and Analysis

Significant Activity

Capital Asset Activity:

In 2019 SKHA acquired the following capital assets:

Rental building improvements	\$ 12,600
Rental buildings	184,114
Non-rental building improvements	23,328
Vehicles and equipment	207,767
Construction in progress	433,529
Total	<u>\$ 861,338</u>

- SKHA sold 5 lots of land in the Ronan area in 2019. Four lots were in Mission Village and one lot was located on 8th Avenue NW.
- The St. Ignatius Treatment Plant project was completed and became operational in May 2019.
- The Mission Dam piping project began in 2016 and was completed in May 2019.

Other Activity

- SKHA provided 23 tribal families with various water and sewer services with funds from the Indian Health Service. Arsenic filtration systems were installed for 7 families, 2 families were connected to community water and wastewater systems, 8 families had repairs done to the septic and/or well systems, and 6 families had a septic and/or well system installed.
- Although meth remediation costs have decreased in 2018 and 2019, SKHA is still not immune to the surge in methamphetamine use in Montana. The impact on SKHA will continue to create a significant strain on the maintenance budget for cleanup and remediation of units that test positive for methamphetamine use. In 2019, SKHA had 36 units with varying levels of meth and spent \$396,000 on meth remediation and cleanup. In 2018, 54 units were remediated at a cost of \$635,000. This does not include the cost of replacing the appliances for those units. SKHA tests each unit before a tenant moves in to make sure the units are safe for occupancy. With new policies and procedures in place, SKHA is hopeful meth remediation costs will continue to decrease.
- In 2019, SKHA had 48 units repaired to be ready for the next tenant at a cost of \$377,000. In 2018, 46 units were readied at a cost of \$530,000. Costs for move-out repairs can vary from year to year.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Management's Discussion and Analysis

Significant Planned Activity

- The Dixon Agency tank project began in 2018 and will continue into 2020.
- The Blue Bay water tank project began in 2019 and is expected to be completed in 2020.
- The Evaro Well and Pump House project began in 2016. Installation of fencing and the concrete pad and tank are expected to be completed in 2020.
- The Woodcock Wastewater project is in the early stages of implementation. It is planned to purchase equipment in 2020 to start the project in early 2021.
- The Transitional Living Center project began in 2018 and is expected to be completed in 2020. The units have been rehabilitated and installation of handicap access is complete. This project is expected to be completed in 2020.
- SKHA purchased the limited partnership #4 located in Turtle Lake in December 2019.
- SKHA received funding for the next 5 years to complete significant rehabilitation of rental units. It is planned to complete 27 units in 2020. Seven units will have substantial interior rehabilitation completed and twenty units will have siding and roofs replaced.
- SKHA received IHBG CARES funding in April 2020 to respond to Covid-19. This funding will be used to assist low rent tenants, supplement payroll costs, and to complete building improvements to keep both the public and our employees safe from the virus.
- A new well will be drilled to supply a continuous flow of water to the SKHA building. SKHA currently shares a well with another tribal entity and there are times the water supply is not sufficient to operate both businesses. In addition, we are planning to reside the SKHA building in late 2020.

Requests for Information

This MD&A report is intended to provide a summary of the financial condition of the Salish & Kootenai Housing Authority. Any questions about this report can be relayed to Sue Lawson, Accountant, (406) 883-4211 or (406) 675-4491, extension 1510.

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

Statement of Net Position

December 31, 2019

	Proprietary Funds				
	Housing Authority	S&K Limited Partnership #4	S&K Limited Partnership #5	Eliminations	Business-type Activities
Assets					
<i>CURRENT ASSETS:</i>					
Cash and cash equivalents	\$ 2,938,067	\$ 163,108	\$ 84,290	\$ -	\$ 3,185,465
Restricted cash	-	101,094	106,046	-	207,140
Receivables:					
Tenants, net	163,851	5,993	3,339	-	173,183
Intergovernmental	520,761	-	-	-	520,761
Tribe	87,252	-	-	-	87,252
Prepaid expenses	167,860	-	6,587	-	174,447
Inventory	153,331	-	-	-	153,331
Total current assets	<u>4,031,122</u>	<u>270,195</u>	<u>200,262</u>	<u>-</u>	<u>4,501,579</u>
<i>NONCURRENT ASSETS:</i>					
Investments in limited partnerships	71,445	-	-	(71,445)	-
Accrued interest	1,563,739	-	-	(1,563,739)	-
Accrued management fees/advances	478,696	-	-	(478,696)	-
Capital assets	52,996,038	3,316,654	1,595,365	-	57,908,057
Less: accumulated depreciation	(31,054,567)	(1,386,535)	(607,756)	-	(33,048,858)
Notes receivable	-	-	-	-	-
Affiliate	1,195,264	-	-	(1,195,264)	-
Tribe	250,000	-	-	-	250,000
Tenant, net of allowance	1,052,367	-	-	-	1,052,367
Total noncurrent assets	<u>26,552,982</u>	<u>1,930,119</u>	<u>987,609</u>	<u>(3,309,144)</u>	<u>26,161,566</u>
Total assets	<u>30,584,104</u>	<u>2,200,314</u>	<u>1,187,871</u>	<u>(3,309,144)</u>	<u>30,663,145</u>
Liabilities					
<i>CURRENT LIABILITIES:</i>					
Accounts payable and accrued liabilities	130,405	5,943	3,977	-	140,325
Due to tribe	201,931	-	-	-	201,931
Trust and deposit liabilities	87,675	6,400	2,200	-	96,275
Accrued Interest	5,015	1,474,748	88,991	(1,563,739)	5,015
Due to related party	-	268,684	210,012	(478,696)	-
Current portion of notes payable	137,073	-	-	-	137,073
Unearned revenue	5,000	-	-	-	5,000
Total current liabilities	<u>567,099</u>	<u>1,755,775</u>	<u>305,180</u>	<u>(2,042,435)</u>	<u>585,619</u>
<i>NONCURRENT LIABILITIES:</i>					
Notes payable – net of current portion	1,943,022	1,102,099	805,473	(1,195,264)	2,655,330
Total noncurrent liabilities	<u>1,943,022</u>	<u>1,102,099</u>	<u>805,473</u>	<u>(1,195,264)</u>	<u>2,655,330</u>
Total liabilities	<u>2,510,121</u>	<u>2,857,874</u>	<u>1,110,653</u>	<u>(3,237,699)</u>	<u>3,240,949</u>
<i>NET POSITION:</i>					
Net investment in capital assets	19,861,376	828,020	182,136	1,195,264	22,066,796
Restricted	-	101,094	106,046	-	207,140
Unrestricted net position	8,212,607	(1,586,674)	(210,964)	(1,266,709)	5,148,260
Total net position	<u>\$ 28,073,983</u>	<u>\$ (657,560)</u>	<u>\$ 77,218</u>	<u>\$ (71,445)</u>	<u>\$ 27,422,196</u>

See accompanying independent auditors' report and notes to basic financial statements.

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

**Statement of Revenues, Expenses, and
Changes in Fund Net Position**

Year Ended December 31, 2019

	Proprietary Funds				
	Housing Authority	S&K Limited Partnership #4	S&K Limited Partnership #5	Eliminations	Business-type Activities
<i>REVENUES:</i>					
Intergovernmental:					
Federal grants	\$ 5,529,074	\$ -	\$ -	\$ -	\$ 5,529,074
Non-federal grants	1,231,937	-	-	-	1,231,937
Dwelling rentals	952,077	122,028	27,331	-	1,101,436
Water and sewer charges	516,511	-	-	-	516,511
Other income	186,483	8,162	1,835	-	196,480
Subsidy income	-	96,000	82,879	(128,588)	50,291
Total revenues	<u>8,416,082</u>	<u>226,190</u>	<u>112,045</u>	<u>(128,588)</u>	<u>8,625,729</u>
<i>OPERATING EXPENSES:</i>					
Personnel	3,479,059	-	-	-	3,479,059
Repairs and maintenance	1,067,348	65,701	25,274	-	1,158,323
Depreciation and amortization expense	1,373,143	87,773	44,677	-	1,505,593
Housing assistance	766,424	-	-	-	766,424
Water and sewer installation assistance	98,382	-	-	-	98,382
Utilities	644,756	37,014	26,008	-	707,778
Professional services	117,457	-	-	-	117,457
CS and KT administrative fee	159,921	-	-	-	159,921
Subsidy expense	128,588	-	-	(128,588)	-
Vehicles and equipment maintenance	270,707	-	-	-	270,707
Community and other assistance	99,767	-	-	-	99,767
Insurance	222,999	12,496	6,491	-	241,986
General and administrative	159,562	26,020	20,505	-	206,087
Staff training and travel	69,168	-	-	-	69,168
Board stipends and taxes	17,816	-	-	-	17,816
Board meetings, travel and training	28,623	-	-	-	28,623
Total operating expenses	<u>8,703,720</u>	<u>229,004</u>	<u>122,955</u>	<u>(128,588)</u>	<u>8,927,091</u>
<i>OPERATING LOSS</i>	<u>(287,638)</u>	<u>(2,814)</u>	<u>(10,910)</u>	<u>-</u>	<u>(301,362)</u>
<i>NONOPERATING REVENUES AND EXPENSES:</i>					
Interest income	139,812	100	76	(133,853)	6,135
Gain on sale of assets	74,755	-	-	-	74,755
Interest expense	(84,428)	(125,592)	(22,847)	133,853	(99,014)
Donation	(20,000)	-	-	-	(20,000)
Asset management fee	-	(7,204)	(6,660)	-	(13,864)
Other expenses	(812)	-	-	-	(812)
Total nonoperating revenues and expenses	<u>109,327</u>	<u>(132,696)</u>	<u>(29,431)</u>	<u>-</u>	<u>(52,800)</u>
<i>CHANGE IN NET POSITION</i>	<u>(178,311)</u>	<u>(135,510)</u>	<u>(40,341)</u>	<u>-</u>	<u>(354,162)</u>
<i>NET POSITION, BEGINNING OF YEAR</i>	<u>28,252,294</u>	<u>(522,050)</u>	<u>117,559</u>	<u>(71,445)</u>	<u>27,776,358</u>
<i>NET POSITION, END OF YEAR</i>	<u>\$ 28,073,983</u>	<u>\$ (657,560)</u>	<u>\$ 77,218</u>	<u>\$ (71,445)</u>	<u>\$ 27,422,196</u>

See accompanying independent auditors' report and notes to basic financial statements.

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

Statement of Cash Flows

Year Ended December 31, 2019

	Housing Authority	S&K Limited Partnership #4	S&K Limited Partnership #5	Eliminations	Business-type Activities
Increase (Decrease) in Cash and Cash Equivalents					
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from tenants	\$ 1,169,647	\$ 222,044	\$ 112,266	\$ (128,588)	\$ 1,375,369
Receipts from grantors	6,671,803	-	-	-	6,671,803
Receipts for water and sewer	516,511	-	-	-	516,511
Other operating receipts	186,483	47,541	50,966	-	284,990
Payments to affiliate	(102,662)	-	-	-	(102,662)
Payments to employees	(3,479,059)	-	-	-	(3,479,059)
Payments to suppliers	(3,376,204)	(141,155)	(88,080)	128,588	(3,476,851)
Housing assistance paid	(766,424)	-	-	-	(766,424)
Net cash provided by operating activities	820,095	128,430	75,152	-	1,023,677
CASH FLOWS USED IN CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from sale of capital assets	116,957	-	-	-	116,957
Purchases of capital assets	(829,339)	-	-	-	(829,339)
Principal paid on capital debt	(132,043)	-	-	-	(132,043)
Interest paid on long-term debt	(79,413)	-	(14,856)	-	(94,269)
Net cash used for capital and related financing activities	(923,838)	-	(14,856)	-	(938,694)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Proceeds from notes held by SKHA	5,959	-	-	-	5,959
Proceeds from investments	-	100	76	-	176
Net cash provided by investing activities	5,959	100	76	-	6,135
NET CHANGE CASH AND CASH EQUIVALENTS	(97,784)	128,530	60,372	-	91,118
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	3,035,851	135,672	129,964	-	3,301,487
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,938,067</u>	<u>\$ 264,202</u>	<u>\$ 190,336</u>	<u>\$ -</u>	<u>\$ 3,392,605</u>
<i>(including \$101,094 Partnership #4 and \$106,046 Partnership #5, in restricted account)</i>					
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:					
Operating loss	\$ (287,638)	\$ (2,814)	\$ (10,910)	\$ -	\$ (301,362)
Adjustments to reconcile operating loss to net cash provided by operating activities:					
Depreciation/Amortization Expense	1,373,143	87,773	44,677	-	1,505,593
Subsidy expense/partnership fees	(102,662)	-	-	-	(102,662)
Changes in asset and liabilities:					
(Increase) decrease in accounts receivable	217,570	(4,146)	(15)	-	213,409
(Increase) decrease in inventory	13,951	-	-	-	13,951
(Increase) Decrease in non-capital grants and contracts receivable	(89,208)	-	-	-	(89,208)
(Increase) Decrease in prepaid expenses	15,603	12,496	(96)	-	28,003
(Increase) Decrease in other assets	-	47,541	50,966	-	98,507
Increase (Decrease) in accounts payable	(299,852)	181	(780)	-	(300,451)
Increase (Decrease) in other liabilities	(20,812)	(12,601)	(8,690)	-	(42,103)
Net cash provided by operating activities	<u>\$ 820,095</u>	<u>\$ 128,430</u>	<u>\$ 75,152</u>	<u>\$ -</u>	<u>\$ 1,023,677</u>
NONCASH TRANSACTIONS:					
Interest income (expense)	\$ 133,853	\$ (125,592)	\$ (7,991)	\$ -	\$ -
Purchases of capital assets	\$ (32,000)	\$ -	\$ -	\$ -	\$ -
Interest Rate Subsidy	\$ -	\$ -	\$ (30,311)	\$ -	\$ -

See accompanying independent auditors' report and notes to basic financial statements.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization

The Salish & Kootenai Housing Authority (SKHA) is the Tribally Designated Housing Entity for the Confederated Salish and Kootenai Tribes (CS&KT or The Tribes). SKHA is located on the Flathead Indian Reservation (Reservation) in Western Montana and was organized to provide housing for qualified individuals.

SKHA is governed by a Board of Commissioners (Board). The Board is composed of up to seven members (one must be a member of the CS&KT Tribal Council) who are appointed by the CS&KT Tribal Council. Consequently, SKHA is considered a component unit of the CS&KT. The Tribal Council has the authority to remove a member for serious inefficiency, neglect of duty, or misconduct in office. The Commissioners are compensated for their services as established by the Board and approved by the Tribal Council.

The financial statements of SKHA conform with generally accepted accounting principles (GAAP) applicable to special-purpose governments engaged only in business-type activities. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB statements and interpretations constitute GAAP for governments, including Indian Housing Authorities.

The accompanying financial statements have been prepared in accordance with the reporting model for business-type activities defined by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Reporting Entity

SKHA is a reservation-wide agency responsible for planning, coordinating, and delivering services which support the purpose of the agency. SKHA was organized and is operated:

- To act as a recipient of block grant funds authorized under PL 104-330, the Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), and to administer such funds in accordance with the Act as authorized by the CS&KT's Tribal Council;
- To remedy unsafe and unsanitary housing conditions, alleviating the acute shortage of decent, safe, and sanitary dwellings for qualified individuals;
- To provide employment opportunities through the construction, repair, and operation of dwellings for qualified individuals;
- To improve the quality of life in all reservation communities;
- To engage in related activities such as mortgage origination and servicing, development and management of housing, and housing related services;
- To participate in entities formed to accomplish any of these purposes including acting as a general partner of limited partnerships.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES ***(continued):***

Reporting Entity (continued)

Legal Entity

SKHA receives substantial funding from federal grants. The loss of these grants could have a significant impact on SKHA.

All the entities (funds, enterprises, institutions, agencies, departments, and offices) that are not legally separate are part of the Authority's primary government for financial reporting purposes. The legal entity includes:

- ◆ Governmental and regulatory offices, agencies, and departments of the Authority

Component Units

Component units are legally separate organizations for which the Housing Authority is financially accountable and/or for which the nature and significance of their relationship with the Housing Authority are such that exclusion would cause the financial statements to be misleading or incomplete.

The Housing Authority is considered to be financially accountable for an organization when either:

1. The Housing Authority appoints a voting majority of the organization's governing body and can impose its will on that organization, *or*
2. There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Housing Authority.

Blended Component Units

Blended component units are, in substance, part of a primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

SKHA has two component units meeting these criteria:

Limited Partnership #4 (LP 4) and Limited Partnership #5 (LP 5) are included in the reporting entity of the Housing Authority. The component units are blended based upon the fact that their governing body is substantially the same as the Housing Authority's governing body. The Partnerships were audited in accordance with U.S. generally accepted auditing standards. Information about the Partnerships can be obtained from management of the Salish & Kootenai Housing Authority.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(continued):**

Reporting Entity (continued)

Discrete Presented Component Units

Component units not meeting the criteria for blending with the primary government are discretely presented in the financial statements. Discrete presentation entails reporting component unit financial data in a column separate from the financial data of the Housing Authority's primary government. The Housing Authority has no component units meeting the criteria for discrete presentation.

Summary of Significant Accounting Policies

Basis of Presentation

The basic financial statements of SKHA include the entity-wide and the fund financial statements. The focus is on SKHA as a whole in the entity-wide financial statements (business-type activities) while reporting detailed information about SKHA's proprietary funds in the fund financial statements. Both sets of financial statements are presented in a hybrid format with fund financial statements for SKHA, LP 4, and LP 5, in individual proprietary fund columns and entity-wide financial information in a business-type activities column.

Business-type Activities Financial Statements

The statement of net position and statement of revenues, expenses, and changes in fund net position display information about SKHA on an overall basis. Eliminations have been made to minimize the double counting of internal activities.

The statement of revenues, expenses, and changes in fund net position reflects combined revenues and expenses of programs and functions (safe housing, water and sewer services, etc.) provided by SKHA. When both restricted and unrestricted resources are available for use, it is SKHA's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

The fund financial statements provide information about SKHA's fund. The emphasis of fund financial statements is on major proprietary funds displayed in separate columns.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES **(continued):**

Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

Fund Financial Statements (continued)

SKHA reports the following major proprietary funds:

- Salish & Kootenai Housing Authority – SKHA’s main operating fund accounts for all federal and state intergovernmental financial resources received to provide safe housing to the members of the Salish and Kootenai Tribes.
- *S&K Limited Partnership #4* – to provide low income housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels
- *S&K Limited Partnership #5* – to provide low income housing utilizing the housing tax credit program. The housing tax credit program places restrictions on rental rates and requires tenants to qualify for occupancy based on income levels.

Basis of Accounting

The Indian Housing Block Grant (IHBG) provides the primary *operating* revenue for SKHA. Other *operating* revenues and expenses generally result from providing services and producing and delivering goods in connection with its ongoing housing operations, rental income, and water and sewer charges. Grant revenue is recognized when earned, generally when related expenses are recorded. Advances of grant revenue are reported as unearned revenues.

Proprietary fund *operating* revenues results from providing housing and utility services in connection with a proprietary fund’s principal ongoing operations. *Operating* expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents

Consist of balances in various checking, saving and money market accounts, and a certificate of deposit. These deposits are insured up to the Federal Deposit Insurance Corporation (FDIC) limit and the remaining deposits are collateralized with securities held by the financial institution's trust department or by an agent in SKHA's name. Certificates of deposit with original maturities of less than three months are considered as cash equivalents; the maturity of the certificate of deposit is less than three months at December 31, 2019.

Accounts Receivable

Include amounts due from tenants and water and sewer users. The allowance for doubtful accounts is provided for those accounts SKHA deems uncollectible. SKHA's accounts which are deemed uncollectible are combined with assistance program expenses.

Prepaid Expense

Prepaid expenses consist of prepaid insurance premiums of \$155,525 and other prepaid expenses of \$12,335 as of December 31, 2019. These prepaid expenses are recognized as expenses when consumed.

Inventory

Inventory is valued at specific cost and recognized as expenses when consumed.

Capital Assets

Reflects the cumulative total of capitalized costs of the housing, non-housing, and water and sewer projects. Costs incurred in connection with the construction or rehabilitation of a project are recorded as construction in progress. Upon completion of a project, the costs are recorded as capital assets. The threshold for capitalizing assets is \$5,000.

Depreciation expense and related accumulated depreciation is reported based on the straight-line method of depreciation over estimated useful lives as follows:

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

	<u>Years</u>
Rental units/building improvements	20-40
Administration and other buildings	20-40
Vehicles and other equipment	5-20
Infrastructure	40
Water and sewer activities	5-50
Wells, pump houses, sewer lagoons, and distribution lines	40-50
Other equipment	10-25

Investment in Partnerships

Consists of the amounts invested by SKHA as the general partner in the limited partnerships which were formed to develop housing for low income tenants.

Mutual Help Home Ownership

Accounts for those homes held by SKHA which were developed under the 1937 Housing Act and are intended to be resold. Each year a portion of the homebuyer debt is forgiven. Until the unit is conveyed to the homebuyer, the debt forgiveness is amortized over 25 years based on the unit cost to the homebuyer.

Tenants Security Deposits

Reflect the amount of deposits which are held for tenants and are to be returned upon the termination of their leases after deducting rent due and property damage charges.

Trust and Deposit Liabilities

Consist of mandatory and voluntary home buyer payments including income from investment of the payments. It is reduced by costs incurred by SKHA for routine maintenance, amounts applied to unpaid monthly charges, refunds to homebuyers upon termination of agreements, and amounts applied to the purchase price of the dwelling.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued)

Budgets

SKHA prepares its budget for the calendar year using the same basis of accounting as used for the financial statements. Because SKHA does not legally adopt an annual operating budget, a comparison of actual to budget is not presented in these financial statements.

Net Position

The proprietary fund and business-type activities financial statements utilize a net position presentation. Net position is categorized as follows:

- **Net investment in capital assets** – This category reflects the portion of net position that is associated with capital assets net of accumulated depreciation.
- **Restricted net position** – This category reflects the portion of net position subject to external restrictions.
- **Unrestricted net position** – This category reflects the portion of net position that is not restricted or invested in capital assets.

New Accounting Pronouncements

Statement No. 84 of the Governmental Accounting Standards Board, *Fiduciary Activities* (GASBS 84), issued in January 2017, was effective for reporting periods beginning after December 15, 2018. However, on May 8, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. Statement 95 postponed by one year the effective date of GASBS 84. GASBS 84 establishes criteria for identifying fiduciary activities of all state and local governments. Its focus generally is on 1) whether a government is controlling the assets of the fiduciary activity and 2) the beneficiaries with whom a fiduciary relationship exists. When implemented, and to the extent applicable, SKHA will report a statement of fiduciary net position and a statement of changes in fiduciary net position for its affected fiduciary funds. GASBS 84 is expected to be implemented for SKHA's financial reporting for the year ending December 31, 2020.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

Summary of Significant Accounting Policies (continued)

New Accounting Pronouncements (continued)

GASB Statement No. 87, *Leases*, was released in June 2017 and was effective for reporting periods beginning after December 15, 2019. However, on May 8, 2020, GASB issued Statement No. 95 (see above). Statement 95 postponed by 18 months the effective date of GASBS 87. GASBS 87 fundamentally changes the accounting and financial reporting for leases by government. It requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principles that leases are financings of the right to use an underlying asset. Statement 87 will require SKHA to recognize a lease liability and an intangible right-to-use lease asset for all its leasing activities. SKHA is evaluating the impact of Statement 87 on its financial reporting and does not expect to implement before the required effective date.

Other recently released GASB pronouncements (GASBS's 85, 86, and 88 through 91) are not expected to have noticeable impact on the SKHA's financial reporting practices.

Subsequent Events

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a "Public Health Emergency of International Concern," which continues to spread throughout the world and has adversely impacted global commercial activity as well as local, state, and U.S. federal governmental operations. The coronavirus outbreak and government responses are creating disruption of goods and services throughout all sectors. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to SKHA, its operations, and its financial results. No adjustments to financial statement amounts have been made.

On February 27, 2020, SKHA refinanced the United States Department of Agriculture Rural Development loans with Glacier Bank for a principal amount of \$1,058,207. The term of the new loan is 120 months beginning March 27, 2020, with an interest rate of 3.92 percent and interest and principal payments of \$7,784.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 2 – CASH AND CASH EQUIVALENTS:

SKHA

Cash consists of the following at December 31, 2019:

	Carrying Value	Balances on Deposit at Bank
Cash in bank	\$ 899,063	\$ 1,193,508
Cash equivalents	2,039,004	2,039,004
	<u>\$ 2,938,067</u>	<u>\$ 3,232,512</u>

The difference between the carrying amount and the bank balance is outstanding deposits/checks that have yet to be presented to the bank.

Concentration of Credit Risk - Deposits

Depository credit risk is the risk that, in the event of a bank failure, the SKHA's deposits may not be returned to it. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC) and the remaining balance is fully collateralized in the name of SKHA.

Limited Partnerships

At December 31, 2019, the carrying amount of deposits was \$247,398 and the restricted cash balance is comprised of the following as of December 31, 2019:

	Limited Partnership #4	Limited Partnership #5	Total
Security deposits	\$ 6,761	\$ 2,456	\$ 9,217
Operating reserve	-	69,116	69,116
Replacement reserve	94,333	34,474	128,807
Total	<u>\$ 101,094</u>	<u>\$ 106,046</u>	<u>\$ 207,140</u>

The amounts include demand deposits, money market accounts and savings accounts. These amounts are covered by FDIC and collateral held in the bank's name.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 3 – ACCOUNTS RECEIVABLE:

SKHA

As of December 31, 2019, the Housing Authority had accounts receivable that consisted of \$931,753 in tenant accounts receivable. As of December 31, 2019, the allowance for doubtful accounts was \$767,902. The Authority considers \$163,851 to be collectible as of December 31, 2019.

Limited Partnerships

Limited Partnership #4 estimates the ability to collect accounts receivable balances and records an allowance to the accounts receivable when balances are deemed uncollectible. As of December 31, 2019, the accounts receivable balance was \$5,993 and the allowance was \$0.

Limited Partnership #5 estimates the ability to collect accounts receivable balances and records an allowance to the accounts receivable when balances are deemed uncollectible. As of December 31, 2019, the accounts receivable balance was \$3,339 and the allowance was \$0.

NOTE 4 – INTERGOVERNMENTAL RECEIVABLE AND UNEARNED REVENUE:

Amounts recorded as unearned revenue represent funds received from awards in excess of expenditures incurred. Amounts recorded as intergovernmental receivable represent those awards with allowable expenditures in excess of amounts received. Intergovernmental receivable and unearned revenue balances for governmental activities at December 31, 2019, are summarized below:

	Intergovernmental Receivables	Unearned Grant Revenue
Federal:		
U.S. Department of Housing and Urban Development	\$ 419,374	\$ -
Non-federal:		
Indian Health Services Projects (CSKT/IHS)*	78,412	-
Montana Home Ownership Network	22,975	-
Private Foundations	-	5,000
Total	<u>\$ 520,761</u>	<u>\$ 5,000</u>

*For vendor/contractor payments owing.

NOTE 5 – MUTUAL HELP HOME OWNERSHIP:

As of December 31, 2019, there are no more homes in the Mutual Help Home Ownership program and the program has ended.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 6 – NOTES/ADVANCE RECEIVABLE:

As of December 31, 2019, Down Payment Assistance and Home Repair Loans were as follows:

Down payment assistance of home repair loans:	
Primary mortgages, 0%, 4 to 35 years	\$ 1,098,140
Second mortgages receivable (equity share) 0%, due when first mortgage:	
Paid or property is sold	46,133
Less valuation allowances:	
Second mortgages equity share receivable	(46,133)
Second mortgages down payment/foreclosure assistance	(45,773)
Total notes receivable	<u>\$ 1,052,367</u>

As of December 31, 2019, the note receivable from CS and KT was as follows:

Notes receivable - CS and KT	<u>\$250,000</u>
------------------------------	------------------

In relation to the second mortgages equity share, SKHA will receive a proportional share of any increase in value on the property at the time the property is sold, if not paid in full prior to that date. All notes receivable are secured by liens against the property.

During 2019 two equity share, one mortgage held by SKHA, and eight second mortgage loans were paid off. As of December 31, 2019, SKHA had nine equity share, three mortgages held by SKHA and 125 second mortgage loans receivable. As of December 31, 2019, the future amount to be forgiven for the DPA or foreclosure assistance mortgage receivables is \$45,773. The current portion of notes receivable is not material.

In 2017 SKHA loaned to CS&KT \$440,000, at zero % interest, in connection with their Ronan Community Center project, to be paid back upon selling of certain properties in connection with the project. As of December 31, 2019, the balance of the loan was \$250,000.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS:

SKHA

Costs incurred during construction projects and equipment acquisitions are recorded in the construction in progress account until the project is finished or acquisition completed. The cost is then capitalized and depreciated. A significant portion of SKHA's structures are on land owned by the Tribe and leased at no cost by SKHA, generally for 50 years.

Capital assets consist of the following:

	December 31, 2018	Additions	Deletions	Transfers	December 31, 2019
Capital assets not being depreciated					
Land	\$ 2,715,212	\$ -	\$ (57,717)	\$ -	\$ 2,657,495
Construction in progress	978,316	433,529	-	(849,257)	562,588
Total capital assets not being depreciated	3,693,528	433,529	(57,717)	(849,257)	3,220,083
Capital assets being depreciated					
Buildings - rentals	27,652,524	196,715	-	-	27,849,239
Buildings - non-rentals	3,355,610	23,328	-	-	3,378,938
Equipment and vehicles	3,312,429	207,767	(210,255)	-	3,309,941
Site improvement/infrastructure	796,955	-	-	-	796,955
Water/sewer systems	13,591,625	-	-	849,257	14,440,882
Total capital assets being depreciated	48,709,143	427,810	(210,255)	849,257	49,775,955
Accumulated depreciation:					
Buildings - rentals	(18,148,693)	(689,012)	-	-	(18,837,705)
Buildings - non-rentals	(1,600,859)	(103,428)	-	-	(1,704,287)
Equipment and vehicles	(2,841,517)	(182,431)	193,770	-	(2,830,178)
Site improvement/infrastructure	(235,883)	(24,554)	-	-	(260,437)
Water/sewer system	(7,048,242)	(373,718)	-	-	(7,421,960)
Total accumulated depreciation	(29,875,194)	(1,373,143)	193,770	-	(31,054,567)
Capital assets - net	\$ 22,527,477	\$ (511,804)	\$ (74,202)	\$ -	\$ 21,941,471

Depreciation expense was \$1,373,143 for the year ended December 31, 2019.

During the year ended December 31, 2019, SKHA sold 5 lots with a book value of \$57,717 and traded in a dump truck with a book value of \$16,485.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS (continued):

Limited Partnerships

Limited Partnerships #4 and #5 property and equipment consists of the following:

	Balance December 31, 2018	Increases	Balance December 31, 2019
Capital assets being depreciated:			
Land leasehold improvements	\$ 49,668	\$ -	\$ 49,668
Site improvements	374,493	-	374,493
Buildings	4,452,541	-	4,452,541
Equipment	35,317	-	35,317
Total capital assets being depreciated	<u>4,912,019</u>	<u>-</u>	<u>4,912,019</u>
Accumulated depreciation:			
Land leasehold improvements	-	-	-
Site improvements	(286,275)	(21,137)	(307,412)
Buildings	(1,540,249)	(111,313)	(1,651,562)
Equipment	(35,317)	-	(35,317)
Total accumulated depreciation	<u>(1,861,841)</u>	<u>(132,450)</u>	<u>(1,994,291)</u>
Capital assets - net	<u>\$ 3,050,178</u>	<u>\$ (132,450)</u>	<u>\$ 2,917,728</u>

Depreciation expense was \$132,450 for the year ended December 31, 2019.

NOTE 8 – NOTES RECEIVABLE/INVESTMENT IN LIMITED PARTNERSHIPS:

Information as to each limited partnership is as follows:

S & K Limited Partnership #4 was formed in June 2002. The Limited Partner is Native American Housing Fund II, Limited Partnership. This Partnership was organized to acquire, develop, rehabilitate, own and operate a low-income residential complex consisting of 33 housing units located on the Flathead Reservation in the Turtle Lake Addition near Polson, Montana. The project was completed in February 2004 and occupancy of the homes began in 2004.

1. S & K Limited Partnership #5 was formed November 1, 2004. The Limited Partner is the Native American Housing Fund IV, LLC. This Partnership was organized to construct, own and operate a low-income residential complex consisting of six duplexes in Pablo, Montana. The project was completed in 2006 and occupancy of the duplexes began in 2006.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 8 – NOTES RECEIVABLE/INVESTMENT IN LIMITED PARTNERSHIPS (continued):

These partnerships received an allocation of low-income housing tax credits from the Montana Board of Housing under Section 42 of the Internal Revenue Code and are utilizing this low-income housing tax credit program. The low-income housing tax credit program and both mortgage agreements place restrictions on tenant qualification and rental rates. Income, losses, and tax credits from the operations of the partnerships are allocated 99.99% to the limited partner and 0.01% to the general partner. A detail description of the allocations can be found in the partnership agreements.

The loans and mortgages are collateralized by the rental housing properties. SKHA has an option to purchase the partnerships' property at the end of the low-income housing tax compliance period (15 years) at a price which would facilitate the purchase while protecting the limited partners' tax benefits.

Additional information and audited financial statements for S&K Limited Partnerships can be obtained from SKHA.

The SKHA has entered into two mortgage notes with Limited Partnership #4. Terms of the two notes are described below as of December 31, 2019:

	2019	
	Principal	Unamortized Finance Fees
First mortgage - in the amended amount of \$211,806, with an amended interest rate of 5.12% compounded annually. Interest to be paid annually on April 30, to the extent of net cash flow of the previous year. Principal and interest are due on or before November 1, 2032. Secured by the Project.	\$ 211,806	\$ 354
Second mortgage - in the original amount of \$891,000, with an amended interest rate of 5.12% compounded annually. Interest to be paid annually on April 30, to the extent of net cash flow of the previous year. Principal and interest are due on or before November 1, 2032. Secured by the project.	891,000	353
	1,102,806	\$ 707
Unamortized finance fees	(707)	
Total	\$ 1,102,099	
Maturities of long-term debt are as follows:		
2020-2027	\$ -	
2028-2032	1,102,806	
	\$ 1,102,806	

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 8 – NOTES RECEIVABLE/INVESTMENT IN LIMITED PARTNERSHIPS (continued):

The Housing Authority has entered into two mortgage notes with Limited Partnership #5. Terms of the two notes are described below as of December 31, 2019:

	Principal	Unamortized Finance Fees
Second mortgage - in the original amount of \$94,052 with an interest rate of 4.79% compounded annually. Interest to be paid annually on April 30, to the extent of net cash flow of the previous year. Principal and interest are due on or before December 1, 2035. Secured by the project.	\$ 94,052	\$ 887
	94,052	<u>\$ 887</u>
Unamortized finance fees		<u>(887)</u>
Total	<u>\$ 93,165</u>	

Maturities of long-term debt are as follows:

2020-2030	\$ -
2031-2035	94,052
	<u>\$ 94,052</u>

While the debt agreements provide for entire payment of principal and interest on maturity date of the notes, the entire outstanding balance plus accrued interest will be immediately due and payable upon the occurrence of any of the following events:

- Transfer or sale of the Projects without the lender's approval,
- Termination of the use of the Projects as low-income housing,
- Use of the Projects which violates any federal, state, or local law, statute or ordinance,
- Default under any of the loan agreements.

Interest expense has been recorded using the stated rates of the mortgage notes. Certain mortgage notes have stated interest rates, which are less than the prevailing market rates. Interest on these mortgage notes has not been imputed because the rates are at the lender's or governmental agency's customary lending rate.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 9—LONG-TERM DEBT:

SKHA

The following is a summary of long-term debt transactions of the SKHA for the year ended December 31, 2019:

	Balance December 31, 2018	Addition	Payments	Balance December 31, 2019	Due Within One Year
<i>Glacier Bank:</i>					
Loan 3110171001442	\$ 1,126,482	\$ -	\$ (106,207)	\$ 1,020,275	\$ 110,201
<i>Rural Development loans:</i>					
Loan 93-17	493,765	-	(10,782)	482,983	11,226
Loan 93-18	507,190	-	(10,737)	496,453	11,188
Loan 91-15	63,051	-	(1,419)	61,632	1,477
Loan 91-13	21,650	-	(2,898)	18,752	2,981
	<u>\$ 2,212,138</u>	<u>\$ -</u>	<u>\$ (132,043)</u>	<u>\$ 2,080,095</u>	<u>\$ 137,073</u>

Glacier Bank/Eagle Bank Construction Loan

In 2017 SKHA partnered with Glacier Bank and Eagle Bank to finance the construction of eight detached single-family low rent units in Pablo. The Construction Loan amount was up to \$1,265,000 at a 3.5% fixed interest rate. The loan is to be paid back in monthly installments, amortized over 10 years. This construction project replaced four low rent duplexes in Hot Springs that were demolished and was completed in 2018. Collateral for the loan is a 1st Deed of Trust on the subject property and assignment of rents. All the loan proceeds have been drawn down and repayment of \$12,013 per month commenced in July 2018.

RUS Revenue Bonds

In 2004 SKHA issued two revenue bonds: Series A Bond for \$611,100 at 4.5% interest and Series B Bond for \$600,000 at 4.25% interest to fund sewer and water improvements in Elmo, Montana. SKHA has pledged and appropriated all revenues and receipts from rates, fees charges, and rentals imposed for connections with and for the availability, benefit, and use of the sewer and water system and any sales of property acquired for the sewer and water system and all income received from the investment of such revenues including investment for the reserve accounts and any other revenue of the SKHA but excluding any special assessments or taxes levied for construction of any part of the sewer and water system, and the proceeds of any grant or loan from the State or United States, and investment income thereon, to the extent such exclusion is a condition to such grant or loan. SKHA is required to make monthly payments of \$2,629 through September 2044 on the \$600,000 bond and \$2,775 through September 2044 on the \$611,100 bond.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 9– LONG–TERM DEBT (continued):

SKHA (continued)

These bonds impose certain requirement on the SKHA's operations including, among other requirements, that SKHA:

- Use segregated cash accounts with restrictions on their use.
- Complete their audit within 170 days of end of fiscal year.
- Deposit \$545 per month until Debt Service Reserve Accounts requirements are met.
- Ensure rates and charges for services be adequate to cover the cost of operating and maintaining the system, and cover bond payments and depreciation expense.
- Carry property and liability insurance and surety bonds.

In 2019 SKHA was in compliance with requirements a, c and e, but not in compliance with requirement b. Requirement d is not applicable since all other unrestricted revenues are used to cover bond payments.

RUS Note Payable In 2004 Rural Utility Services (RUS) issued a promissory note to SKHA for \$78,000. As of December 31, 2005, SKHA had requested and received the entire \$78,000. The note interest rate is 4.25% for a period of 40 years. SKHA is required to make monthly payments of \$339. SKHA borrowed the funds to develop the Hot Springs Tribal Loop water system.

RUS Note Payable In 2006 Rural Utility Services (RUS) issued a promissory note to SKHA for \$50,000. As of December 31, 2006, SKHA had requested and received the entire \$50,000. The note interest rate is 4.25% for a period of 40 years. SKHA is required to make monthly payments of \$310. SKHA borrowed the funds to develop the Big Arm water distribution system.

Future debt service requirements on the long-term debt are as follows:

Years Ending December 31,	Principal	Interest	Total
2020	\$ 137,073	\$ 79,704	\$ 216,777
2021	142,186	74,591	216,777
2022	147,492	69,285	216,777
2023	152,998	63,779	216,777
2024	158,710	58,067	216,777
2025-2029	593,411	206,711	800,122
2030-2034	201,964	142,556	344,520
2035-2039	251,178	93,342	344,520
2040-2044	295,083	32,208	327,291
Total	<u>\$ 2,080,095</u>	<u>\$ 820,243</u>	<u>\$ 2,900,338</u>

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 10 – COMPENSATED ABSENCES:

SKHA

SKHA is part of the Confederated Salish and Kootenai Tribe's (CS&KT) leave pool for paid time off (PTO). SKHA follows the CS&KT policies for accrual of PTO. Each employee may accumulate up to 1,000 hours of PTO. SKHA contributes annually to the leave pool. Accordingly, no liability is recorded on SKHA's financial statements.

NOTE 11 – RETIREMENT PLANS:

SKHA

Full-time employees of the SKHA are eligible to participate under the Employees Retirement Plan of the CS&KT. The plan is a defined contribution pension plan. A defined contribution pension plan provides an individual account for each participant and specifies contributions to an individual's account instead of specifying the amount of benefits an individual is to receive. The benefits a participant will receive depend on the amount contributed to the participant's account, the earnings on investment of those contributions, and forfeitures of other participant's benefits that may be allocated to a participant's account.

The plan administrator is the CS&KT and the plan trustee is the Confederated Salish and Kootenai Retirement Board. The plan is funded and administered through a trust fund maintained by the insurer, Great West Retirement Services.

All employees of the SKHA are eligible to participate in the pension from the date they are hired. Contributions made by employees vest immediately and contributions made by the SKHA vest 10% after one year of full-time employment, 20% after the second year, 30% after the third year, 40% after the fourth year, 60% after the fifth year, 80% after the sixth year and 100% after the seventh year. An employee that leaves the employment of the SKHA is entitled to his or her contributions and to SKHA contributions when vesting requirements are satisfied. Non-vested forfeitures are used to pay any administrative expenses. Any remaining forfeitures are used to reduce employer contributions. Employees contribute a portion of their gross salary to the pension plan and SKHA contributes a match of up to 6% of gross earnings. There were no changes to pension provisions during the year that affected the required contributions to be made by SKHA or its employees.

For the year ended December 31, 2019, SKHA contributed \$142,311 which was equal to the required contribution. SKHA had \$2,880,066 in total salaries in the year ended December 31, 2019.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 12 – OTHER POST EMPLOYMENT BENEFIT (RETIREE HEALTH CARE COVERAGE):

SKHA does not have any post-employment health care cost obligations. Any obligations to retiree health care coverage are handled by the CS&KT through the Indian Health Services.

NOTE 13 – RISK MANAGEMENT:

SKHA faces a considerable amount of risks of loss including: a) damage to and loss of property and contents, b) professional liability, i.e. errors and omission, c) workers' compensation, i.e. employee injuries, and d) medical insurance costs of employees. A variety of methods are used to provide for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee medical costs, workers' compensation, and professional liabilities. There were no significant changes in the way SKHA handled risk in 2019.

NOTE 14 – COMMITMENTS AND CONTINGENCIES:

SKHA is subject to possible examinations by federal and state authorities for compliance with the requirements of the grants received in the current and prior years.

NOTE 15 – RELATED-PARTY TRANSACTIONS:

SKHA

Confederated Salish and Kootenai Tribes:

SKHA is a component unit of the CS&KT which prepares the SKHA payroll and is reimbursed by the SKHA for salaries and benefits paid to the SKHA employees. SKHA pays an Administrative Fee to the CS&KT for payroll processing and other services provided by the CS&KT. The Administrative Fee for the year ended December 31, 2019 is \$159,921. CS&KT also provides funds for dire-need recipients for rent and security deposits.

CS&KT had a related party payable due to SKHA for the year ended December 31, 2019, totaling \$87,252.

CS&KT also paid SKHA employer health insurance premiums in 2019 in the amount of \$145,250.

Acting as an agent for SKHA, CS&KT receives Indian Health Service funds for improvement projects in accordance with federal guidelines. SKHA provides engineering services, contracting administration, and construction services for water and sewer projects and other projects on a contract basis for CS&KT.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 15 – RELATED-PARTY TRANSACTIONS (continued):

SKHA (continued)

Confederated Salish and Kootenai Tribes (continued):

SKHA had the following CS&KT contract activity during the year:

	<u>Revenues</u>	<u>Expenditures</u>
Indian Health Service project	\$ 1,422,705	\$ 1,199,277
Total agency activity	<u>\$ 1,422,705</u>	<u>\$ 1,199,277</u>

The contracts receivable amount due from CS&KT to SKHA as of the year ended December 31, 2019, is \$78,412. The accounts payable amount due to CS&KT from SKHA as of the year ended December 31, 2019, is \$201,931.

The advance receivable amount due from CS&KT to SKHA as of the year ended December 31, 2019, is \$250,000. On December 23, 2015, SKHA advanced \$440,000 to CS&KT to purchase a 20-acre property in connection with their Ronan Community Center project. In accordance with the Memorandum of Agreement (MOA) between SKHA and CS&KT signed on December 29, 2015, CS&KT shall separate from the 20-acre property a 4-5-acre parcel which will include the house located within that 4-5-acre parcel and list that parcel for sale. The proceeds of that sale were \$190,000.

The MOA states the project shall be completed within 10 years. In December 2015, the SKHA and the CS&KT recorded a receivable and payable of \$440,000, respectively. In September 2016, CS&KT made a determination that the \$440,000 was a contribution from SKHA and reclassified the payable as a contribution. On May 25, 2017, during the Tribal Council meeting, the CS&KT made a motion to return the property back to SKHA, however on the following council meeting held on June 1, 2017, CS&KT rescinded that previous resolution.

As of December 31, 2019, SKHA's management maintains that the \$250,000 is still an advance to CS&KT. The remaining receivable will be adjusted at such time as the project is either completed or the unsold property is deeded from CS&KT to SKHA as payment of any remaining monies due SKHA for the project. An appropriate gain or loss will be recorded at that time.

SKHA leases land from CS&KT as discussed in Note 7.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 15 – RELATED-PARTY TRANSACTIONS (continued):

Limited Partnerships

Limited Partnership #4

The General Partner is Salish & Kootenai Housing Authority (SKHA). The Limited Partner is the Native American Housing Fund II Limited Partnership (NAHF).

The mortgages on the property are due to SKHA.

The Partnership has entered into a property management agreement with SKHA for services rendered in connection with the leasing and operation of the Project. The Partnership will pay property management fees based on 5% of net rental receipts, an administrative overhead fee as set in the annual budget, and an incentive management fee as set in the annual budget. As of December 31, 2019, the Partnership owed \$15,068 to SKHA for property management fees. No administrative overhead or incentive management fees were charged or are owed in 2019.

During the course of operations, the General Partner advanced funds or paid for services on behalf of the Partnership. At December 31, 2019, the Partnership owed \$253,616 for these operating advances.

As part of the partnership agreement, the Partnership has agreed to pay an asset management fee to Raymond James Tax Credit Funds (RJTCF), an affiliate of the Limited Partner, for certain administration services with respect to the business of the Partnership. The annual asset management fee is \$4,000, increasing by 4% each year after 2004. The Partnership owed RJTCF \$0 for asset management fees on December 31, 2019.

Limited Partnership #5

The General Partner is Salish and Kootenai Housing Authority (SKHA). The Limited Partner is the Native American Housing Fund IV LLC (NAHF).

The second mortgage on the property is due to SKHA.

Salish & Kootenai Housing Authority

(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 15 – RELATED-PARTY TRANSACTIONS (continued):

Limited Partnerships (continued)

Limited Partnership #5 (continued)

The Partnership has entered into a property management agreement with SKHA for services rendered in connection with the leasing and operation of the Project. The Partnership will pay property management fees at a rate of \$61 per unit per month in 2019 for occupied units and an administrative overhead fee as set in the annual budget. As of December 31, 2019, the Partnership owed \$66,121 to SKHA for property management fees. No administrative overhead fees were charged in 2019.

During the course of operations, the General Partner advanced funds or paid for services on behalf of the Partnership. At December 31, 2019, the Partnership owed \$143,891 for these operating advances.

As part of the partnership agreement, the Partnership has agreed to pay an asset management fee to Raymond James Tax Credit Funds (RJTCF), an affiliate of the Limited Partner, for certain administration services with respect to the business of the Partnership. The annual asset management fee is \$4,000, increasing by 4% each year after 2006. The Partnership owed RJTCF \$0 for asset management fees on December 31, 2019.

NOTE 16 – HOUSING ASSISTANCE:

Limited Partnerships

Limited Partnership #4

The Salish and Kootenai Housing Authority has agreed to provide a monthly subsidy to the Partnership. The subsidy is up to \$325 per unit per month for each unit occupied by a member of the Confederated Salish and Kootenai Tribes whose income is 60% or less of area median income at the time that the lease for the unit is signed. As of December 31, 2019, subsidy income of \$96,000 was recorded. As of December 31, 2019, the Salish & Kootenai Housing Authority owes the Partnership \$0.

Limited Partnership #5

The United States Department of Agriculture - Rural Development has agreed to provide a monthly subsidy to the Partnership. The subsidy is up to \$856.33 per unit per month for each unit occupied by a tenant whose income is 60% or less of area median income at the time that the lease for the unit is signed. As of December 31, 2019, subsidy income of \$50,291 was recorded. As of December 31, 2019, the United States Department of Agriculture - Rural Development owes the Partnership \$2,127.

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

Notes to Basic Financial Statements

NOTE 16 – HOUSING ASSISTANCE (continued):

Limited Partnerships (continued)

Limited Partnership #5 (continued)

The Salish & Kootenai Housing Authority has agreed to provide a monthly subsidy to the Partnership. The subsidy is up to \$226 per unit per month for each unit occupied by a member of the Confederated Salish and Kootenai Tribes whose income meets the rural development requirements at the time that the lease for the unit is signed. As of December 31, 2019, subsidy income of \$32,588 was recorded. As of December 31, 2019, the Salish & Kootenai Housing Authority owes the Partnership \$0.

SINGLE AUDIT

AUDITORS' SECTION



INDEPENDENT AUDITORS' 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
Salish & Kootenai Housing Authority
Pablo, Montana

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and each major fund of Salish & Kootenai Housing Authority (SKHA), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the SKHA's basic financial statements, and have issued our report thereon dated September 28, 2020. Our report includes a reference to other auditors who audited the financial statements of S&K Limited Partnership #4 (LP 4) and S&K Limited Partnership #5 (LP5) as described in our report on SKHA's financial statements. The financial statements of LP 4 and LP 5 were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SKHA's internal control over financial reporting (internal control) as a basis for designing 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 SKHA's internal control. Accordingly, we do not express an opinion on the effectiveness of SKHA's internal control.

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

Our consideration of internal control 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 SKHA'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.

Stauffer & Associates PLLC

Liberty Lake, Washington
September 28, 2020



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE *UNIFORM GUIDANCE*

To the Board of Commissioners
Salish & Kootenai Housing Authority
Pablo, Montana

Report on Compliance for Each Major Federal Program

We have audited the Salish & Kootenai Housing Authority's (SKHA) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on SKHA's major federal program for the year ended December 31, 2019. SKHA's major federal program is identified in the summary of auditors' 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.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for SKHA's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards 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 SKHA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 SKHA's compliance.

Opinion on Each Major Federal Program

In our opinion, the SKHA, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of SKHA, 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 SKHA'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 SKHA'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 a 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.

Stamper & Associates PLLC

Liberty Lake, Washington
September 28, 2020

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

Schedule of Findings and Questioned Costs

Year Ended December 31, 2019

Section I - Summary of Auditors' Results

FINANCIAL STATEMENTS:

Type of report the auditor issued
on whether the financial statements
audited were prepared in accordance with
GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements
noted?

☐ yes ☒ no

FEDERAL AWARDS:

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for
major federal programs:

Unmodified

Any audit findings disclosed that are
required to be reported in accordance
2 CFR 200.516(a)?

☐ yes ☒ no

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

**Schedule of Findings and
Questioned Costs (Continued)**

Year Ended December 31, 2019

Section I – Summary of Auditors’ Results (continued)

FEDERAL AWARDS (continued):

Identification of major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.867	Indian Housing Block Grant

Dollar threshold used to distinguish
between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes no

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Finding and Questioned Costs

No matters were reported.

AUDITEE'S SECTION

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2019

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Grant Number	Current Year Expenditures
U.S. Department of Housing and Urban Development:			
Indian Housing Block Grant	14.867	55IH3002800	\$ 4,817,761
Indian Community Development Block Grant	14.862	B16SR300280	136,801
Indian Community Development Block Grant	14.862	B17SR300280	104,538
Indian Community Development Block Grant	14.862	B18SR300280	77,238
	Subtotal		318,577
Resident Opportunity and Self-Sufficiency Grant	14.870	ROSS170021	69,544
Healthy Homes Production Grant	14.913	MTHHP0015-18	126,549
Total U.S. Department of Housing and Urban Development			\$ 5,332,431
U.S. Department of Energy			
<i>Passed through the Montana Department of Public Health and Human Services</i>			
Weatherization Assistance	81.042	19-02831010-0	\$ 71,067
Weatherization Assistance	81.042	18-02830032-0	125,576
	Subtotal		196,643
Total U.S. Department of Energy			\$ 196,643
Total Expenditures of Federal Awards			\$ 5,529,074

See accompanying independent auditors' report and notes to basic financial statements.

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

**Notes to Schedule of Expenditures of
Federal Awards**

Year Ended December 31, 2019

NOTE 1 – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Salish & Kootenai Housing Authority (the Housing Authority) under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the schedule presents only a selected portion of the operations of the Housing Authority, it is not intended to, and does not, present the financial position, changes in net position or cash flows of the Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified 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. Negative amounts, if any, shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

NOTE 3 – INDIRECT COST RATE:

SKHA has negotiated an approved federally recognized indirect cost rate of 23.9% and therefore has elected to not use the 10 percent de minimus indirect cost rate as allowed by 2 CFR Part 200.

NOTE 4 – SUBRECIPIENTS:

SKHA did not provide any federal awards to subrecipients during the year ended December 31, 2019.

Salish & Kootenai Housing Authority
(Component Unit of the Confederated Salish and Kootenai Tribes)

**Notes to Schedule of Expenditures of
Federal Awards**

Year Ended December 31, 2019

NOTE 5 – TYPE A PROGRAMS:

The auditors identified the following federal award programs as Type A programs under the criteria of *Uniform Guidance §200.518(a) through (e)*:

<u>Name</u>	<u>CFDA#</u>
Indian Housing Block Grant	14.867

The auditors performed risk analysis procedures on all Type A programs using the risk criteria of *Uniform Guidance §200.518(a) through (e)*. CFDA#14.867 was analyzed by the auditors and determined to be a low-risk Type A Program. CFDA#14.867 was selected and tested as a major program to satisfy the percentage of coverage rule of the *Uniform Guidance §200.518(f)*.

NOTE 6 – TYPE B PROGRAMS:

Type B programs with expenditures in excess of the Small-Program Floor (\$187,500) were analyzed by the auditors to determine the existence of any considered to be “high-risk” within the meaning of the *Uniform Guidance §200.518(d)*.

The Type B programs with expenditures in excess of the Small-Program Floor, CFDA#14.862 and CFDA#81.042, were determined not to be "high-risk" programs.



Corrective Action Plan
For the Year Ended December 31, 2019

The current year Schedule of Findings and Questioned Costs reported no matters in Section II – Financial Statement Findings nor in Section III – Federal Award Findings and Questioned Costs. Therefore, no corrective action plan is necessary nor has one been prepared.



**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2019**

Findings from the year ended December 31, 2018:

No matters were reported.

Findings from years ended December 31, 2017, and prior:

No matters were reported.