

**UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY**

**FINANCIAL REPORT**

**JUNE 30, 2018**

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**INDEPENDENT AUDITOR'S REPORT  
ON THE FINANCIAL STATEMENTS**

To the Board of Directors  
Upper Explorerland Regional Housing Authority  
Decorah, Iowa

**Report on the Financial Statements**

We have audited the accompanying financial statements of the statements of net position, and the related statements of revenues, expenses and changes in net position and cash flows of Upper Explorerland Regional Housing Authority, as of and for the years ended June 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Upper Explorerland Regional Housing Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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.

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 Housing Authority'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 Housing Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Explorerland Regional Housing Authority, as of June 30, 2018 and 2017, and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

## Other Matters

### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 4b 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise Upper Explorerland Regional Housing Authority's basic financial statements. The supplementary information included in Schedules 1 through 2, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) and is also not a required part of the basic financial statements.

The supplementary information presented in Schedules 1 through 2 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information presented in Schedules 1 through 2 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Department of Housing and Urban Development information in Schedule 4 have not been subjected to the auditing procedures applied in the audits of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of Upper Explorerland Regional Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Upper Explorerland Regional Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Explorerland Regional Housing Authority's internal control over financial reporting and compliance.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
November 28, 2018

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Fiscal Year Ending June 30, 2018

The management of the Upper Explorerland Regional Housing Authority (Housing Authority) offers readers of the Housing Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. Please read this information in conjunction with the full audited financial statements and additional information that follow this narrative.

OVERVIEW OF UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY

The Housing Authority was created pursuant to Iowa Code Chapter 28E for the purpose of providing safe and affordable housing to low-income families in the northeast Iowa counties of Allamakee, Clayton, Fayette, Howard and Winneshiek. The Housing Authority receives funding from the Department of Housing and Urban Development's Housing Choice Voucher Program (HCV) to assist low-income families and individuals by subsidizing the rent on existing, privately owned rental property. The housing assistance is paid directly to landlords on behalf of the families who are on the program. The families then pay the difference between the market rental rate charged by the landlord and the housing assistance payment provided by the program. The Housing Authority is paid by HUD to administer the program. The Housing Authority's operations are funded almost entirely through administrative fees received from HUD. The Housing Authority enters into an Annual Contributions Contract (ACC) each year with the Department of Housing and Urban Development to serve up to 407 families in the designated counties.

2018 FINANCIAL HIGHLIGHTS

The Housing Authority's net position increased by \$33,670.  
The total revenue for the fiscal year was \$1,388,857, a decrease of \$282,672 or negative 16.91% from last year.  
The total expenses for the fiscal year were \$1,355,187, a decrease of \$327,454 or negative 19.46% from last year.  
The Housing Authority's net income from operating activities for the fiscal year was \$33,306.

USING THE BASIC FINANCIAL STATEMENTS

The financial statements included in this report are those required for a major federal program. Among the statements included are:

Statement of net position which identifies current resources and liabilities. Assets are identified as both restricted and unrestricted. Restricted net position have constraints placed on them either externally by grantors, contributors, or laws and regulations of government.

Statement of revenues, expenses and changes in net position, which identifies operating revenues and expenses. Those revenues that are restricted are identified as such in the report.

Statement of cash flows, which identifies cash from operating and investment activities.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Supplementary information provides detailed information about the revenues, expenses and changes in net position-budget to actual. The schedule of expenditures of federal awards provides details of the federal program benefiting the Housing Authority. The HUD supplementary data provides information as required by HUD.

## FINANCIAL ANALYSIS

Below is a summarized statement of revenues and expenses for the years ended June 30, 2018, 2017 and 2016:

	Changes in Net Position		
	2018	2017	2016
<b>Revenues:</b>			
HUD	\$ 1,368,626	\$ 1,665,120	\$ 1,586,312
Portability voucher income	9,207		
Fraud recovery	10,660	6,220	3,076
Miscellaneous			415
Total revenues	1,388,493	1,671,340	1,589,803
<b>Operating Expenses:</b>			
Administrative salaries	105,596	127,223	133,453
Auditing fees	3,775	3,500	2,000
Employee benefit contributions-administrative	36,641	37,361	34,696
Other operating-administrative	33,657	30,254	28,714
Utilities	4,898	4,703	4,549
Ordinary maintenance and operations	3,518	6,207	4,892
Insurance	6,150	8,646	8,838
Housing assistance payments	1,150,029	1,450,285	1,300,537
Other general expenses	10,923	14,462	4,580
Total operating expenses	1,355,187	1,682,641	1,522,259
Increase (decrease) in net position from operations	33,306	(11,301)	67,544
<b>Nonoperating Revenues:</b>			
Interest	364	189	353
Change in net position	33,670	(11,112)	67,897
Net position, beginning of year	152,035	163,147	95,250
Net position, end of year	\$ 185,705	\$ 152,035	\$ 163,147

FINANCIAL ANALYSIS (Continued)

As noted earlier, net position may serve over time as a useful indicator of financial position. The Housing Authority's net position at the end of the fiscal year 2018 totaled \$185,705. This compares to \$152,035 at the end of fiscal year 2017. A summary of the Housing Authority's net position is presented below:

	Net Position		
	2018	2017	2016
Current and other assets	\$ 259,804	\$ 185,732	\$ 220,332
Current liabilities	74,099	33,697	57,185
Net position:			
Unrestricted	154,456	137,986	112,295
Restricted	31,249	14,049	50,852
Total net position	\$ 185,705	\$ 152,035	\$ 163,147

ECONOMIC FACTORS BEARING ON THE HOUSING AUTHORITY'S FUTURE

At the time these financial statements were prepared and audited, the UERPC Housing Authority was aware of several key factors that may have an impact upon the Housing Authority's future funding levels.

- Local, State and Federal economic conditions are key indicators for resource availability and monitoring these conditions will be prudent for UERPC's Housing Authority and its future success in regional service delivery.
- The lack of administrative funding to permit for adequate staffing makes it difficult to maintain lease up numbers.
- Portability continues to be an issue for the Housing Authority's finances with the high cost of housing assistance payments to areas outside our jurisdiction.
- The partnership between the Housing Authority and the Council of Government (UERPC) provides a one-stop shop that benefits the clients with various local and regional services and partners such as Northeast Iowa Community Action, Workforce, Vocational Rehabilitation, Iowa State University Extension, and Goodwill.
- UERPC owns two facilities on which it holds substantial debt. Currently, UERPC has partners that assist with the debt payment, there is some concern on losing those partners if State funding is reduced.

CONTACTING THE UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY'S  
FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of Upper Explorerland Regional Housing Authority's finances and to demonstrate the Housing Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Housing Authority's Office, 325 Washington Street, Suite A, Decorah, Iowa 52101.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
STATEMENTS OF NET POSITION  
June 30, 2018 and 2017

ASSETS

	2018	2017
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ 215,646	\$ 153,217
Cash - restricted	31,249	14,049
Accounts receivable		12,102
Accounts receivable - fraud recovery	8,432	2,100
Prepaid expenses	4,477	4,264
	259,804	185,732
<b>Total current assets</b>		
	\$ 259,804	\$ 185,732
<b>Total assets</b>	\$ 259,804	\$ 185,732

LIABILITIES AND NET POSITION

<b>CURRENT LIABILITIES</b>		
Deferred revenue	\$ 40,833	
Accounts payable	33,266	\$ 33,697
	74,099	33,697
<b>Total current liabilities</b>		
	154,456	137,986
<b>NET POSITION</b>		
Unrestricted net position	154,456	137,986
Restricted net position	31,249	14,049
	185,705	152,035
<b>Total net position</b>		
	\$ 259,804	\$ 185,732
<b>Total liabilities and net position</b>	\$ 259,804	\$ 185,732

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>REVENUES</b>		
HUD	\$ 1,368,626	\$ 1,665,120
Portability voucher income	9,207	
Fraud recovery	10,660	6,220
<b>Total operating revenues</b>	<b>1,388,493</b>	<b>1,671,340</b>
<b>OPERATING EXPENSES</b>		
Administrative salaries	105,596	127,223
Auditing fees	3,775	3,500
Employee benefit contributions - administrative	36,641	37,361
Other operating - administrative	33,657	30,254
Utilities	4,898	4,703
Ordinary maintenance and operations	3,518	6,207
Insurance	6,150	8,646
Housing assistance payments	1,150,029	1,450,285
Advertising		12
Computer support	7,461	6,993
Membership dues	574	574
Other general expenses	2,888	6,883
<b>Total operating expenses</b>	<b>1,355,187</b>	<b>1,682,641</b>
<b>Operating income (loss)</b>	<b>33,306</b>	<b>(11,301)</b>
<b>NONOPERATING REVENUES</b>		
Interest	364	189
<b>CHANGE IN NET POSITION</b>	<b>33,670</b>	<b>(11,112)</b>
<b>NET POSITION, beginning of year</b>	<b>152,035</b>	<b>163,147</b>
<b>NET POSITION, end of year</b>	<b>\$ 185,705</b>	<b>\$ 152,035</b>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended June 30, 2018 and 2017

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from HUD	\$ 1,421,561	\$ 1,665,120
Cash paid to/for:		
Housing assistance payments	(1,148,675)	(1,352,912)
Administrative expenses	(207,156)	(225,473)
Other	13,535	(10,960)
Net cash provided by operating activities	79,265	75,775
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits	364	189
Net increase in cash	79,629	75,964
CASH, beginning of year	167,266	91,302
CASH, end of year	\$ 246,895	\$ 167,266
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 33,306	\$ (11,301)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Decrease (increase) in accounts receivable	5,770	6,624
Decrease (increase) in prepaid expenses	(213)	103,940
(Decrease) increase in accounts payable	(431)	(5,477)
Decrease in other current liabilities	40,833	(18,011)
Total adjustments	45,959	87,076
Net cash provided by operating activities	\$ 79,265	\$ 75,775

See Notes to Financial Statements.

# UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### 1. Administration and Significant Accounting Policies

#### Nature of Operations

Upper Explorerland Regional Housing Authority (hereinafter "Housing Authority") was organized pursuant to Chapter 28E of the Code of Iowa, to perform the duties outlined in Chapter 403A. The Housing Authority is an agent for landlords who rent housing facilities to low-income individuals with assistance from the Federal government. The Housing Authority operates in Allamakee, Clayton, Fayette, Howard and Winneshiek counties of Iowa.

#### a. Basis of Accounting

The proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recognized when earned. Expenses are recorded when the related fund liability is incurred.

#### b. Basis of Presentation

The accounts of the Housing Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. The Housing Authority has the following fund:

#### *Proprietary Fund*

Proprietary funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the government body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

A proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Housing Authority is operating grants. Operating expenses for the Housing Authority include administrative fees, costs to operate its office and housing assistance payments. All revenues and expenses not meeting the aforementioned definition are reported as nonoperating revenues and expenses.

Net position is reported in the following two categories:

*Restricted net position* consists of net position with constraints placed on the use either externally imposed or imposed by laws, grants or contracts.

*Unrestricted net position* consists of net position not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

1. Administration and Significant Accounting Policies (Continued)

c. Cash, Investments and Cash Equivalents

The Housing Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

The Housing Authority's deposits in banks at June 30, 2018 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

d. Management Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

e. Concentration of Revenues

The Housing Authority receives approximately 99% of its total operating revenues from the Federal government. This revenue is subject to Federal government budget appropriations and potential funding reductions. A significant reduction in the level of this support would have a significant effect on the Housing Authority's programs and activities.

f. Investments Authorized by the Housing Authority's Investment Policy

The Housing Authority is required to invest its funds in accordance with Iowa statutes and HUD guidelines. The Housing Authority does not have an investment policy with any specific provisions intended to limit their exposure to investment rate risk, credit risk and concentration of credit risk.

g. Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Housing Authority had no investments at June 30, 2018.

h. Concentration of Credit Risk

Financial instruments that potentially subject the Housing Authority to significant concentrations of credit risk consist principally of accounts receivable. Receivables are primarily from the government and fraud recovery. These receivables are uncollateralized.

2. Nature of Operations

The Housing Authority operates under Section 8 of the U.S. Housing Act of 1937. Section 8 Voucher Program Assistance is a rental assistance program to help very low-income families afford decent, safe and sanitary rental housing. The Housing Authority, known as a Public Housing Agency or PHA, accepts applications for rental assistance, selects the applicant for admission and issues the selected family a rental voucher confirming the family's eligibility for assistance. The family must find a suitable dwelling unit. The Housing Authority pays the landlord a portion of the rent, known as a Housing Assistance Payment or HAP, on behalf of the family. The Housing Authority enters into an Annual Contributions Contract, or ACC, with HUD, which provides funds to administer the program.

NOTES TO FINANCIAL STATEMENTS

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3. **Accounts Receivable**

All accounts receivables are shown at gross amounts.

Accounts receivable - fraud recovery represents the amount of agreements, net of payments already made, signed by tenants promising to pay back monies to the Housing Authority.

Accounts receivable - HUD represents amounts due from HUD for services provided by the Housing Authority.

4. **Fraud Recovery**

Fraud recovery income shown on the statements of revenues, expenses and changes in net position for the years ended June 30, 2018 and 2017 were determined as follows:

	2018	2017
Housing Authority's share – 50%	\$ 5,330	\$ 3,110
HUD's share – 50%	5,330	3,110
Total	\$ 10,660	\$ 6,220

Accounts receivable – fraud recovery shown on the statements of net position as of June 30, 2018 and 2017 were determined as follows:

	2018	2017
Housing Authority's share – 50%	\$ 4,216	\$ 1,050
HUD's share – 50%	4,216	1,050
Total	\$ 8,432	\$ 2,100

5. **Pension and Retirement Benefits**

The Housing Authority reimburses Upper Explorerland Regional Planning Commission for the salaries and benefits paid for its employees.

6. **Risk Management**

The Housing Authority is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance.

NOTES TO FINANCIAL STATEMENTS

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7. **Unrestricted and Restricted Assets**

The Housing Authority had \$154,456 and \$137,986 in unrestricted net assets as of June 30, 2018 and 2017, respectively. Unrestricted assets consisted of the following:

	2018	2017
Unrestricted net assets – administrative:		
Beginning balance	\$ 137,986	\$ 112,295
HUD administrative payments in excess of administrative expenses for the year ended June 30	16,470	25,691
<b>Total unrestricted assets - administrative</b>	<b>\$ 154,456</b>	<b>\$ 137,986</b>

The Housing Authority had \$31,249 and \$14,049 in restricted net assets as of June 30, 2018 and 2017, respectively. Per HUD regulations, the restricted net assets may be expanded for the housing assistance payment program only.

	2018	2017
Restricted net assets – HAP:		
Beginning balance	\$ 14,049	\$ 50,852
HAP in (deficit of) excess of HUD payments	17,200	(36,803)
<b>Total restricted assets – HAP</b>	<b>31,249</b>	<b>14,049</b>
<b>Unrestricted net assets</b>	<b>154,456</b>	<b>137,986</b>
<b>Total net assets</b>	<b>\$ 185,705</b>	<b>\$ 152,035</b>

8. **Related Party**

Tenants of the UERPC Housing, Inc. receive rental assistance from Upper Explorerland Regional Housing Authority. Total expenses paid to the UERPC Housing, Inc. during the years ended June 30, 2018 and 2017 were \$11,960 and \$16,725, respectively.

9. **Subsequent Events**

Management has evaluated subsequent events through November 28, 2018, the date on which the financial statements were available to be issued.

**Supplementary Information**

UPPER EXPLOERLAND REGIONAL HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET TO ACTUAL  
For the Year Ended June 30, 2018

	Actual	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Commission:			
HUD	\$ 1,368,626	\$ 1,592,270	\$ (223,644)
Portability voucher income	9,207		9,207
Interest - unrestricted	364	370	(6)
Fraud recovery	10,660	4,340	6,320
Total revenues	<u>1,388,857</u>	<u>1,596,980</u>	<u>(208,123)</u>
<b>EXPENSES</b>			
Administrative salaries	105,596	108,880	3,284
Auditing fees	3,775	3,780	5
Employee benefit contributions - administrative	36,641	36,610	(31)
Other operating - administration	33,657	24,910	(8,747)
Utilities	4,898	4,700	(198)
Ordinary maintenance and operations	3,518	3,760	242
Insurance	6,150	6,440	290
Housing assistance payments	1,150,029	1,222,150	72,121
Other	10,923	10,350	(573)
Total expenses	<u>1,355,187</u>	<u>1,421,580</u>	<u>66,393</u>
Net income (loss)	33,670	175,400	(141,730)
FUND BALANCE, beginning of year	<u>152,035</u>	<u>152,035</u>	<u>-</u>
FUND BALANCE, end of year	<u>\$ 185,705</u>	<u>\$ 327,435</u>	<u>\$ (141,730)</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2018

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**Part I: Summary of the Independent Auditor's Results:**

- (a) The auditor's report expresses unmodified opinions on whether the financial statements of Upper Explorerland Regional Housing Authority were prepared in accordance with U.S. generally accepted accounting principles.
- (b) No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses noted.
- (c) No instances of noncompliance material to the financial statements of Upper Explorerland Regional Housing Authority, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- (d) No significant deficiencies in internal control over the major programs were disclosed by the audit of the financial statements. No material weaknesses noted.
- (e) The auditor's report on compliance for the major federal award programs for Upper Explorerland Regional Housing Authority expresses an unmodified opinion on all major federal programs.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
- (g) The programs tested as major programs were as follows:
  - CFDA Number 14.871 Section 8 Housing Choice Vouchers
- (h) The threshold used to distinguish between Type A and Type B programs was \$750,000.
- (i) Upper Explorerland Regional Housing Authority did qualify as a low-risk auditee.

**Part II: Findings Related to the Financial Statements:**

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

**Part III: Findings and Questioned Costs for Major Federal Awards:**

Internal control deficiencies: no matters were noted.

Instances of noncompliance: no matters were noted.

**Part IV: Other Findings Related to Required Statutory Reporting:**

See management letter dated November 28, 2018

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Period of Grant	Expenditures
<b>Direct:</b>			
Department of Housing and Urban Development Section 8 Housing Choice Vouchers	14.871	July 1, 2017 - June 30, 2018	<u>\$ 1,368,626</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2018

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**Basis of Presentation:**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Upper Explorerland Regional Housing Authority under programs of the Federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) 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 Upper Explorerland Regional Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of Upper Explorerland Regional Housing Authority.

**Summary of Significant Accounting Policies:**

- 1) Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
  
- 2) Pass-through entity identifying numbers are presented where available.

**Indirect Cost Rate:**

Upper Explorerland Regional Housing Authority has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**Subrecipients:**

There were no awards passed through to subrecipients.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 SUPPLEMENTARY DATA REQUIRED BY HUD  
 For the Year Ended June 30, 2018

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Accounts and Notes Receivable (Other than Tenant):

Fraud recovery - \$10,659

Funds in Financial Institutions:

Funds held by FreedomBank, Postville, Iowa - June 30 2018:

#113 Money Market operating reserve

\$ 246,895

Total Cash

\$ 246,895

Computation of Surplus Cash, Distributions and Residual Receipts:

HUD Form - 93486 is not applicable to the Housing Authority

HUD Form - 92410 Statement of Profit and Loss:

HUD Form - 92410 is not applicable to the Housing Authority

See Independent Auditor's Report.

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

To the Board of Directors  
Upper Explorerland Regional Housing Authority  
Decorah, Iowa

We have audited, in accordance with the 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 statement of net position, and the related statements of revenues, expenses and changes in net position and cash flows of Upper Explorerland Regional Housing Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Upper Explorerland Regional Housing Authority's basic financial statements, and have issued our report thereon dated November 28, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Explorerland Regional Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Upper Explorerland Regional Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Explorerland Regional Housing Authority'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 Housing Authority'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 Upper Explorerland Regional Housing Authority'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion of the effectiveness of the Housing Authority'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 Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
November 28, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Upper Explorerland Regional Housing Authority  
Decorah, Iowa

Report on Compliance for Each Major Federal Program

We have audited Upper Explorerland Regional Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Upper Explorerland Regional Housing Authority's major federal programs for the year ended June 30, 2018. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Upper Explorerland Regional Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with 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 (CFR) 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 Upper Explorerland Regional Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Upper Explorerland Regional Housing Authority's compliance.

Opinion on Each Major Federal Program

In our opinion, Upper Explorerland Regional Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control over Compliance

Management of Upper Explorerland Regional Housing Authority 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 Upper Explorerland Regional Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
November 28, 2018

MANAGEMENT LETTER

To the Board of Directors  
Upper Explorerland Regional Housing Authority  
Decorah, Iowa

In planning and performing our audit of the basic financial statements of Upper Explorerland Regional Housing Authority for the year ended June 30, 2018, we considered the Housing Authority's internal control to determine our auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on internal control, accordingly, we provide no such assurance.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. A separate report dated November 28, 2018 contains our report on the Housing Authority's internal control over financial reporting. This letter does not affect our report dated November 28, 2018, on the basic financial statements of Upper Explorerland Regional Housing Authority. All prior year comments have been resolved. The comment listed below is not intended to and does not constitute a legal opinion. We did not audit the Housing Authority's response and, accordingly, we express no opinion on it.

1. Form 50058

A tenant was marked as disabled on Form 50058 and did not qualify as a disabled individual. Difference of \$10 per month was calculated and should be corrected on a new form.

Recommendation

We recommend that Form 50058 is reviewed prior to finalizing in order to make sure calculations are correct regarding whether or not the tenant qualifies as disabled or not.

Response

The Housing Authority agrees and will make sure that the Form 50058 is correct before finalizing.

Conclusion

Response accepted.

We would like to acknowledge the many courtesies and assistance extended to us by the personnel of Upper Explorerland Regional Housing Authority during the course of our audit.

Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Hacker, Nelson & Co., P.C.*

Decorah, Iowa  
November 28, 2018

**UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
OFFICER'S CERTIFICATION  
For the Year Ended June 30, 2018**

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I hereby certify that I have examined the accompanying financial statements and supplementary data of Upper Explorerland Regional Housing Authority and, to the best of my knowledge and belief, they are complete and accurate.

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**Signature**

**Title**

**Date**