

UPPER EXPLORERLAND REGIONAL
HOUSING AUTHORITY
POSTVILLE, IOWA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Upper Explorerland
Regional Housing Authority
Postville, Iowa

Federal Audit Clearinghouse
Bureau of the Census
P.O. Box 5000
Jeffersonville, IN 47199-5000

We have audited the accompanying statement of financial position of Upper Explorerland Regional Housing Authority, as of June 30, 2005 and the related statements of activity, and cash flows for the year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards, generally accepted in The United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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, 2005, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2005, on our consideration of Upper Explorerland Regional Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplementary information shown on pages 11 to 13 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Upper Explorerland Regional Housing Authority. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.

October 12, 2005

December 30, 2005

Management Discussion and Analysis of Upper Explorerland Regional Housing Authority (UERHA), Postville, Iowa as of June 30, 2005, as required by GASB 34 rules:

Total Assets were \$318,817. Of this there was \$240,445 of unrestricted cash; \$14,752 of restricted cash; Fraud recovery account of \$3,620; unrestricted investments of \$60,000. There were no fixed assets or furniture and fixture assets accounted for in the June 30, 2005 Balance sheet.

Total Liabilities of UERHA were \$80,996. Of this there were \$12,615 of Accounts Payable; \$50,000 Accounts Payable to HUD; Other Current Liabilities of \$3,620; Non-Current Liabilities of \$14,752.

Total Assets of \$318,817 minus Total Liabilities of \$80,996 leaves a Net Asset balance of \$237,821. Of this Net Asset amount (\$237,821) there were no restricted assets.

Total Revenue of UERHA was \$1,281,469. Total Expenditures of UERHA was \$1,290,344. Total Revenue of \$1,281,469 less Total Expenditures of \$1,290,344 leaves a change in Net Assets of minus \$8,875.

Beginning Fund Balance after reflecting the minus \$8,875 with a prior period adjustment of plus \$41 is \$237,821.

Exhibit B, page 5 of the report reflects Total Revenues of \$1,281,469 with Total Expenditures of \$1,290,344. These expenditures are made up of the following items:

Administrative Salaries	\$154,541
Auditing Fees	\$ 1,400
Employee Benefit Contributions-	
Administrative	\$ 40,438
Other Operating-Administrative	\$ 20,290
Water	\$ 288
Electricity	\$ 1,725
Gas	\$ 863
Ordinary Maintenance & Operations	\$ 4,636
Insurance	\$ 5,796
Other General Expense	\$ 62
Housing Assistance payments	\$1,060,305

Tom W. Masey
Executive Director

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA
STATEMENT OF FINANCIAL POSITION
June 30, 2005

		Annual Contribution Contract <u>KC-9120</u> Rental Voucher <u></u>
ASSETS		
Current Assets:		
111	Cash-Unrestricted	\$ 240,445
113	Cash-Restricted	<u>14,752</u>
100	Total Cash	255,197
124	Account Reveivable-Other Government	-
128	Fraud Recovery	<u>3,620</u>
120	Total Receivable Net	3,620
131	Investments-Unrestricted	<u>60,000</u>
150	Total Current Assets	<u>318,817</u>
190	TOTAL ASSETS	<u>\$ 318,817</u>

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA
STATEMENT OF FINANCIAL POSITION
June 30, 2005

	Annual Contribution Contract <u>KC-9120</u> Rental <u>Voucher</u>
LIABILITIES AND SURPLUS	
Current Liabilities:	
312 Accounts Payable	\$ 12,615
331 Accounts Payable-HUD	50,009
345 Other Current Liabilities	<u>3,620</u>
310 Total Current Liabilities	<u>66,244</u>
Non-current Liabilities	
353 Non-current Liability-Other	<u>14,752</u>
350 Total Non-current Liability	<u>14,752</u>
300 TOTAL LIABILITIES	<u>80,996</u>
NET ASSETS	
512 Unrestricted Net Assets	237,821
Restricted Net Assets	<u>-</u>
513 NET ASSETS	<u>237,821</u>
600 TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 318,817</u></u>

EXHIBIT B

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
STATEMENT OF ACTIVITY
Year Ended June 30, 2005

REVENUES	Total
HUD	\$ 1,259,915
Interest	9,218
Fraud Recovery	1,521
Other	10,815
	<hr/>
TOTAL REVENUES	1,281,469
	<hr/>
EXPENDITURES	
Administrative Salaries	154,541
Auditing Fees	1,400
Employee Benefit Contributions- Administrative	40,438
Other Operating-Administrative	20,290
Water	288
Electricity	1,725
Gas	863
Ordinary Maintenance & Operations	4,636
Insurance	5,796
Other General Expense	62
Housing Assistance Payments	1,060,305
	<hr/>
TOTAL EXPENDITURES	1,290,344
	<hr/>
CHANGE IN NET ASSETS	(8,875)
FUND BALANCE, beginning	246,655
PRIOR PERIOD ADJUSTMENT	41
	<hr/>
FUND BALANCE, ending	\$ 237,821
	<hr/> <hr/>

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2005

	<u>Annual Contribution Contract KC-9120 Rental Voucher</u>
CASH FLOW FROM OPERATING ACTIVITIES:	
Net Loss	\$ (8,875)
Prior Period Adjustment	41
Adjustments to Reconcile Net Income to Net Cash Provided By Operating Activities:	
(Increase) Decrease in A/R - Other	7,722
(Increase) Decrease in Fraud Recovery	(1,609)
Increase (Decrease) in Accounts Payable	(4,998)
Increase (Decrease) in Accounts Payable - HUD	34,205
Increase (Decrease) in Other Current Liabilities	1,609
Increase (Decrease) in Non-Current Liability	271
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>28,366</u>
NET INCREASE (DECREASE) IN CASH	28,366
CASH, BEGINNING OF YEAR	<u>226,831</u>
CASH, END OF YEAR	<u>\$ 255,197</u>

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

Measurement Focus and Basis of Accounting

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Authority considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. There were no cash equivalents at June 30, 2005.

Equipment

The Authority owns no equipment. Expenditures for maintenance, repairs and minor renewals and betterments are charged to the proper expense accounts as required by HUD guidelines.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

1) NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

C. Basis of Presentation

Authority-wide Statements-On the Statement of Financial Position, net assets are reported in two categories:

Restricted Net Assets result when constraints placed on net asset use are either externally imposed or imposed by law, grant or contract.

Unrestricted Net Assets consist of net assets that do not meet the definition of the preceding category. Unrestricted Net Assets may have constraints on resources imposed by management or the board of directors, which can be removed or modified.

The authority's policy is to maintain its accounting records and financial statements on the basis of accounting practices prescribed or permitted by the Department of Housing and Urban Development.

NOTE 2 - NATURE OF OPERATIONS

The 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 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 families eligibility for assistance. The family must find a suitable dwelling unit. The Authority pays the landlord a portion of the rent, known as a housing assistance payment or HAP, on behalf of the family. The Authority enters into an annual contributions contract, or ACC, with HUD, which provides funds to administer the program.

For the year ended June 30, 2005 the Authority had an ACC for \$1,490,755, as amended. The above is summarized as follows:

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Maximum ACC (as amended)		\$1,490,755
ACC Program Reserve:		
Beginning of Year, per prior		
Audit	\$ 153,962	
HUD recapture	(24,815)	
Administrative fee adjustment	<u>1,695</u>	
Adjusted Beginning Balance	130,842	
Increase	62,729	
Add back per restated #52681	<u>37,269</u>	
ACC Program Reserve—End of Year		(230,840)
Total Annual Contribution		
Required		<u>\$1,259,915</u>

The Authority also operates a Family Self Sufficiency (FSS) program under Section 8. The purpose of the program is to promote the development of local strategies to coordinate the use of housing assistance with public and private resources in order to provide supportive services that will enable participating families to achieve economic independence and self-sufficiency.

The Authority administers the following Section 8 programs:
KC-9120V – Rental Voucher Program
F05 – Family Self Sufficiency – May 1, 2004 to April 30, 2005

NOTE 3 – EQUIPMENT ACCOUNTING

The Authority owns no equipment, but is required by HUD to keep a list of equipment purchased with HUD dollars. The Authority currently has \$33,396 in equipment it is tracking.

NOTE 4 – UNRESTRICTED ASSETS

The Authority currently has \$237,821, in unrestricted net assets. Per HUD regulations, the unrestricted net assets may be expended for other housing purposes consistent with the PHA's authority under State and local law.

NOTE 5 – LITIGATION

The Authority was involved in no litigation as of June 30, 2005.

NOTE 6 – SUBSEQUENT EVENTS

We noted no significant subsequent events.

SUPPLEMENTARY INFORMATION

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2005

Grantor/ Program	Direct: Department of Housing and Urban Development: Section 8 Housing Choice Vouchers
CFDA Number	14.871
Grant Number	IA130V0 #0049 THRU 0052, AU02,HT02, OF05 and IA130AF0001
Federal Expenditures	\$ 1,259,915

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2005

Accounts and Notes Receivable (Other than Tenant)

Fraud Recovery	\$ <u>3,620</u>
	\$ <u><u>3,620</u></u>

Delinquent Tenant Accounts
Receivable

Not Applicable

Tax and Insurance
Escrow Deposits

Not Applicable

Reserve for Replacement and
Residual Receipt Account

Not Applicable

Accounts Payable (Other than
Trade Creditors)

None

Accrued Taxes

None

Compensation of Officers

None.

Tenant Security Deposits

Not Applicable

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

Computation of Surplus Cash, Distributions and Residual Receipts

HUD Form-93486 is not applicable to the Authority.

HUD Form - 92410 Statement of Profit and Loss

HUD Form-92410 is not applicable to the Authority.

Identity of Interest Companies

None.

Loans and Notes Payable

None.

Changes in Partnership Interest

N/A

Comments on Balance Sheet Items

None.

Distributions Paid to the Partners

N/A

Unauthorized Distributions Paid to Partners

N/A

Donations, Subsidy Payments and Founder's Fees

N/A

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2005

Funds in Financial Institutions

Funds held by Postville State Bank, Postville, Iowa - June 30, 2005.

Operating:	
Checking	\$ (98,432)
Hi-Fi/Money Market Accounts	<u>336,830</u>
Total Operating	<u>238,398</u>
Reserve	
Hi-Fi Account	<u>16,799</u>
Total Cash	<u>\$255,197</u>

Changes in Property and Equipment

N/A

The Authority owns no equipment, but is required by HUD to keep a list of equipment purchased with HUD dollars. The Authority currently has \$33,396 in equipment.



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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
Postville, IA

We have audited the financial statements of Upper Explorerland Regional Housing Authority as of and for the year ended June 30, 2005 and have issued our report thereon dated October 12, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Upper Explorerland Regional Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance

As part of obtaining reasonable assurance about whether Upper Explorerland Regional Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and it not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.
Oelwein, Iowa 50662

October 12, 2005



RIDIHALGH, FUELLING, SNITKER, WEBER & CO., P.C.
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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Compliance

We have audited the compliance of Upper Explorerland Regional Housing Authority with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2005. Upper Explorerland Regional Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of Upper Explorerland Regional Housing Authority's management. Our responsibility is to express an opinion on Upper Explorerland Regional Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on Upper Explorerland Regional Housing Authority's compliance with those requirements.

In our opinion, Upper Explorerland Regional Housing Authority's complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2005.

Internal Control Over Compliance

The management of Upper Explorerland Regional Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Upper Explorerland Regional Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

October 12, 2005

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2005

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

- (a) An unqualified opinion was issued on the financial statement.
- (b) No reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No reportable conditions in internal control over the major program was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 14.871 – Housing Choice Vouchers.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Upper Explorerland Regional Housing Authority did qualify as a low-risk auditee.

Part II: Findings Related to the Financial Statements:

No instances of non-compliance were noted.

Part III: Findings and Questioned Cost for Federal Awards:

No findings or questioned costs for federal awards were noted.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS
RELATING TO THE HUD PROGRAMS
YEAR ENDED JUNE 30, 2005

There are no prior findings on which the Authority should take corrective action.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

Audit was performed by:

Donald A. Snitker, CPA, Partner
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OFFICER'S CERTIFICATE

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