



# **WELLINGTON**

## **HOUSING AUTHORITY**

### ***Wellington Housing Authority***

***Financial Statements***

***December 31, 2017 and 2016***

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Office of the State Auditor

August 7, 2018

# Wellington Housing Authority

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December 31, 2017 and 2016

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## REPORT OF INDEPENDENT AUDITORS'

The Board of Commissioners  
Wellington Housing Authority:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Wellington Housing Authority (the "Authority") as of and for the years ended December 31, 2017 and 2016 and the related notes to the financial statements, as listed in the accompanying table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



**NOVOGRADAC & COMPANY LLP**

**P** 732.503.4257  
**F** 732.341.1424  
**W** [www.novoco.com](http://www.novoco.com)

**OFFICE** 1433 Hooper Avenue, Suite 329  
Toms River, New Jersey 08753

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of December 31, 2017 and 2016, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The accompanying financial data schedule is not a required part of the financial statements and is presented for the purposes of additional analysis as required by the U.S. Department of Housing and Urban Development.

The financial data schedule 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 financial data schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2018 on our consideration of the 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 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 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 Authority's internal control over financial reporting and compliance.

*Novogradac & Company LLP*

July 31, 2018  
Toms River, New Jersey

# Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2017 and 2016

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As management of the Wellington Housing Authority (the Authority), we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities of the Authority for the fiscal years ended December 31, 2017 and 2016. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements, which begin on page 11.

## Financial Highlights

### 2017

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$689,515.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$212,097, a decrease of \$1,655 over the prior year end balance of \$213,752.
- The Authority's cash balances at December 31, 2017 totaled \$216,166, representing a decrease of \$673 from December 31, 2016.
- The Authority had HUD Operating Subsidy income of \$177,147 and net rental income of \$93,070 for the year. The Authority incurred \$147,705 in maintenance and operations, \$91,757 in administrative expenses and \$59,988 for utilities.

### 2016

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$752,162.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$213,752, an increase of \$3,317 over the prior year end balance of \$210,435.
- The Authority's cash balances at December 31, 2016 totaled \$216,839, representing a decrease of \$11,530 from December 31, 2015. The decrease is primarily due to an increase in the December 31, 2016 balance of prepaid insurance of \$13,027.
- The Authority had HUD Operating Subsidy income of \$174,504 and net rental income of \$84,629 for the year. The Authority incurred \$143,482 in maintenance and operations, \$83,298 in administrative expenses and \$62,781 for utilities.

## Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements. As the Authority did not expend over \$750,000 in federal assistance, the supplementary information does not contain the schedule of expenditures of federal awards.

## Financial Statements

The financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents information showing how the Authority's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future periods (e.g., depreciation and earned personal leave).

The Statement of Cash Flows presents information showing the Authority's inflows and outflows of cash and cash equivalents during the most recent fiscal year. All changes in cash and cash equivalents are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related changes in net assets. Thus, cash flows are reported in this statement for some items that will only result in revenue or expenses in past or future periods (e.g., purchase of assets, new loans, or payments on loans).

The financial statements report on the function of the Authority that is principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low income and special needs populations, which is funded primarily with grant revenue received from the United States Department of Housing and Urban Development.

# Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2017 and 2016

## Financial Analysis

The following table shows a summary of changes from prior year's amounts.

### Wellington Housing Authority Authority-Wide Net Position as of December 31, (in thousands of dollars)

	2017	2016	2015	2014	2013
Cash & Escrow Deposits	\$ 216	\$ 217	\$ 228	\$ 151	\$ 204
Tenant Receivables	6	2	3	4	1
HUD Receivables	1	-	-	8	1
Other Receivables	-	2	-	-	-
Prepaid Expenses	14	14	1	2	-
Capital Assets (Net)	477	538	621	687	759
<b>Total Assets</b>	<b>\$ 714</b>	<b>\$ 773</b>	<b>\$ 853</b>	<b>\$ 852</b>	<b>\$ 965</b>
A/P & Accrued Liabilities	\$ 12	\$ 9	\$ 8	\$ 14	\$ 9
Security Deposits/Escrow	12	12	13	11	19
Due to Other Governments	-	-	-	-	-
Deferred Revenue	1	-	1	1	-
Total Liabilities	25	21	22	26	28
Investment in Capital Assets	477	538	621	687	759
Unrestricted Net Position	212	214	210	139	178
Total Net Position	689	752	831	826	937
<b>Total Liabilities &amp; Net Position</b>	<b>\$ 714</b>	<b>\$ 773</b>	<b>\$ 853</b>	<b>\$ 852</b>	<b>\$ 965</b>

### 2017

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$689,515 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (69%) reflects its investment in capital assets (e.g., buildings, machinery, and equipment, less accumulated depreciation). The Authority uses these capital assets to provide housing and services to low-income tenants: consequently, these assets are not available for future spending. The unrestricted net position of \$212,098 for the Authority is available for future use to provide program services.

## Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2017 and 2016

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The unrestricted net position of the Authority remained consistent with the prior year balance, decreasing by \$1,654 during the current fiscal year. The Authority's revenues are largely intergovernmental revenues received from HUD for cost reimbursement grants and operating expense subsidies. The Authority draws monies from the grant awards for allowable program and capital expenditures. As in prior years, the Authority's operating grant revenues and charges for rents were not sufficient to cover all operating expenses for the year.

### 2016

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by \$752,162 at the close of the most recent fiscal year.

By far the largest portion of the Authority's net position (72%) reflects its investment in capital assets (e.g., buildings, machinery, and equipment, less accumulated depreciation). The Authority uses these capital assets to provide housing and services to low-income tenants: consequently, these assets are not available for future spending. The unrestricted net position of \$213,752 for the Authority is available for future use to provide program services.

The unrestricted net position of the Authority increased by \$3,317 during the current fiscal year. The Authority's revenues are largely intergovernmental revenues received from HUD for cost reimbursement grants and operating expense subsidies. The Authority draws monies from the grant awards for allowable program and capital expenditures. The Authority's operating grant revenues and charges for rents were not sufficient to cover all operating expenses for the year. The current year deficit is mainly due to the large decrease in HUD Capital Contribution draws made by the Authority during the year to fund operations as the prior year draw was for funding from 2013, 2014 and 2015 and current year funding was for 2016 only.

## Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2017 and 2016

A condensed Statement of Changes in Net Position is shown in the table below.

**Wellington Housing Authority**  
**Authority-Wide Change in Net Position for the Year Ended December 31,**  
**(in thousands of dollars)**

	2017	2016	2015	2014	2013
<b>Operating Revenues</b>					
HUD Annual Contribution	\$ 177	\$ 175	\$ 164	\$ 159	\$ 142
Dwelling Rental	93	85	89	81	79
Other Income	-	2	1	2	3
Interest	-	-	-	-	-
<b>Total Operating Revenue</b>	<b>270</b>	<b>262</b>	<b>254</b>	<b>242</b>	<b>224</b>
<b>Operating Expenses</b>					
Maintenance and Operations	147	143	147	151	99
Administrative	92	83	86	79	95
Depreciation	61	83	83	81	80
Utilities	60	63	58	52	55
Insurance and Other	27	21	27	20	13
PILOT	2	2	2	1	2
<b>Total Operating Expenses</b>	<b>389</b>	<b>395</b>	<b>403</b>	<b>384</b>	<b>344</b>
<b>Operating Income (Loss)</b>	<b>(119)</b>	<b>(133)</b>	<b>(149)</b>	<b>(142)</b>	<b>(120)</b>
<b>Nonoperating Revenues</b>	<b>56</b>	<b>54</b>	<b>154</b>	<b>31</b>	<b>39</b>
<b>Change in Net Position</b>	<b>(63)</b>	<b>(79)</b>	<b>5</b>	<b>(111)</b>	<b>(81)</b>
<b>Net Position - Beginning of Year</b>	<b>752</b>	<b>831</b>	<b>826</b>	<b>937</b>	<b>1,018</b>
<b>Net Position - End of Year</b>	<b>\$ 689</b>	<b>\$ 752</b>	<b>\$ 831</b>	<b>\$ 826</b>	<b>\$ 937</b>

### 2017

- Current year operating subsidy grant revenue received from the United States Department of Housing and Urban Development (HUD) increased as compared to the prior year by \$2,403 (1%). Capital Fund contributions increased by \$2,117 (4%) as compared to the prior year. Overall, total intergovernmental grant revenue received from HUD increased by \$4,520 (2%).
- Tenant rental income increased by \$8,441 (10%) as compared to the prior year. The increase was due to an increase in other tenant income, mainly tenant work orders.

## Wellington Housing Authority

Management's Discussion and Analysis  
December 31, 2017 and 2016

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- Operating expenses remained consistent with the prior year, decreasing by \$6,358 (-2%). The largest decrease in operating expenses was in depreciation expense, which decreased by \$21,760 (-26%) as compared to the prior year due to assets becoming fully depreciated. There were also increases in administrative (\$8,459, 10%) and other expenses (\$4,873, 2,461%) as compared to the prior year due to cost increases and increases in bad debt write-offs.

### 2016

- Current year operating subsidy grant revenue received from the United States Department of Housing and Urban Development (HUD) increased as compared to the prior year by \$10,847 (7%). Capital Fund contributions decreased by \$99,682 (-65%) due to capital fund program draws made by the Authority during the year to fund operations as the Authority drew down funding for the current year. The prior year draws included funding from 2013, 2014 and 2015. Overall, total intergovernmental grant revenue received from HUD decreased by \$88,835 (-28%).
- Tenant rental income remained consistent with the prior year, decreasing by \$3,876 (-4%) as compared to the prior year.
- Operating expenses remained consistent with the prior year, decreasing by \$7,072 (-2%). The largest decrease in operating expenses was in other expense, which decreased by \$9,731 (-98%) as compared to the prior year due to a reduction in bad debt write-offs for the year. There were also moderate increases in utilities expense (\$4,382, 8%) and insurance expenses (\$3,972, 23%) as compared to the prior year due to cost increases.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

### 2017

As of December 31, 2017, the Authority's investment in capital assets was \$477,417 (net of accumulated depreciation and capital loans). This investment in capital assets includes land, buildings, improvements, equipment, and computer software.

The Authority did not have any major capital asset purchases during the current fiscal year. Additional information can be found in Note 4 of this report.

### 2016

As of December 31, 2016, the Authority's investment in capital assets was \$538,410 (net of accumulated depreciation and capital loans). This investment in capital assets includes land, buildings, improvements, equipment, and computer software.

The Authority did not have any major capital asset purchases during the current fiscal year. Additional information can be found in Note 4 of this report.

### **Long-Term Debt**

As of December 31, 2017 and 2016, the Authority has no long-term debt.

### **Economic Factors and Next Year's Budget**

The following factors were used in preparing the Authority's budget for the 2018 fiscal year:

- The Authority has contracted with the Fort Collins Housing Authority dba Housing Catalyst to provide administrative and maintenance services.

### **Future Events that will Financially Impact the Authority**

The following future events will have a financial impact on the operations of the Authority:

- The State and Federal budgets may have an impact on future growth rates and funding received. Presently HUD is proposing to fund the Operating Subsidy at less than 100% in 2017. This may require the continued use of operating reserves during 2018.

### **Contact Information**

Mr. Duane Hopkins, Chief Financial Officer, may be contacted with questions concerning this report. He can be reached at (970) 416-2993, or by mail at 1715 West Mountain Ave., Fort Collins, CO 80521. His e-mail address is [dhopkins@housingcatalyst.com](mailto:dhopkins@housingcatalyst.com).

# Wellington Housing Authority

Statements of Net Position  
December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 204,108	\$ 205,410
Accounts receivable - tenants	5,972	2,236
Accounts receivable - other	68	1,753
Due from other government	-	56
Prepaid expenses	14,410	13,544
Total Current Assets	224,558	222,999
Restricted Cash	12,058	11,429
Capital Assets		
Non-depreciable	144,669	144,669
Depreciable, net	332,748	393,741
Total Capital Assets, Net	477,417	538,410
Total Assets	<u>\$ 714,033</u>	<u>\$ 772,838</u>
<b>Liabilities and Net Position</b>		
Current Liabilities		
Accounts payable	\$ 9,072	\$ 6,234
Accrued liabilities	3,201	2,997
Unearned revenues	69	16
Due to other government	118	-
Total Current Liabilities	12,460	9,247
Long-Term Liabilities		
Tenant security deposits payable	9,562	9,428
Money held in escrow	2,496	2,001
Total Long-Term Liabilities	12,058	11,429
Total Liabilities	24,518	20,676
Net Position		
Net investment in capital assets	477,417	538,410
Unrestricted net position	212,098	213,752
Total Net Position	689,515	752,162
Total Liabilities and Net Position	<u>\$ 714,033</u>	<u>\$ 772,838</u>

**Wellington Housing Authority**  
 Statements of Revenues, Expenses and Changes in Net Position  
 Years Ended December 31, 2017 and 2016

	2017	2016
Operating Revenues		
HUD PHA grants	\$ 177,147	\$ 174,504
Rental income	93,070	84,629
Other	202	2,728
	270,419	261,861
Operating Expenses		
Ordinary maintenance	147,705	143,482
Administrative	91,757	83,298
Depreciation	60,993	82,753
Utilities	59,988	62,781
Insurance	21,653	21,225
Payments in lieu of taxes	1,922	1,710
Other	5,071	198
	389,089	395,447
Operating Income (Loss)	(118,670)	(133,586)
Non-Operating Revenues (Expenses)		
Interest income	18	22
Total Non-Operating Revenues (Expenses)	18	22
HUD Capital Contributions	56,005	54,128
Change in Net Position	(62,647)	(79,436)
Net Position, Beginning of the Year	752,162	831,598
Net Position, End of the Year	\$ 689,515	\$ 752,162

**Wellington Housing Authority**  
 Statements of Cash Flows  
 Years Ended December 31, 2017 and 2016

	2017	2016
Operating Activities		
HUD PHA grants	\$ 178,832	\$ 172,751
Receipts from tenants	90,218	86,472
Payments to suppliers	(324,028)	(323,294)
Payments in lieu of taxes	(1,718)	(1,609)
	(56,696)	(65,680)
Net Cash used for Operating Activities		
Capital and Related Financing Activities		
HUD capital contributions	56,005	54,128
	56,005	54,128
Net Cash from Capital and Related Financing Activities		
Investing Activities		
Interest income	18	22
	18	22
Net Cash from Investing Activities		
Net Change in Cash and Cash Equivalents	(673)	(11,530)
Cash and Cash Equivalents, Beginning of Year	216,839	228,369
Cash and Cash Equivalents, End of Year	\$ 216,166	\$ 216,839

**Wellington Housing Authority**  
 Statements of Cash Flows  
 Years Ended December 31, 2017 and 2016

	2017	2016
Reconciliation of Cash and Cash Equivalents		
Cash	\$ 204,108	\$ 205,410
Restricted Cash	12,058	11,429
Total Cash and Cash Equivalents	\$ 216,166	\$ 216,839
Reconciliation of Operating Loss to Net Cash Used For Operating Activities		
Operating loss	\$ (118,670)	\$ (133,586)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	60,993	82,753
Changes in assets and liabilities		
(Increase) decrease in assets:		
Receivables	(1,995)	(1,268)
Prepaid expenses	(866)	(13,027)
Increase (decrease) in liabilities:		
Accounts payable	2,838	1,208
Tenant security deposits payable	134	483
Due to other government	118	(435)
Money held in escrow	495	(1,875)
Accrued liabilities	204	101
Unearned revenue	53	(34)
Net Cash used for Operating Activities	\$ (56,696)	\$ (65,680)

**Note 1 - Principal Business Activity and Significant Accounting Policies**

**General**

Wellington Housing Authority (the Authority) was created under the laws of the State of Colorado. The purpose of the Authority is to administer the Housing Act of 1937, as amended. These programs are subsidized by the Federal Government through the United States Department of Housing and Urban Development (HUD).

The Authority is governed by a five-member Board of Commissioners.

The Authority prepares its financial statements in accordance with accounting principles generally accepted in the United States of America as they relate to governmental entities.

**Reporting Entity**

The Authority's financial statements include the accounts of all Authority operations. The criteria for including organizations as component units within the Authority reporting entity, as set forth in Section 2100 of the Governmental Accounting Standards Board's (GASB) Codification of Government Accounting and Financial Reporting Standards, include whether:

- The organization is legally separated (can sue and be sued in their own name)
- The Authority holds the corporate powers of the organization
- The Authority appoints a voting majority of the organization's board
- The Authority is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the Authority
- There is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Wellington Housing Authority has no component units and is not includable as a component unit within another reporting entity.

**Basis of Accounting and Measurement Focus**

The Authority accounts for its operations in one fund type, the enterprise fund. Enterprise funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenue is recognized when earned and expenses are recorded at the time liabilities are incurred. All assets, deferred outflows, liabilities and deferred inflows associated with the operations of the Authority are included on the statement of net position.

**Cash and Cash Equivalents**

The Authority's cash deposits can only be invested in HUD approved investments: direct obligations of the Federal Government backed by the full faith and credit of the United States, obligations of government agencies, securities of government sponsored agencies, demand and savings deposits, time deposits, repurchase agreements, and other securities approved by HUD.

For the purpose of the statements of cash flows, the Authority considers cash deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Accounts Receivable**

Management considers receivables to be fully collectible. If amounts become uncollectible, they are charged to operations in the period in which that determination is made. Accounting principles generally accepted in the United States of America require that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

**Capital Assets**

Land, buildings and improvements, and equipment are recorded at cost, including indirect development costs. The Authority uses a capitalization threshold of \$5,000. Donated fixed assets are valued at their acquisition value on the date donated. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Depreciation is computed using the straight line method as follows:

Buildings and Improvements	15 - 30 years
Land Improvements	15 years
Equipment	5 - 10 years

The Authority reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. Recoverability is measured by a comparison of the carrying amount of the asset to the future net undiscounted cash flow expected to be generated and any estimated proceeds from the eventual disposition. If the long-lived assets are considered to be impaired, the impairment to be recognized is measured at the amount by which the carrying amount of the asset exceeds the fair value as determined from an appraisal, discounted cash flows analysis, or other valuation technique. There were no impairment losses recognized during 2017 or 2016.

### **Components of Net Position**

Components of net position include the following:

- Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of debt issued to finance the acquisition, improvement, or construction of those assets.
- Restricted Net Position – Consists of net position less related liabilities reported in the basic statements of net position that are subject to restraints on their use by HUD.
- Unrestricted Net Position – Consists of net position less related liabilities reported in the basic statements of net position that are not subject to restraints on their use.

### **Operating Revenues and Expenses**

The Authority considers all revenues and expenses (including HUD intergovernmental revenues and expenses) as operating items with the exception of HUD capital fund grant income, interest expense, interest revenue, and gain/loss on disposal of capital assets which are considered non-operating for financial reporting purposes.

### **Fraud Recovery**

HUD requires the Authority to account for monies recovered from tenants who committed fraud or misrepresentation in the application process for rent calculations and now owe additional rent for prior periods or retroactive rent as fraud recovery. The monies recovered are shared by HUD and the local authority.

### **Unearned Revenues**

Unearned revenue represents prepaid rent.

### **Accounting Estimates**

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

## **Note 2 - Deposits and Investments**

### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The general depository agreement required by the annual contract with HUD has additional collateral requirements, which the Authority met in 2017 and 2016.

### **Custodial Credit Risk**

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2017 and 2016, the Authority's deposits were not exposed to custodial credit risk, as all deposits were insured by the Federal Deposit Insurance Corporation (FDIC) and collateralized in accordance with PDPA.

At December 31, 2017 and 2016, the Authority's carrying amount of deposits was \$216,166 and \$216,839, respectively, and the bank balance was \$216,166 and \$216,839, respectively. The full balances were covered by Federal Depository Insurance.

### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates of certificates of deposit will adversely affect the fair value of investments. All certificates of deposit held by the Authority as of December 31, 2017 mature within 1 year.

### **Investments**

The Authority's investment policy allows for investments to be solely in securities approved by HUD. Authorized investment instruments are as follows:

- Obligations of the United States and certain United States government agency securities
- Insured Money Market Deposit Accounts
- Municipal Depository Fund
- Super NOW Accounts
- Certificates of Deposit
- Repurchase Agreements
- Sweep Accounts
- Separate Trading of Registered Interest and Principal of Securities (STRIPS)
- Mutual Funds that meet HUD criteria

## Wellington Housing Authority

Notes to Financial Statements  
December 31, 2017 and 2016

The Authority's deposit and investment policy specifies that all investments are to be adequately collateralized if deposits and investments exceed Federal insurance limits. The policy does not formally address credit risk, interest rate risk, or foreign currency risk associated with investments.

### Note 3 - Restricted Assets

Restricted assets consist of cash which is restricted to comply with HUD requirements for the home ownership program and for tenant security deposits. At December 31, 2017 and 2016, \$12,058 and \$11,429, respectively, of cash was restricted, as defined by the Authority.

### Note 4 - Capital Assets, Net

The following is a summary of changes in capital assets for the years ended December 31, 2017 and 2016:

	Balance 12/31/16	Additions	Deletions	Balance 12/31/17
Non-Depreciable				
Land	\$ 144,669	\$ -	\$ -	\$ 144,669
Depreciable				
Building and land improvements	1,976,488	-	-	1,976,488
Office building	25,357	-	-	25,357
Equipment	29,406	-	-	29,406
Total Depreciable Assets	2,031,251	-	-	2,031,251
Accumulated Depreciation				
Building and land improvements	(1,584,621)	(59,742)	-	(1,644,363)
Office building	(25,354)	(3)	-	(25,357)
Equipment	(27,535)	(1,248)	-	(28,783)
Total Accumulated Depreciation	(1,637,510)	(60,993)	-	(1,698,503)
Net Depreciable Capital Assets	393,741	(60,993)	-	332,748
Total	\$ 538,410	\$ (60,993)	\$ -	\$ 477,417

## Wellington Housing Authority

Notes to Financial Statements  
December 31, 2017 and 2016

	Balance 12/31/15	Additions	Deletions	Balance 12/31/16
Non-Depreciable				
Land	\$ 144,669	\$ -	\$ -	\$ 144,669
Depreciable				
Building and land improvements	1,976,488	-	-	1,976,488
Office building	25,357	-	-	25,357
Equipment	29,406	-	-	29,406
Total Depreciable Assets	<u>2,031,251</u>	<u>-</u>	<u>-</u>	<u>2,031,251</u>
Accumulated Depreciation				
Building and land improvements	(1,503,706)	(80,915)	-	(1,584,621)
Office building	(24,764)	(590)	-	(25,354)
Equipment	(26,287)	(1,248)	-	(27,535)
Total Accumulated Depreciation	<u>(1,554,757)</u>	<u>(82,753)</u>	<u>-</u>	<u>(1,637,510)</u>
Net Depreciable Capital Assets	<u>476,494</u>	<u>(82,753)</u>	<u>-</u>	<u>393,741</u>
Total	<u>\$ 621,163</u>	<u>\$ (82,753)</u>	<u>\$ -</u>	<u>\$ 538,410</u>

Depreciation expense for 2017 and 2016 was \$60,993 and \$82,753, respectively.

### Note 5 - Management Contract

The Authority has a management contract with the Fort Collins Housing Authority dba Housing Catalyst (Housing Catalyst). The agreement requires Housing Catalyst to provide for the operations of the Authority's project. The Authority pays a management fee plus all direct costs to Housing Catalyst. During 2017 and 2016, the Authority incurred and paid Housing Catalyst \$50,761 and \$47,206, respectively, for management fees.

During 2017 and 2016, the Authority incurred and paid Housing Catalyst \$87,538 and \$81,882, respectively, for all other direct costs related to maintenance and operating expenses.

As of December 31, 2017, the Authority owed Housing Catalyst \$118 for unpaid management fees. As of December 31, 2016, Housing Catalyst owed the Authority \$56 for overpayment of management fees.

**Note 6 - Risk Management**

The 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. The Authority carries commercial insurance for the risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Limits of insurance coverage are adjusted annually for new values.

**Note 7 - Commitments and Contingencies**

The Authority receives significant financial assistance from the U.S. Government in the form of contracts and grants. Entitlement to these resources is generally contingent upon compliance with the terms and conditions of the contract or grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all federal grants and contracts are subject to a financial and compliance audit under federal regulations. Disallowed costs as a result of compliance audits become a liability of the Authority. Management believes that the potential for a material liability due to future audit disallowance is remote.

**Note 8 - Subsequent Events**

Subsequent events have been evaluated through July 31, 2018, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

\* \* \* \* \*



**INDEPENDENT AUDITORS' 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***

Board of Commissioners  
Wellington Housing Authority:

We have audited, in accordance with the 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, the financial statements of the Wellington Housing Authority (the "Authority"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated July 31, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



**NOVOGRADAC & COMPANY LLP**

**P** 732.503.4257  
**F** 732.341.1424  
**W** [www.novoco.com](http://www.novoco.com)

**OFFICE** 1433 Hooper Avenue, Suite 329  
Toms River, New Jersey 08753

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Novogradac & Company LLP*

July 31, 2018  
Toms River, New Jersey



# **WELLINGTON**

## **HOUSING AUTHORITY**

### ***Wellington Housing Authority***

***Financial Data Schedules (FDS)***

***December 31, 2017***

**Wellington Housing Authority (CO014)**  
**FORT COLLINS, CO**  
**Single Project Balance Sheet**

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2017

	Total Project
111 Cash - Unrestricted	\$204,108
112 Cash - Restricted - Modernization and Development	
113 Cash - Other Restricted	\$2,496
114 Cash - Tenant Security Deposits	\$9,562
115 Cash - Restricted for Payment of Current Liabilities	
100 Total Cash	\$216,166
121 Accounts Receivable - PHA Projects	
122 Accounts Receivable - HUD Other Projects	
124 Accounts Receivable - Other Government	
125 Accounts Receivable - Miscellaneous	\$68
126 Accounts Receivable - Tenants	\$5,972
126.1 Allowance for Doubtful Accounts - Tenants	\$0
126.2 Allowance for Doubtful Accounts - Other	\$0
127 Notes, Loans, & Mortgages Receivable - Current	
128 Fraud Recovery	
128.1 Allowance for Doubtful Accounts - Fraud	
129 Accrued Interest Receivable	
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$6,040
131 Investments - Unrestricted	
132 Investments - Restricted	
135 Investments - Restricted for Payment of Current Liability	
142 Prepaid Expenses and Other Assets	\$14,410
143 Inventories	
143.1 Allowance for Obsolete Inventories	
144 Inter Program Due From	
145 Assets Held for Sale	
150 Total Current Assets	\$236,616
161 Land	\$144,669
162 Buildings	\$2,001,843
163 Furniture, Equipment & Machinery - Dwellings	\$6,237
164 Furniture, Equipment & Machinery - Administration	\$23,169
165 Leasehold Improvements	
166 Accumulated Depreciation	-\$1,698,501
167 Construction in Progress	
168 Infrastructure	
160 Total Capital Assets, Net of Accumulated Depreciation	\$477,417
171 Notes, Loans and Mortgages Receivable - Non-Current	
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	

173	Grants Receivable - Non Current	
174	Other Assets	
176	Investments in Joint Ventures	
180	Total Non-Current Assets	\$477,417
200	Deferred Outflow of Resources	
290	Total Assets and Deferred Outflow of Resources	\$714,033
311	Bank Overdraft	
312	Accounts Payable <= 90 Days	\$9,072
313	Accounts Payable >90 Days Past Due	
321	Accrued Wage/Payroll Taxes Payable	
322	Accrued Compensated Absences - Current Portion	
324	Accrued Contingency Liability	
325	Accrued Interest Payable	
331	Accounts Payable - HUD PHA Programs	
332	Account Payable - PHA Projects	
333	Accounts Payable - Other Government	
341	Tenant Security Deposits	\$9,562
342	Unearned Revenue	\$69
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	
344	Current Portion of Long-term Debt - Operating Borrowings	
345	Other Current Liabilities	\$5,815
346	Accrued Liabilities - Other	
347	Inter Program - Due To	
348	Loan Liability - Current	
310	Total Current Liabilities	\$24,518
351	Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	
352	Long-term Debt, Net of Current - Operating Borrowings	
353	Non-current Liabilities - Other	
354	Accrued Compensated Absences - Non Current	
355	Loan Liability - Non Current	
356	FASB 5 Liabilities	
357	Accrued Pension and OPEB Liabilities	
350	Total Non-Current Liabilities	\$0
300	Total Liabilities	\$24,518
400	Deferred Inflow of Resources	
508.4	Net Investment in Capital Assets	\$477,417
511.4	Restricted Net Position	
512.4	Unrestricted Net Position	\$212,098
513	Total Equity - Net Assets / Position	\$689,515
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$714,033

**Wellington Housing Authority (CO014)**

**FORT COLLINS, CO**

**Single Project Revenue and Expense**

Submission Type:                      Audited/Non Single Audit                      Fiscal Year End:                      12/31/2017

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$79,697		\$79,697
70400 Tenant Revenue - Other	\$13,373		\$13,373
70500 Total Tenant Revenue	\$93,070	\$0	\$93,070
70600 HUD PHA Operating Grants	\$177,147	\$56,005	\$233,152
70610 Capital Grants			
70710 Management Fee			
70720 Asset Management Fee			
70730 Book Keeping Fee			
70740 Front Line Service Fee			
70750 Other Fees			
70700 Total Fee Revenue			
70800 Other Government Grants			
71100 Investment Income - Unrestricted	\$18		\$18
71200 Mortgage Interest Income			
71300 Proceeds from Disposition of Assets Held for Sale			
71310 Cost of Sale of Assets			
71400 Fraud Recovery			
71500 Other Revenue	\$202		\$202
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$270,437	\$56,005	\$326,442
91100 Administrative Salaries	\$20,417		\$20,417
91200 Auditing Fees	\$8,250		\$8,250
91300 Management Fee	\$50,761		\$50,761
91310 Book-keeping Fee			
91400 Advertising and Marketing	\$63		\$63
91500 Employee Benefit contributions - Administrative	\$3,944		\$3,944
91600 Office Expenses	\$2,321		\$2,321
91700 Legal Expense	\$517		\$517
91800 Travel			
91810 Allocated Overhead			
91900 Other	\$2,482		\$2,482
91000 Total Operating - Administrative	\$88,755	\$0	\$88,755
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs			
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$3,002		\$3,002
92500 Total Tenant Services	\$3,002	\$0	\$3,002
93100 Water	\$43,096		\$43,096
93200 Electricity	\$9,512		\$9,512
93300 Gas	\$7,380		\$7,380
93400 Fuel			
93500 Labor			

93600 Sewer			
93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$59,988	\$0	\$59,988
94100 Ordinary Maintenance and Operations - Labor	\$11,729		\$11,729
94200 Ordinary Maintenance and Operations - Materials and Other	\$8,651		\$8,651
94300 Ordinary Maintenance and Operations Contracts	\$125,301		\$125,301
94500 Employee Benefit Contributions - Ordinary Maintenance	\$2,024		\$2,024
94000 Total Maintenance	\$147,705	\$0	\$147,705
95100 Protective Services - Labor			
95200 Protective Services - Other Contract Costs			
95300 Protective Services - Other			
95500 Employee Benefit Contributions - Protective Services			
95000 Total Protective Services	\$0	\$0	\$0
96110 Property Insurance	\$21,653		\$21,653
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance			
96100 Total insurance Premiums	\$21,653	\$0	\$21,653
96200 Other General Expenses			
96210 Compensated Absences			
96300 Payments in Lieu of Taxes	\$1,922		\$1,922
96400 Bad debt - Tenant Rents	\$5,071		\$5,071
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$6,993	\$0	\$6,993
96710 Interest of Mortgage (or Bonds) Payable			
96720 Interest on Notes Payable (Short and Long Term)			
96730 Amortization of Bond Issue Costs			
96700 Total Interest Expense and Amortization Cost	\$0	\$0	\$0
96900 Total Operating Expenses	\$328,096	\$0	\$328,096
97000 Excess of Operating Revenue over Operating Expenses	-\$57,659	\$56,005	-\$1,654
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$60,993		\$60,993
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$389,089	\$0	\$389,089
10010 Operating Transfer In	\$56,005		\$56,005
10020 Operating transfer Out		-\$56,005	-\$56,005
10030 Operating Transfers from/to Primary Government			
10040 Operating Transfers from/to Component Unit			

10050	Proceeds from Notes, Loans and Bonds			
10060	Proceeds from Property Sales			
10070	Extraordinary Items, Net Gain/Loss			
10080	Special Items (Net Gain/Loss)			
10091	Inter Project Excess Cash Transfer In			
10092	Inter Project Excess Cash Transfer Out			
10093	Transfers between Program and Project - In			
10094	Transfers between Project and Program - Out			
10100	Total Other financing Sources (Uses)	\$56,005	-\$56,005	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$62,647	\$0	-\$62,647
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0
11030	Beginning Equity	\$752,162	\$0	\$752,162
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors			
11050	Changes in Compensated Absence Balance			
11060	Changes in Contingent Liability Balance			
11070	Changes in Unrecognized Pension Transition Liability			
11080	Changes in Special Term/Severance Benefits Liability			
11090	Changes in Allowance for Doubtful Accounts - Dwelling Rents			
11100	Changes in Allowance for Doubtful Accounts - Other			
11170	Administrative Fee Equity			
11180	Housing Assistance Payments Equity			
11190	Unit Months Available	504		504
11210	Number of Unit Months Leased	503		503
11270	Excess Cash	\$167,851		\$167,851
11610	Land Purchases	\$0	\$0	\$0
11620	Building Purchases	\$0	\$0	\$0
11630	Furniture & Equipment - Dwelling Purchases	\$0	\$0	\$0
11640	Furniture & Equipment - Administrative Purchases	\$0	\$0	\$0
11650	Leasehold Improvements Purchases	\$0	\$0	\$0
11660	Infrastructure Purchases	\$0	\$0	\$0
13510	CFFP Debt Service Payments	\$0	\$0	\$0
13901	Replacement Housing Factor Funds	\$0	\$0	\$0