

**UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY**

**FINANCIAL REPORT**

**JUNE 30, 2022**

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# 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 Audit of the Financial Statements

#### Opinions

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, 2022 and 2021, 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.

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, 2022 and 2021, and the changes in financial position and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Explorerland Regional Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Explorerland Regional Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Upper Explorerland Regional Housing Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Upper Explorerland Regional Housing Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 4 through 4c be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

### Supplementary 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, and schedule of expenditures of federal awards, 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) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the 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 2, 2022, 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., CPAs

Decorah, Iowa  
December 2, 2022

**UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
DECORAH, IOWA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**For the Fiscal Year Ended June 30, 2022**

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, 2022. 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 very 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 493 families in the designated counties.

**2022 FINANCIAL HIGHLIGHTS**

- The Housing Authority's net position increased by \$17,790. This was mostly due to a decrease in administrative salaries after a staff member left and was not replaced.
- Total revenue for the fiscal year was \$2,026,633, an increase of \$71,980 or positive 3.68% from last year. This was directly related to the Section 8 Housing funds.
- Total expenses for the fiscal year were \$2,008,843, an increase of \$46,132 or positive 2.35% from last year. Just like the revenue increase, this was also due to the Section 8 Housing funds.
- The Housing Authority's net income from operating activities for the fiscal year was \$17,660.

**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.

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

USING THE BASIC FINANCIAL STATEMENTS (Continued)

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, 2022 and 2021:

	<u>Changes in Net Position</u>	
	<u>2022</u>	<u>2021</u>
REVENUES		
HUD	\$ 2,022,725	\$ 1,953,637
Fraud recovery	3,778	202
Miscellaneous		81
	<hr/>	<hr/>
Total operating revenues	2,026,503	1,953,920
	<hr/>	<hr/>
OPERATING EXPENSES		
Administrative salaries	137,356	161,615
Auditing fees	19,638	12,622
Employee benefit contributions - administrative	66,734	58,785
Other operating - administrative	37,331	44,111
Utilities	7,823	5,852
Ordinary maintenance and operations	7,403	8,166
Insurance	11,915	9,485
Housing assistance payments	1,659,389	1,568,815
Other general expenses	33,787	7,027
CARES Act expenses	27,467	86,233
	<hr/>	<hr/>
Total operating expenses	2,008,843	1,962,711
	<hr/>	<hr/>
Operating income (loss)	17,660	(8,791)
NONOPERATING REVENUES		
Interest	130	733
	<hr/>	<hr/>
Change in net position	17,790	(8,058)
NET POSITION, beginning of year	92,316	100,374
	<hr/>	<hr/>
NET POSITION, end of year	\$ 110,106	\$ 92,316
	<hr/> <hr/>	<hr/> <hr/>

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 2022 totaled \$110,106. This compares to \$92,316 at the end of fiscal year 2021. A summary of the Housing Authority's net position is presented below:

	Net Position	
	2022	2021
Current and other assets	\$ 134,052	\$ 147,148
Current liabilities	23,946	54,832
Net position:		
Unrestricted	103,746	92,316
Restricted	6,360	
Total net position	\$ 110,106	\$ 92,316

ECONOMIC FACTORS BEARING ON THE HOUSING AUTHORITY'S FUTURE

Housing assistance plays a crucial role in stabilizing so many elements of a family's daily life, including employment, education, and health. But despite its important role, our nation's public housing program faces an uncertain future.

Like our nation, Iowa is no stranger to the housing shortage. According to a national housing organization, the state has a shortage of approximately 53,135 affordable and available rental units for Iowans and 40% of Iowans spend over 30% of their income on housing, which means they are "housing cost-burdened." A recent Iowa Finance Authority study found the state needs 47,000 new homes in the next decade to accommodate population growth. Nearly 40% of those units need to have rents or mortgages that are affordable to Iowans earning 80% or less of the area median income, which in Iowa is a maximum of \$47,964 a year.

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.

- **Affordability:** Thousands of Iowans already are struggling to afford housing. The Iowa Finance Authority's study found 39% of renters and 16% of homeowners are "cost burdened," meaning they spend more than 30% of their income on housing expenses, including utilities. Housing Authority's region of Northeast Iowa has seen a 9% increase in rental rates this fiscal year. Housing has become less affordable over time as rents have risen more quickly than incomes. Between 2019 and 2001, median rent increased by 15.0%, but median renter household income rose only 3.4% over the same period. Furthermore, cost-burdened families will then have difficulty affording other basic needs such as healthcare, food, and heat. Individuals who had difficulty affording housing were more likely to report fair and poor health conditions. The Housing Authority has seen an uptick in serving elderly and disabled tenants. Affordability can lead to overcrowding to compensate for the increased rental rates as well as hazardous living conditions, choosing properties with lead paint, water leaks, poor ventilation and inadequate heating, cooling, or plumbing. The Housing Authority is overspent on Housing Assistance Payments (HAP) and under serving the families in which the Authority can serve.

## ECONOMIC FACTORS BEARING ON THE HOUSING AUTHORITY'S FUTURE (Continued)

- **Accessibility:** Within the region's housing assessments, it is showcasing a shortage of housing units of over 875 units. Currently the Housing Authority has 22 families with vouchers that cannot find rental units. Therefore, lease ups are happening at a slower pace which effects funding levels.
- **Portability:** Portability continues to be an issue for the Housing Authority's finances. With high cost of housing assistance payments to areas outside of the Northeast Iowa jurisdiction, those costs are three times the rental rates as rates within the region. Therefore, serving three less families in our region for each porting family.

These findings and bearers underscore the continued importance of federal and local housing subsidies. These findings also affect the Housing Authority's financial health. The Housing Authority has not been fully staffed since December 2021 and will not be fully staffed the entire 2023 fiscal year. Making these financial decisions do assist the bottom line but places concerns with overtaxing staff.

## CONTACTING THE 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, 2022 and 2021

ASSETS

	2022	2021
<b>CURRENT ASSETS</b>		
Cash - unrestricted	\$ 112,461	\$ 104,439
Cash - restricted	6,360	27,467
Accounts receivable	7,567	7,615
Accounts receivable - fraud recovery	1,030	66
Prepaid expenses	6,634	7,561
	134,052	147,148
<b>Total current assets</b>	<b>134,052</b>	<b>147,148</b>
<b>Total assets</b>	<b>\$ 134,052</b>	<b>\$ 147,148</b>

LIABILITIES AND NET POSITION

<b>CURRENT LIABILITIES</b>		
Deferred revenue		\$ 27,949
Accounts payable	\$ 23,946	26,883
	23,946	54,832
<b>Total current liabilities</b>	<b>23,946</b>	<b>54,832</b>
<b>NET POSITION</b>		
Unrestricted net position	103,746	92,316
Restricted net position	6,360	
	110,106	92,316
<b>Total net position</b>	<b>110,106</b>	<b>92,316</b>
<b>Total liabilities and net position</b>	<b>\$ 134,052</b>	<b>\$ 147,148</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, 2022 and 2021

	2022	2021
<b>REVENUES</b>		
HUD	\$ 2,022,725	\$ 1,953,637
Fraud recovery	3,778	202
Other income		81
<b>Total operating revenues</b>	<b>2,026,503</b>	<b>1,953,920</b>
<b>OPERATING EXPENSES</b>		
Administrative salaries	137,356	161,615
Auditing fees	19,638	12,622
Employee benefit contributions - administrative	66,734	58,785
Other operating - administrative	37,331	44,111
Utilities	7,823	5,852
Ordinary maintenance and operations	7,403	8,166
Insurance	11,915	9,485
Housing assistance payments	1,659,389	1,568,815
Computer support	24,448	128
Membership dues	4,999	816
CARES ACT expenses	27,467	86,233
Other general expenses	4,340	6,083
<b>Total operating expenses</b>	<b>2,008,843</b>	<b>1,962,711</b>
<b>Operating income (loss)</b>	<b>17,660</b>	<b>(8,791)</b>
<b>NONOPERATING REVENUES</b>		
Interest	130	733
<b>CHANGE IN NET POSITION</b>	<b>17,790</b>	<b>(8,058)</b>
<b>NET POSITION, beginning of year</b>	<b>92,316</b>	<b>100,374</b>
<b>NET POSITION, end of year</b>	<b>\$ 110,106</b>	<b>\$ 92,316</b>

See Notes to Financial Statements.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 STATEMENTS OF CASH FLOWS  
 For the Years Ended June 30, 2022 and 2021

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from HUD	\$ 2,022,725	\$ 1,953,637
Cash paid to/for:		
Housing assistance payments	(1,663,729)	(1,574,898)
Administrative expenses	(345,114)	(387,813)
Other	(27,097)	(14,337)
Net cash used in operating activities	(13,215)	(23,411)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits	130	733
Net decrease in cash	(13,085)	(22,678)
CASH, beginning of year	131,906	154,584
CASH, end of year	\$ 118,821	\$ 131,906
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED IN OPERATING ACTIVITIES:</b>		
Operating income (loss)	\$ 17,660	\$ (8,791)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:		
(Increase) in accounts receivable	(916)	(1,067)
Decrease in prepaid expenses	927	4,825
(Decrease) in accounts payable	(2,937)	(1,573)
(Decrease) in other current liabilities	(27,949)	(16,805)
Total adjustments	(30,875)	(14,620)
Net cash used in operating activities	\$ (13,215)	\$ (23,411)

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 very 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 (HAP). 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, 2022 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, 2022, the Housing Authority has restricted cash of \$6,360 which is from restricted HAP.

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, 2022 and 2021.

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 2, 2022, 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, 2022 and 2021 were determined as follows:

	2022	2021
Housing Authority’s share - 50%	\$ 1,889	\$ 101
HUD’s share - 50%	1,889	101
<b>Total</b>	<b>\$ 3,778</b>	<b>\$ 202</b>

Accounts receivable - fraud recovery shown on the statements of net position as of June 30, 2022 and 2021 were determined as follows:

	2022	2021
Housing Authority’s share - 50%	\$ 515	\$ 33
HUD’s share - 50%	515	33
<b>Total</b>	<b>\$ 1,030</b>	<b>\$ 66</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 \$103,746 and \$92,316 in unrestricted net position as of June 30, 2022 and 2021, respectively. Unrestricted position consisted of the following:

	2022	2021
<b>Unrestricted net position - administrative:</b>		
Beginning balance	\$ 92,316	\$ 91,226
HUD administrative payments in excess of administrative expenses for the year ended June 30	11,430	1,090
<b>Total unrestricted net position - administrative</b>	<b>\$ 103,746</b>	<b>\$ 92,316</b>

The Housing Authority had \$6,360 and \$0 in restricted net position as of June 30, 2022 and 2021, 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:

	2022	2021
<b>Restricted net position - HAP:</b>		
Beginning balance		\$ 9,148
HAP in (deficit of) excess of HUD payments	\$ 6,360	(9,148)
<b>Total restricted position - HAP</b>	6,360	0
<b>Unrestricted net position</b>	<b>103,746</b>	<b>92,316</b>
<b>Total net position</b>	<b>\$ 110,106</b>	<b>\$ 92,316</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, 2022 and 2021 were \$25,041 and \$18,859, respectively.

**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, 2022

	Actual	Budget	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Commission:			
HUD	\$ 2,022,725	\$ 2,042,004	\$ (19,279)
Interest - unrestricted	130	73	57
Fraud recovery	3,778	767	3,011
	<u>2,026,633</u>	<u>2,042,844</u>	<u>(16,211)</u>
Total revenues			
<b>EXPENSES</b>			
Administrative salaries	137,356	140,400	3,044
Auditing fees	19,638	21,800	2,162
Employee benefit contributions - administrative	66,734	52,600	(14,134)
Other operating - administrative	37,331	40,800	3,469
Utilities	7,823	7,900	77
Ordinary maintenance and operations	7,403	3,200	(4,203)
Insurance	11,915	10,400	(1,515)
Housing assistance payments	1,659,389	1,612,548	(46,841)
Other	61,254	34,500	(26,754)
	<u>2,008,843</u>	<u>1,924,148</u>	<u>(84,695)</u>
Total expenses			
Net income (loss)	17,790	118,696	(100,906)
FUND BALANCE, beginning of year	<u>92,316</u>	<u>92,316</u>	<u>-</u>
FUND BALANCE (deficit), end of year	<u>\$ 110,106</u>	<u>\$ 211,012</u>	<u>\$ (100,906)</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2022

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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 program was 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 program for Upper Explorerland Regional Housing Authority expresses an unmodified opinion on the major federal program.
6. The audit disclosed no audit findings which are required to be reported in accordance with 2 CFR Section 200.516(a).
7. The program tested as a major program was as follows:
  - Federal Assistance Listing 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, 2022

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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 the Major Federal Award:

Internal control deficiencies: no matters were noted.

Instances of noncompliance:

Finding 2022-001            Missing Documentation

Condition:                Two tenants that were transferred from the Low Rent Housing Agency of Decorah had missing forms such as lead based paint, rent reasonableness, and Request for Tenancy Approval Form #52517. Another tenant did not have the rent reasonableness form when the rent was increased in 2016.

Criteria:                 The Housing Authority should ensure that rent is within comparable rates and have all the appropriate forms needed to make sure that the tenant is staying in safe affordable housing.

Cause:                    The Housing Authority had not finished going through all of the files that were transferred from Low Rent Housing Agency of Decorah to verify all forms were included. For the other missing form, the Housing Authority inadvertently forgot to create this form within their software package in 2016.

Effect:                    These deficiencies did not have an effect on the tenant's 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 verify compliance with grant guidelines.

Views of Responsible  
Officials and Planned

Corrective Actions:        The Housing Authority was made aware of this, and forms will be included in the tenant's file except for the tenant who has already exited the program.

Part IV: Other Findings Related to Required Statutory Reporting:

No matters were noted.

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SUMMARY OF SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended June 30, 2022

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<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>If not corrected, provide planned corrective action or other explanation</u>
2021-001	Documentation of rent reasonableness	Partially corrected	Working to improve in this area

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Period of Grant	Expenditures
<b>Direct:</b>			
<b>U.S. Department of Housing and Urban Development:</b>			
Section 8 Housing Choice Vouchers	14.871	July 1, 2021 - June 30, 2022	\$ 1,995,258
HCV CARES Act Funding	14.HCC	July 1, 2021 - June 30, 2022	27,467
			<u>\$ 2,022,725</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, 2022

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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, 2022. 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.

**Subrecipients:**

- There were no awards passed through to subrecipients.

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
 SUPPLEMENTARY DATA REQUIRED BY HUD  
 For the Year Ended June 30, 2022

Statement of Financial Position Data

Account Number	Assets	2022
111	Cash - unrestricted	\$ 112,461
113	Cash - other restricted	6,360
100	Total cash	<u>118,821</u>
122	Accounts receivable - HUD other projects	7,567
128	Fraud recovery	1,030
120	Total receivables, net of allowances for doubtful accounts	<u>8,597</u>
142	Prepaid expenses and other assets	<u>6,634</u>
150	Total current assets	<u>134,052</u>
290	Total assets and deferred outflows of resources	<u>\$ 134,052</u>
<b>Liabilities and Net Position</b>		
312	Accounts payable <= 90 days	\$ 23,946
310	Total current liabilities	<u>23,946</u>
300	Total liabilities	<u>23,946</u>
511.4	Restricted net position	6,360
512.4	Unrestricted net position	103,746
513	Total net position	<u>110,106</u>
600	Total liabilities, deferred inflows of resources and equity	<u>\$ 134,052</u>

See Independent Auditor's Report.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY  
SUPPLEMENTARY DATA REQUIRED BY HUD  
For the Year Ended June 30, 2022

Statement of Activities Data

Account Number	Revenues	2022
70600	HUD PHA operating grants	\$ 2,022,725
71100	Investment income - unrestricted	130
71400	Fraud recovery	3,778
70000	Total revenue	<u>2,026,633</u>
	Expenses and Equity	
91100	Administrative salaries	149,190
91200	Auditing fees	20,042
91500	Employee benefit contributions	69,675
91600	Office expenses	38,182
91800	Travel	5,734
91900	Other	41,590
91000	Total operating - administrative	<u>324,413</u>
94300	Ordinary maintenance and operations contracts	7,893
94000	Total maintenance	<u>7,893</u>
96120	Liability insurance	12,808
96100	Total insurance premiums	<u>12,808</u>
96200	Other general expenses	4,340
96000	Total general expenses	<u>4,340</u>
96900	Total operating expenses	<u>349,454</u>
97000	Excess of operating revenue over operating expenses	<u>1,677,179</u>
97300	Housing assistance payments	1,659,389
90000	Total expenses	<u>2,008,843</u>
10000	Excess (deficiency) of total revenue over (under) total	<u>17,790</u>
11030	Beginning equity	<u>92,316</u>
11170	Administrative fee equity	<u>103,746</u>
11180	Housing assistance payments equity	<u>\$ 6,360</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, 2022, 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 2, 2022.

#### Report on 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 or significant deficiencies may exist that were not identified.

Report on 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., CPAs

Decorah, Iowa  
December 2, 2022



# Hacker Nelson & Co., CPAs

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE 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 the Major Federal Program

#### Opinion on the Major Federal Program

We have audited Upper Explorerland Regional Housing Authority's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the Upper Explorerland Regional Housing Authority's major federal program for the year ended June 30, 2022. The Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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 its major federal program for the year ended June 30, 2022.

#### Basis for Opinion on the Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Upper Explorerland Regional Housing Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Upper Explorerland Regional Housing Authority's compliance with the compliance requirements referred to above.

#### Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Upper Explorerland Regional Housing Authority's federal programs.

### Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Upper Explorerland Regional Housing Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Upper Explorerland Regional Housing Authority's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Upper Explorerland Regional Housing Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Upper Explorerland Regional Housing Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Upper Explorerland Regional Housing Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### 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 2022-001. Our opinion on the major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Upper Explorerland Regional Housing Authority's response to the noncompliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. Upper Explorerland Regional Housing Authority's response was not subjected to the other auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the response.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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., CPAs

Decorah, Iowa  
December 2, 2022