

UPPER EXPLORERLAND REGIONAL
HOUSING AUTHORITY
POSTVILLE, IOWA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

JUNE 30, 2012

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RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
Fax (319)283-2799

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 financial statements of Upper Explorerland Regional Housing Authority, as of June 30, 2012 and for the year then ended as listed in the table of contents. 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, 2012, 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 November 1, 2012, 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. The purpose of that report is 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

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on page 15 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information is presented for purposes of additional analysis as required by the *Consolidated Audit Guide for Audits of HUD Programs* issued by the U.S. Department of Housing and Urban Development, Office of the Inspector General, and is not a required part of the basic financial statements. 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 not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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.

November 1, 2012

**Upper Explorerland Regional Housing Authority
Management's Discussion and Analysis (MD&A)
For the Fiscal Year Ended June 30, 2012**

The management of the Upper Explorerland Regional Housing Authority (Authority) offers readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2012. 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 Regional 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 Howard, Winneshiek, Allamakee, Clayton, and Fayette. The Authority receives funding from the Department of Housing and Urban Development's Housing Choice Voucher Program (HCV) to assist low-income families and individuals by subsidizing the rent on existing, privately-owned rental property. The housing assistance is paid directly to landlords on behalf of the families who are on the program. The families then pay the difference between the market rental rate charged by the landlord and the housing assistance payment provided by the program. The Authority is paid by HUD to administer program. The Authority's operations are funded almost entirely through administrative fees received from HUD. The Authority enters into an Annual Contributions Contract (ACC) each year with the Department of Housing and Urban Development to serve up to 407 families in the designated counties.

Financial Highlights

- The Authority's net assets decreased by \$112,233(or 38.1%)to \$181,652 compared to the previous year end net assets of \$293,885. Unrestricted net assets decreased by \$34,667(or 75.4%)to \$11,290, compared to the previous year end unrestricted net assets of \$45,957.
- The total revenue for the fiscal year was \$1,282,774 a decrease of \$25,300(or 1.9%) from last year.
- The total expenditures for the fiscal year were \$1,395,007 a decrease of \$20,912(or 1.5%) from last year.
- The Authority's net loss from operating activities for the fiscal year was \$112,233.

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

- Statement of Net Assets identifying current resources and liabilities. Assets are identified as both restricted and non-restricted. Restricted net assets have constraints placed on them either externally by grantors, contributors, or laws and regulations of government.
- Statement of Revenues, Expenses, and Changes in Net Assets identifying operating revenues and expenses. Those revenues that are restricted are identified as such in the report.
- Statement of Cash Flows identifying cash from operating and investment activities.

Financial Comparison

Below is a summarized statement that compares revenue and expenditures for the current period to the period ending June 30, 2012:

REVENUES:	<u>06/30/2012</u>	<u>06/30/2011</u>	<u>Net Change</u>
HUD	\$1,278,758	\$1,303,807	(\$25,049)
Interest	\$ 943	\$ 1,060	(\$ 117)
Interest Income-Restricted	\$ 1,811	\$ 2,656	(\$845)
Fraud Recovery	\$ 621	\$ 224	\$ 397
Other	\$ 641	\$ 327	\$ 314
 Total Revenue	 \$1,282,774	 \$1,308,074	 (\$ 25,300)

EXPENDITURES:

Admin Salaries	\$ 159,224	\$ 179,950	(\$ 20,726)
Advertising & Promotion	\$ 821	\$ 556	\$ 265
Auditing Fees	\$ 1,500	\$ 1,500	\$ 0
Employee Benefits Contributions	\$ 44,617	\$ 44,153	\$ 464
Other Operating-Administrative	\$ 24,734	\$ 50,187	(\$ 25,453)
Tenant Services	\$ 312	\$ 0	\$ 312
Utilities	\$ 2,270	\$ 3,634	(\$ 1,364)
Maintenance & Operation	\$ 15,433	\$ 19,100	(\$ 3,667)
Insurance	\$ 5,367	\$ 5,334	\$ 33
Other Expense	\$ 827	\$ 467	\$ 360
Housing Assistance Payments	\$1,139,902	\$ 1,111,038	\$ 28,864
Total Expenditures	\$1,395,007	\$ 1,415,919	(\$ 20,912)
Change in Net Assets	(\$ 112,233)	(\$ 107,845)	(\$ 4,388)

Below is a summarized statement that compares the consolidated balance sheets of the current period to the period ending June 30, 2012:

	<u>06/30/2012</u>	<u>06/30/2011</u>	<u>Net Change</u>
ASSETS:			
Total Assets	\$211,954	\$323,805	(\$111,851)
LIABILITIES:			
Total Liabilities	\$ 30,302	\$ 29,920	\$ 382
UNRESTRICTED NET ASSETS	\$11,290	\$45,957	(\$ 34,667)
RESTRICTED NET ASSETS	\$170,362	\$247,928	(\$ 77,566)
NET ASSETS	\$181,652	\$293,885	(\$112,233)

Inadequate HUD funding necessitated using the Authority's restricted net assets to cover program benefits and necessitated using unrestricted net assets to cover operational expenses. The substantial gap between monthly revenue and monthly expenses prompted the Authority to request higher administrative fees for calendar year 2012. The Authority made a successful request in 2012 for the higher fees. Although the additional fees have been very beneficial to cover some of the shortfalls, the Authority continues to have a deficit. With the remaining unrestricted net assets of \$11,290, the Authority is left with no option but to look at other substantial cost-cutting measures. The Authority is simultaneously exploring other opportunities for additional revenue.

Last year, cost-cutting measures were initiated and the Authority continues to initiate more of them. The Authority began implementing a number of cost-saving measures to try to shore up the cash flow shortfall while still offering the services the Authority was created to provide. Midway through the 2011 fiscal year, the Authority moved its' offices out of a leased space into the Upper Explorerland Regional Planning Commission offices. While operational costs such as utilities and maintenance are charged, no rent is charged to the Authority for this space. The move also allowed for greater ease in sharing equipment and staff. The Authority shares phone lines, a fax line, phone system, copiers and other equipment, and meeting space with the Upper Explorerland Regional Planning Commission. A new automated phone system has allowed for a decrease in personnel time and expense by eliminating the need for a full-time, live receptionist. The Authority has also decreased the number of days it takes to process applications. Applications for the wait list are now taken only on Mondays. This frees up Authority staff time and allows greater efficiency in scheduling home inspections while performing distraction-free office time.

Furthermore, Upper Explorerland has hired a new working Executive Director. This has allowed for a lesser administrative burden on the Authority. As an agency, UERPC re-graded and decreased pay for several staff. Also, UERPC newly adopted a Volunteer Separation Plan which may have a positive cost savings for the Authority.

The Authority has taken other steps to both increase revenue and decrease expenses. On the expense side, no general cost-of-living increase was given to staff this fiscal year and longevity pay was eliminated. The Authority is always assessing all operational procedures, looking for ways to decrease the time and costs of delivering services.

The Authority has taken other steps to increase revenues. The Authority has the prospect of taking on additional contract management of residential properties owned by UERPC Housing, Inc., a 501(c)3 organization focused on meeting the housing needs of low-income residents. UERPC Housing, Inc. is currently looking at purchasing additional properties in furtherance of its mission. The Authority possesses the expertise to manage these additional units and currently contracts to manage the properties owned by UERPC Housing, Inc.

The political environment has not been favorable for funding the Authority's programs. As mentioned earlier, most of the program and administrative funding for the Authority comes from the Department of Housing and Urban Development. Per-unit funding for this year has been cut, and there is uncertainty in future HUD funding levels. According to current HUD guidelines, the Authority should be eligible to apply for future higher administrative fees if funding is available. Based on the increased fees, the cost saving measures listed above and a lease-up rate of 98%, the Authority should be able to achieve balance in its cash flow. The Authority will continue to utilize its unrestricted net assets to carry it through to that point.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
 POSTVILLE, IOWA
STATEMENT OF FINANCIAL POSITION
 June 30, 2012

	Total
ASSETS	
Cash-Unrestricted	\$ 36,040
Cash-Restricted	170,362
Account Reveivable-Fraud Recovery	5,362
Prepaid Asset	190
TOTAL ASSETS	\$ 211,954
 LIABILITIES	
Current Liabilities:	
Accounts Payable	\$ 24,940
Non-current Liability-Other	5,362
TOTAL LIABILITIES	30,302
 NET ASSETS	
Unrestricted Net Assets	11,290
Restricted Net Assets	170,362
NET ASSETS	181,652
TOTAL LIABILITIES AND NET ASSETS	\$ 211,954

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2012

Functions / Programs:	Expenses	Program Receipts		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Revenues/ Charges for Services	Restricted Interest	
Business Type Activities:				
Administrative Salaries	\$ 159,224	88,585	-	(70,639)
Advertising/Promotion	821	457	-	(364)
Auditing Fees	1,500	835	-	(665)
Employee Benefits	44,617	24,823	-	(19,794)
Contributions-Administrative				
Other Operating-Administrative	24,734	13,761	-	(10,973)
Tenant Services	312	174	-	(138)
Utilities	2,270	1,263	-	(1,007)
Ordinary Maintenance & Operations	15,433	8,586	-	(6,847)
Insurance	5,367	2,986	-	(2,381)
Housing Assistance Payments	1,139,902	1,138,091	1,811	-
Other	827	459	-	(368)
Total governmental activities	\$ 1,395,007	1,280,020	1,811	(113,176)
General Revenues (Uses):				
Unrestricted interest				943
Other Income				-
Change in Net Assets				(112,233)
Net assets beginning of year				293,885
Net assets end of year				\$ 181,652

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
 POSTVILLE, IOWA
PROPRIETARY FUND-STATEMENT OF FINANCIAL POSITION
 June 30, 2012

ASSETS

Current Assets:

Cash-Unrestricted	\$ 36,040
Cash-Restricted	170,362
Account Reveivable-Fraud Recovery	5,362
Prepaid Asset	190
Total Current Assets	211,954

TOTAL ASSETS

\$ 211,954

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 24,940
Other Current Liabilities	5,362
Total Current Liabilities	30,302

Non-current Liabilities

Non-current Liability-Other	-
Total Non-current Liability	-

TOTAL LIABILITIES

30,302

NET ASSETS

Unrestricted Net Assets	11,290
Restricted Net Assets	170,362

NET ASSETS

181,652

TOTAL LIABILITIES AND NET ASSETS

\$ 211,954

EXHIBIT D

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Year Ended June 30, 2012

REVENUES	Total
HUD	\$ 1,278,758
Interest-Unrestricted	943
Interest Income-Restricted	1,811
Fraud Recovery	1,242
Other	20
	<hr/>
TOTAL REVENUES	1,282,774
	<hr/>
EXPENDITURES	
Administrative Salaries	159,224
Auditing Fees	1,500
Employee Benefit Contributions- Administrative	44,617
Other Operating-Administrative	25,555
Tenant Services	312
Utilities	2,270
Ordinary Maintenance & Operations	15,433
Insurance	5,367
Housing Assistance Payments	1,139,902
HAP Admin Fee	827
	<hr/>
TOTAL EXPENDITURES	1,395,007
	<hr/>
CHANGE IN NET ASSETS	(112,233)
FUND BALANCE, beginning	293,885
	<hr/>
FUND BALANCE, ending	\$ 181,652
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SEE NOTES TO FINANCIAL STATEMENTS

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
 POSTVILLE, IOWA
STATEMENT OF CASH FLOWS
 YEAR ENDED JUNE 30, 2012

CASH FLOW FROM OPERATING ACTIVITIES

Cash Received from:	
HUD	\$ 1,278,758
Other	26,826
Cash Paid to/for:	
Housing Assistance Payments	(1,139,902)
Administrative Expense	(255,594)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(89,912)</u>
CASH, BEGINNING OF YEAR	<u>296,314</u>
CASH, END OF YEAR	<u><u>\$ 206,402</u></u>

**Reconciliation of Net Income to Cash Provided
 By (Used In) Operations:**

Net Loss	<u>\$ (112,233)</u>
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:	
(Increase) Decrease in Accounts Receivable	22,129
(Increase) Decrease in Prepaid Assets	(190)
Increase (Decrease) in Accounts Payable	(489)
Increase (Decrease) in Other Current Liabilities	871
Increase (Decrease) in Non-Current Liability	<u>-</u>
Total Adjustments	<u>22,321</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ (89,912)</u></u>

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

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 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.

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.

The Authority's deposits in banks at June 30, 2012 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 insure there will be no loss of public funds.

Equipment

The Authority's equipment is purchased with HUD dollars and as such is not depreciated.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 Authority has the following fund:

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

Enterprise Funds – Used to account for the Authority's federal and state housing assistance programs.

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 Statement of Activities demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2)

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program receipts are reported instead as general receipts.

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent 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.

CONCENTRATION OF REVENUES

The Authority receives a substantial amount 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 Authority's programs and activities.

Investments Authorized by the Authority's Investment Policy

The Authority is required to invest its funds in accordance with Iowa Statutes and HUD guidelines. The 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.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority had no investments at June 30, 2012.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of Credit Risk

The Authority does not have an investment policy regarding concentration of credit risk.

Income Taxes

The Housing Authority is a non-profit and not subject to income taxes.

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 family's 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.

NOTE 3 - RECEIVABLES

All accounts receivable are shown at gross amounts. No allowance for uncollectible accounts has been provided since it is believed that such allowance would not be material.

Accounts Receivable-Fraud Recovery represents the amount of agreements, net of payments already made, signed by tenants promising to pay back monies to the Authority.

NOTE 4 - EQUIPMENT ACCOUNTING

The Authority's equipment is purchased with HUD dollars and as such is not depreciated. The Authority is required to keep a list of equipment.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

NOTE 5 – FRAUD RECOVERY REVENUE

Fraud recovery payments for fiscal year were \$1,242. The balance shown on the Statement of Revenues, Expenses, and Changes in Net Assets is \$224 and was determined as follows:

Authority's Share – 50% x \$1,242	\$ 621
HUD's Share – 50% x 1,242	<u>621</u>
	<u>\$1,242</u>

NOTE 6 – PENSION AND RETIREMENT BENEFITS

The Authority contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost sharing multiple employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits that are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual salary and the Authority is required to contribute 8.07% of annual covered payroll to the plan. Contribution requirements are established by State statute. The Authority's contribution to IPERS for the year ended June 30, 2012 of \$12,933 is equal to the required contribution for the year.

NOTE 7 – RISK MANAGEMENT

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

NOTE 8 – UNRESTRICTED & RESTRICTED ASSETS

The Authority had \$11,290 in unrestricted net assets at June 30, 2012. 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.

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2012

Unrestricted Assets consist of the following:

<u>Unrestricted Net Assets – Administrative</u>	
Beginning Balance	\$ 45,957
Administrative Expenses in Excess of HUD Administrative Payments for Year Ended June 30, 2012	<u>(34,667)</u>
Total Unrestricted Assets – Administration	<u>\$ 11,290</u>

The Authority had \$170,362 in restricted net assets at June 30, 2012. Per HUD regulations, the restricted net assets may be expended for the housing assistance payment program only.

Restricted Net Assets – HAP

Beginning Balance	\$247,928
HAP in Excess of HUD payments	<u>(77,566)</u>
Total Restricted Assets – HAP	<u>170,362</u>
TOTAL NET ASSETS	<u>\$181,652</u>

NOTE 9 – LITIGATION

The Authority was involved in no litigation as of June 30, 2012.

NOTE 10 – SUBSEQUENT EVENTS

Housing Authority has considered subsequent events through November 1, 2012 and is not aware of any significant subsequent events that they feel need to be disclosed.

REQUIRED SUPPLEMENTARY INFORMATION

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE-BUDGET AND ACTUAL**

For the Year Ended June 30, 2012

	Actual	Budget	Variance Favorable (Unfavorable)
REVENUES			
Commission			
HUD	\$ 1,278,758	1,422,404	(143,646)
Interest-Unrestricted	943	1,000	(57)
Interest-Restricted	1,811	2,500	(689)
Fraud Recovery	1,242	2,000	1,000
Other	20	-	20
	1,282,774	1,427,904	(143,372)
TOTAL REVENUE			
EXPENSES			
Administrative Salaries	159,224	189,717	30,493
Auditing Fees	1,500	1,650	150
Employee Benefits	44,617	57,633	13,016
Contributions-Administrative			
Other Operating-Administration	25,555	36,555	11,000
Tenant Services	312	-	(312)
Ordinary Maintenance & Operations	17,703	19,700	1,997
Insurance	5,367	7,055	1,688
Housing Assistance Payments	1,139,902	1,196,580	56,678
Other	827	1,600	773
	1,395,007	1,510,490	115,483
TOTAL EXPENSES			
Deficiency of Revenues over Expenditures	(112,233)	(82,586)	(29,647)
Fund Balance, Beginning of Year	293,885	293,885	-
	\$ 181,652	211,299	(29,647)
Fund Balance, End of Year			

SCHEDULE 1

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grantor/ Program Direct:
 Department of Housing
 and Urban Development:
 Section 8 Housing
 Choice Vouchers

CFDA Number 14.871

Grant Number IA130VO0095
 thru
 IA130VO0099
 and
 IA130AF0062
 thru
 IA130AF0070

Federal Expenditures \$ 1,278,758

SUPPLEMENTARY INFORMATION

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD
FOR THE YEAR ENDED JUNE 30, 2012

Accounts and Notes Receivable (Other than Tenant)

Fraud Recovery - \$5,362

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, 2012

Funds in Financial Institutions

Funds held by FreedomBank, Postville, Iowa - June 30, 2012

#111 Operating Checking Account	\$ 4,503
#111 Money Market Account	31,537
#113 Money Market Account	122,722
#113 Money Market Operating Reserve	46,900
#113 FSS Escrow-Money Market	<u>740</u>
TOTAL CASH	<u>\$206,402</u>

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

SUPPLEMENTARY DATA REQUIRED BY HUD (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2012

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

RFSW Ridihalgh Fuelling
Snitker Weber & Co.
C E R T I F I E D P U B L I C A C C O U N T A N T S

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.

14 East Charles St, PO Box 639
Oelwein, IA 50662
(319)283-1173
Fax (319)283-2799

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, 2012, and have issued our report thereon dated November 1, 2012. 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

Management of the Authority is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Upper Explorerland Regional Housing Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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 grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Upper Explorerland Regional Housing Authority, and the Department of Housing and Urban Development 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.

November 1, 2012

James R. Ridihalgh, C.P.A.
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Upper Explorerland Regional Housing Authority
Postville, IA

Compliance

We have audited the compliance of Upper Explorland 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 could have a direct and material effect on the Authority's major federal programs for the year ended June 30, 2012. Upper Explorerland Regional 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs 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 of Upper Explorerland Regional Housing Authority's compliance with those requirements.

In our opinion, Upper Explorerland Regional Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its federal programs for the year ended June 30, 2012.

Internal Control over Compliance

The management of Upper Explorerland Regional Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the 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 the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance with OMB Circular A-133, 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 Upper Explorerland Regional 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 combination of deficiencies, in internal control over compliance, such that there is 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Upper Explorerland Regional Housing Authority, and the Department of Housing and Urban Development 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.

November 1, 2012

UPPER EXPLORERLAND REGIONAL HOUSING AUTHORITY
POSTVILLE, IOWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2012

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, 2012

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
Ridihalgh, Fuelling, Snitker, Weber & Co., CPA's, P.C.
PO Box 639, 14 East Charles
Oelwein, Iowa 50662
(319) 283-1173
42-1042703

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.

