

**UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY**

**FINANCIAL REPORT**

**JUNE 30, 2021**

## TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-3
MANAGEMENT DISCUSSION AND ANALYSIS (MD&A)	4-4b
BASIC FINANCIAL STATEMENTS	<u>Exhibit</u>
Statements of Net Position	A           5
Statements of Revenues, Expenses and Changes in Net Position	B           6
Statements of Cash Flows	C           7
Notes to Financial Statements	8-11
SUPPLEMENTARY INFORMATION	<u>Schedule</u>
Schedule of Revenues, Expenses and Changes in Net Position - Budget to Actual	1           12
Schedule of Findings and Questioned Costs	2           13-14
Schedule of Expenditures of Federal Awards	3           15
Notes to the Schedule of Expenditures of Federal Awards	16
Supplementary Data Required by HUD	4           17-18
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 <i>GOVERNMENT AUDITING STANDARDS</i>	19-20
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	21-22
OFFICER'S CERTIFICATION	23



# Hacker Nelson & Co., CPAs

## 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, 2021 and 2020, 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, 2021 and 2020, 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 and 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 and 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 and 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 U.S. 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 December 13, 2021, 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  
December 13, 2021

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
DECORAH, IOWA

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Fiscal Year Ended June 30, 2021

The management of 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, 2021. 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 U.S. 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 U.S. Department of Housing and Urban Development to serve up to 460 families in the designated counties.

2021 FINANCIAL HIGHLIGHTS

- The Housing Authority's net position decreased by \$8,058. This was mostly due to the need for additional staff and their training. Like many organizations, the Pandemic also had a financial impact and made it difficult to complete the process of verifying income and other compliance for HUD.
- Total revenue for the fiscal year was \$1,954,653, an increase of \$301,468 or positive 18.24% from last year. This was directly related to the Section 8 Housing funds.
- Total expenses for the fiscal year were \$1,962,711, an increase of \$253,834 or positive 14.85% from last year. Just like the revenue increase, this was also due to the Section 8 Housing funds.
- The Housing Authority's net loss from operating activities for the fiscal year was \$8,791.

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 has 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.

## USING THE BASIC FINANCIAL STATEMENTS (Continued)

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 and changes in net position for the years ended June 30, 2021 and 2020:

	<u>Changes in Net Position</u>	
	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
HUD	\$ 1,953,637	\$ 1,646,668
Fraud recovery	202	1,958
Miscellaneous	81	3,441
<b>Total operating revenues</b>	<b>1,953,920</b>	<b>1,652,067</b>
<b>OPERATING EXPENSES</b>		
Administrative salaries	161,615	168,911
Auditing fees	12,622	7,120
Employee benefit contributions - administrative	58,785	54,351
Other operating - administrative	44,111	57,149
Utilities	5,852	5,081
Ordinary maintenance and operations	8,166	8,889
Insurance	9,485	6,860
Housing assistance payments	1,568,815	1,370,834
Other general expenses	7,027	18,944
CARES Act expenses	86,233	10,738
<b>Total operating expenses</b>	<b>1,962,711</b>	<b>1,708,877</b>
<b>(Decrease) in net position from operations</b>	<b>(8,791)</b>	<b>(56,810)</b>
<b>NONOPERATING REVENUES</b>		
Interest	733	1,118
<b>Change in net position</b>	<b>(8,058)</b>	<b>(55,692)</b>
<b>NET POSITION, beginning of year</b>	<b>100,374</b>	<b>156,066</b>
<b>NET POSITION, end of year</b>	<b>\$ 92,316</b>	<b>\$ 100,374</b>

## 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 2021 totaled \$92,316. This compares to \$100,374 at the end of fiscal year 2020. A summary of the Housing Authority's net position is presented below:

	Net Position	
	2021	2020
Current and other assets	\$ 147,148	\$ 173,584
Current liabilities	54,832	73,210
Net position:		
Unrestricted	92,316	91,226
Restricted	-	9,148
Total net position	\$ 92,316	\$ 100,374

### ECONOMIC FACTORS BEARING ON UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY'S FUTURE

During the review of these financial statements, the Housing Authority was aware of several key factors that may have an impact upon the Housing Authority's future funding levels.

- The largest economic factor for the Housing Authority continues to be portability billings. Portability continues to be an issue for the Housing Authority's finances with the high cost of housing assistance payments to areas outside the Northeast Iowa jurisdiction.
- The Pandemic continues to be a key factor for the Housing Authority. Due to needed safety and health measures, the Pandemic still makes applicants and current participants nervous and is difficult to complete inspection work, as well as current applicants and participants having illnesses due to the Pandemic. These concerns are slowing the process of determining eligibility and completing inspections in a timely manner. Therefore, lease ups are happening at a slower pace which effects funding levels.
- The Housing Authority did have a Housing Department head replacement mid-year of 2020 therefore, providing some dishevelment within the Agency. Furthermore, the Housing Authority was not fully staffed for the entire fiscal year. Staff issues do play a role in funding levels.

### CONTACTING 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, 2021 and 2020

ASSETS

	2021	2020
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ 104,439	\$ 100,682
Cash - restricted	27,467	53,902
Accounts receivable	7,615	6,098
Accounts receivable - fraud recovery	66	516
Prepaid expenses	7,561	12,386
	147,148	173,584
<b>Total current assets</b>	<b>147,148</b>	<b>173,584</b>
<b>Total assets</b>	<b>\$ 147,148</b>	<b>\$ 173,584</b>

LIABILITIES AND NET POSITION

<b>CURRENT LIABILITIES</b>		
Deferred revenue	\$ 27,949	\$ 44,754
Accounts payable	26,883	28,456
	54,832	73,210
<b>Total current liabilities</b>	<b>54,832</b>	<b>73,210</b>
<b>NET POSITION</b>		
Unrestricted net position	92,316	91,226
Restricted net position	-	9,148
	92,316	100,374
<b>Total net position</b>	<b>92,316</b>	<b>100,374</b>
<b>Total liabilities and net position</b>	<b>\$ 147,148</b>	<b>\$ 173,584</b>

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, 2021 and 2020

	2021	2020
<b>REVENUES</b>		
HUD	\$ 1,953,637	\$ 1,646,668
Fraud recovery	202	1,958
Other income	81	3,441
<b>Total operating revenues</b>	<b>1,953,920</b>	<b>1,652,067</b>
<b>OPERATING EXPENSES</b>		
Administrative salaries	161,615	168,911
Auditing fees	12,622	7,120
Employee benefit contributions - administrative	58,785	54,351
Other operating - administrative	44,111	57,149
Utilities	5,852	5,081
Ordinary maintenance and operations	8,166	8,889
Insurance	9,485	6,860
Housing assistance payments	1,568,815	1,370,834
Computer support	128	11,916
Membership dues	816	809
CARES ACT expenses	86,233	10,738
Other general expenses	6,083	6,219
<b>Total operating expenses</b>	<b>1,962,711</b>	<b>1,708,877</b>
<b>Operating loss</b>	<b>(8,791)</b>	<b>(56,810)</b>
<b>NONOPERATING REVENUES</b>		
Interest	733	1,118
<b>CHANGE IN NET POSITION</b>	<b>(8,058)</b>	<b>(55,692)</b>
<b>NET POSITION, beginning of year</b>	<b>100,374</b>	<b>156,066</b>
<b>NET POSITION, end of year</b>	<b>\$ 92,316</b>	<b>\$ 100,374</b>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
STATEMENTS OF CASH FLOWS  
For the Years Ended June 30, 2021 and 2020

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from HUD	\$ 1,953,637	\$ 1,646,668
Cash paid to/for:		
Housing assistance payments	(1,574,898)	(1,377,052)
Administrative expenses	(387,813)	(331,824)
Other	(14,337)	19,502
Net cash used in operating activities	(23,411)	(42,706)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits	733	1,118
Net decrease in cash	(22,678)	(41,588)
CASH, beginning of year	154,584	196,172
CASH, end of year	\$ 131,906	\$ 154,584
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating loss	\$ (8,791)	\$ (56,810)
Adjustments to reconcile net loss to net cash used in operating activities:		
Decrease (increase) in accounts receivable	(1,067)	(6,014)
Decrease (increase) in prepaid expenses	4,825	(7,687)
(Decrease) increase in accounts payable	(1,573)	(13,665)
(Decrease) increase in other current liabilities	(16,805)	41,470
Total adjustments	(14,620)	14,104
Net cash used in operating activities	\$ (23,411)	\$ (42,706)

See Notes to Financial Statements.

# UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY

## NOTES TO FINANCIAL STATEMENTS

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### 1. Administration and Significant Accounting Policies

#### Background

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 fund is used to account for operations that (a) is 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:

- 1) Restricted net position consists of net position with constraints placed on the use either externally imposed or imposed by laws, grants, or contracts.
- 2) 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, 2021 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.

As of June 30, 2021, the Housing Authority has restricted cash of \$27,467 which is from the deferred CARES Act revenue.

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 and 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, 2021 and 2020.

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.

i. Subsequent Events

Management has evaluated subsequent events through December 13, 2021, the date on which the financial statements were available to be issued.

NOTES TO FINANCIAL STATEMENTS

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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.

3. Accounts Receivable

All accounts receivables are shown at gross amounts and is reported as follows:

1. Fraud recovery represents the amount of agreements, net of payments already made, signed by tenants promising to pay back monies to the Housing Authority.
2. 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, 2021 and 2020 were determined as follows:

	2021	2020
Housing Authority's share - 50%	\$ 101	\$ 979
HUD's share - 50%	101	979
<b>Total</b>	<b>\$ 202</b>	<b>\$ 1,958</b>

Accounts receivable - fraud recovery shown on the statements of net position as of June 30, 2021 and 2020 were determined as follows:

	2021	2020
Housing Authority's share - 50%	\$ 33	\$ 258
HUD's share - 50%	33	258
<b>Total</b>	<b>\$ 66</b>	<b>\$ 516</b>

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 of; 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

7. **Unrestricted and Restricted Position**

The Housing Authority had \$92,316 and \$91,226 in unrestricted net position as of June 30, 2021 and 2020, respectively. Unrestricted position consisted of the following:

	2021	2020
Unrestricted net position - administrative:		
Beginning balance	\$ 91,226	\$ 153,154
HUD administrative payments in (deficit of) excess of administrative expenses for the year ended June 30	1,090	(61,928)
Total unrestricted net position - administrative	\$ 92,316	\$ 91,226

The Housing Authority had \$0 and \$9,148 in restricted net position as of June 30, 2021 and 2020, respectively. Per HUD regulations, the restricted net position may be expended for the housing assistance payment program only. Restricted net position consisted of the following:

	2021	2020
Restricted net position - HAP:		
Beginning balance	\$ 9,148	\$ 2,912
HAP (deficit of) in excess of HUD payments	(9,148)	6,236
Total restricted position - HAP	-	9,148
Unrestricted net position	92,316	91,226
Total net position	\$ 92,316	\$ 100,374

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, 2021 and 2020 were \$18,859 and \$13,416, respectively.

9. **Transfer of Low Rent Housing Agency of Decorah**

As of January 1, 2020, Low Rent Housing Agency of Decorah was combined into Upper Explorerland Regional Housing Authority. All files were turned over and are now the responsibility of the Housing Authority. The ending cash balance of \$3,441 of Low Rent Housing Agency of Decorah was also transferred to Upper Explorerland Regional Housing Authority.

10. **Other Matter**

The recent COVID-19 outbreak in the United States has disrupted the Housing Authority's operations. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. Accordingly, the Housing Authority expects this matter to impact its operating results, however, the related financial impact and duration cannot be reasonably estimated at this time. The Coronavirus Aid, Relief and Economic Security (CARES) Act was enacted in March 2020 in response to the outbreak, which among other things contains numerous tax, emergency funding and other provisions. The Housing Authority has applied for and received additional Section 8 housing money due to the CARES Act to help it through the disruption.

**Supplementary Information**

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
BUDGET TO ACTUAL  
For the Year Ended June 30, 2021

	Actual	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Commission:			
HUD	\$ 1,953,637	\$ 1,708,140	\$ 245,497
Interest - unrestricted	733	1,120	(387)
Fraud recovery	202	2,040	(1,838)
Other income	81	-	81
<b>Total revenues</b>	<b>1,954,653</b>	<b>1,711,300</b>	<b>243,353</b>
<b>EXPENSES</b>			
Administrative salaries	161,615	158,000	(3,615)
Auditing fees	12,622	4,000	(8,622)
Employee benefit contributions - administrative	58,785	54,500	(4,285)
Other operating - administrative	44,111	35,500	(8,611)
Utilities	5,852	5,500	(352)
Ordinary maintenance and operations	8,166	6,500	(1,666)
Insurance	9,485	8,000	(1,485)
Housing assistance payments	1,568,815	1,259,580	(309,235)
Other	93,260	17,980	(75,280)
<b>Total expenses</b>	<b>1,962,711</b>	<b>1,549,560</b>	<b>(413,151)</b>
<b>Net (loss) income</b>	<b>(8,058)</b>	<b>161,740</b>	<b>(169,798)</b>
<b>FUND BALANCE, beginning of year</b>	<b>100,374</b>	<b>100,374</b>	<b>-</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 92,316</b>	<b>\$ 262,114</b>	<b>\$ (169,798)</b>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

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

1. 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.
2. No significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements. No material weaknesses are reported.
3. 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.
4. No significant deficiencies in internal control over the major federal award programs were disclosed by the audit of the financial statements. No material weaknesses are reported.
5. 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.
6. The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs were:
  - CFDA Number 14.871 Section 8 Housing Choice Vouchers
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Upper Explorerland Regional Housing Authority was determined to be a low-risk auditee.

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2021

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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:

Finding 2021-001      Documentation of Rent Reasonableness

Condition:            The rent reasonableness form was not included in one tenant's file.

Criteria:             The Housing Authority should ensure that rent is within comparable rates.

Cause:                The Housing Authority inadvertently forgot to create this form within their software package.

Effect:                This deficiency did not have an effect on the tenant rent.

Recommendation:    While we do recognize that mistakes can and will happen, we recommend that tenant files are reviewed before finalizing to ensure that all forms are included to ensure compliance with grant guidelines.

Views of Responsible  
Officials and Planned

Corrective Actions:    The Housing Authority was made aware of this, and the rent reasonableness form was included in the tenant's file.

Part IV: Other Findings Related to Required Statutory Reporting:

No matters were noted.

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Period of Grant	Passed Through to Subrecipients	Expenditures
<b>Direct:</b>				
<b>U.S. Department of Housing and Urban Development:</b>				
Section 8 Housing Choice Vouchers	14.871	July 1, 2020 - June 30, 2021		\$ 1,867,405
HCV CARES Act Funding	14.HCC	July 1, 2020 - June 30, 2021	\$ 21,223	<u>86,232</u>
				<u>\$ 1,953,637</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, 2021

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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, 2021. 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:**

- Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 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.

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SUPPLEMENTARY DATA REQUIRED BY HUD  
For the Year Ended June 30, 2021

Statement of Financial Position Data

Account Number	Assets	2021
111	Cash - Unrestricted	\$ 104,439
113	Cash - Other Restricted	27,467
100	Total Cash	<u>131,906</u>
122	Accounts Receivable - HUD Other Projects	7,615
128	Fraud Recovery	66
120	Total Receivables, Net of Allowances for Doubtful Accounts	<u>7,681</u>
142	Prepaid Expenses and Other Assets	<u>7,561</u>
150	Total Current Assets	<u>147,148</u>
290	Total Assets and Deferred Outflow of Resources	<u>\$ 147,148</u>
<u>Liabilities and Net Position</u>		
312	Accounts Payable <= 90 Days	\$ 26,883
342	Unearned Revenue	27,949
310	Total Current Liabilities	<u>54,832</u>
300	Total Liabilities	<u>54,832</u>
511.4	Restricted Net Position	
512.4	Unrestricted Net Position	92,316
513	Total Equity - Net Position	<u>92,316</u>
600	Total Liabilities, Deferred Inflows of Resources and Equity	<u>\$ 147,148</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SUPPLEMENTARY DATA REQUIRED BY HUD  
For the Year Ended June 30, 2021

Statement of Activities Data

Account Number	Revenues	2021
70600	HUD PHA Operating Grants	\$ 1,953,637
71100	Investment Income - Unrestricted	733
71400	Fraud Recovery	202
71500	Other Revenue	81
70000	Total Revenue	<u>1,954,653</u>
	Expenses and Equity	
91100	Administrative Salaries	178,040
91200	Auditing Fees	12,656
91500	Employee Benefit Contributions	61,742
91600	Office Expenses	7,071
91800	Travel	4,090
91900	Other	82,927
91000	Total Operating - Administrative	<u>346,526</u>
94300	Ordinary Maintenance and Operations Contracts	31,330
94000	Total Maintenance	<u>31,330</u>
96120	Liability Insurance	9,957
96100	Total Insurance Premiums	<u>9,957</u>
96200	Other General Expenses	6,083
96000	Total General Expenses	<u>6,083</u>
96900	Total Operating Expenses	<u>393,896</u>
97000	Excess of Operating Revenue over Operating Expenses	<u>1,560,757</u>
97300	Housing Assistance Payments	<u>1,568,815</u>
10000	(Deficiency) excess of Total Revenue (Under) Over Total	<u>(8,058)</u>
11030	Beginning Equity	<u>100,374</u>
11170	Administrative Fee Equity	<u>92,316</u>
11180	Housing Assistance Payments Equity	<u>\$ -</u>

See Independent Auditor's Report.



# Hacker Nelson & Co., CPAs

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, 2021, 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 December 13, 2021.

### 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) 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 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 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 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  
December 13, 2021



# Hacker Nelson & Co., CPAs

## 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, 2021. 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, 2021.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2021-001. Our opinion on each major federal program is not modified with respect to these matters.

Upper Explorerland Regional Housing Authority's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Upper Explorerland Regional Housing Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of 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  
December 13, 2021

**UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
OFFICER'S CERTIFICATION  
For the Year Ended June 30, 2021**

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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
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