

Wellington Housing Authority

Managed by HOUSING CATALYST

Financial Statements
December 31, 2019 and 2018

Wellington Housing Authority

Table of Contents
December 31, 2019 and 2018

Report of Independent Auditors	1
Management's Discussion and Analysis	3
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows	12
Notes to Financial Statements	14
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 <i>Government Auditing Standards</i>	21
Supplemental Information:	
Financial Data Schedules	23

REPORT OF INDEPENDENT AUDITORS'

To the Board of Commissioners of the
Wellington Housing Authority:

Report on the Financial Statements

We have audited the accompanying financial statements of the Wellington Housing Authority (the "Authority") as of and for the years ended December 31, 2019 and 2018 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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the net position of the Authority as of December 31, 2019 and 2018, 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 June 12, 2020 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.

June 12, 2020
Toms River, New Jersey

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2019 and 2018

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, 2019 and 2018. We encourage readers to consider the information presented here in conjunction with the Authority's basic financial statements, which begin on page 10.

Financial Highlights

2019

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$666,621.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$300,898, an increase of \$26,854 over the prior year end balance of \$274,044.
- The Authority's cash balances at December 31, 2019 totaled \$327,482, representing an increase of \$38,803 from December 31, 2018.
- The Authority had HUD Operating Subsidy income of \$202,161 and net rental income of \$110,317 for the year. The Authority incurred \$163,282 in maintenance and operations, \$121,484 in administrative expenses and \$59,402 for utilities.

2018

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$691,964.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$274,044, an increase of \$61,946 over the prior year end balance of \$212,098.
- The Authority's cash balances at December 31, 2018 totaled \$288,679, representing an increase of \$72,513 from December 31, 2017.
- The Authority had HUD Operating Subsidy income of \$191,350 and net rental income of \$105,437 for the year. The Authority incurred \$134,462 in maintenance and operations, \$96,850 in administrative expenses and \$61,352 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, 2019 and 2018

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)

	2019	2018	2017	2016	2015
Cash & Escrow Deposits	\$ 327	\$ 289	\$ 216	\$ 217	\$ 228
Tenant Receivables	3	8	6	2	3
HUD Receivables	-	-	1	-	-
Other Receivables	-	-	-	2	-
Prepaid Expenses	4	15	14	14	1
Capital Assets (Net)	366	418	477	538	621
Total Assets	\$ 700	\$ 730	\$ 714	\$ 773	\$ 853
A/P & Accrued Liabilities	\$ 18	\$ 23	\$ 12	\$ 9	\$ 8
Security Deposits/Escrow	14	14	12	12	13
Due to Other Governments	-	-	-	-	-
Deferred Revenue	1	1	1	-	1
Total Liabilities	33	38	25	21	22
Investment in Capital Assets	366	418	477	538	621
Unrestricted Net Position	301	274	212	214	210
Total Net Position	667	692	689	752	831
Total Liabilities & Net Position	\$ 700	\$ 730	\$ 714	\$ 773	\$ 853

2019

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 \$666,621 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (55%) 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 \$300,898 for the Authority is available for future use to provide program services.

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2019 and 2018

The unrestricted net position of the Authority increased by \$26,854 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. Due to a current year increase in both operating subsidy and capital funding along with an increase in rental income, the Authority's operating and capital grant revenues and charges for rents were sufficient to cover operating expenses for the year.

2018

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 \$691,964 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (60%) 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 \$274,044 for the Authority is available for future use to provide program services.

The unrestricted net position of the Authority increased by \$61,946 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. Due to a current year increase in both operating subsidy and capital funding along with a decrease in maintenance costs, the Authority's operating and capital grant revenues and charges for rents were sufficient to cover operating expenses for the year.

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2019 and 2018

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)

	2019	2018	2017	2016	2015
Operating Revenues					
HUD Annual Contribution	\$ 202	\$ 191	\$ 177	\$ 175	\$ 164
Dwelling Rental	110	106	93	85	89
Other Income	2	2	-	2	1
Interest	-	-	-	-	-
Total Operating Revenue	314	299	270	262	254
Operating Expenses					
Maintenance and Operations	163	134	147	143	147
Administrative	122	97	92	83	86
Depreciation	52	59	61	83	83
Utilities	59	61	60	63	58
Insurance and Other	30	28	27	21	27
PILOT	4	3	2	2	2
Total Operating Expenses	430	382	389	395	403
Operating Income (Loss)	(116)	(83)	(119)	(133)	(149)
Nonoperating Revenues	91	86	56	54	154
Change in Net Position	(25)	3	(63)	(79)	5
Net Position - Beginning of Year	692	689	752	831	826
Net Position - End of Year	\$ 667	\$ 692	\$ 689	\$ 752	\$ 831

2019

- 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 \$10,811 (6%). Capital Fund contributions increased by \$4,254 (5%) as compared to the prior year. Overall, total intergovernmental grant revenue received from HUD increased by \$15,065 (5%).
- Rental income increased by \$4,880 (5%) as compared to the prior year. The increase was due to an increase in tenant rental income, which increased by \$8,289 (9%) as compare to the prior year. Other tenant revenues decreased by \$3,409 (25%) as compared to the prior year, due mainly to a decrease in tenant work orders.

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2019 and 2018

- Operating expenses increased by \$48,102 (13%) as compared to the prior year. The largest increases in operating expenses were in maintenance and administrative expenses, which increased by \$28,820 (21%) and \$24,634 (25%), respectively, as compared to the prior year due to increases to grounds care expense, administrative salaries and public housing disposition costs. Additionally, there was a small decrease in utility expenses (\$1,950, -3%) as compared to the prior year due to decreases in water and electric expenses.

2018

- 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 \$14,203 (8%). Capital Fund contributions increased by \$30,381 (54%) as compared to the prior year. Overall, total intergovernmental grant revenue received from HUD increased by \$44,584 (19%).
- Tenant rental income increased by \$12,367 (13%) as compared to the prior year. The increase was due to an increase in tenant rental income, which increased by \$11,855 (15%) as compared to the prior year. Other tenant revenues remained consistent with the prior year, increasing by \$513 (4%).
- Operating expenses remained consistent with the prior year, decreasing for the second consecutive year, decreasing by \$6,543 (-2%). The largest decrease in operating expenses was in maintenance expense, which decreased by \$13,243 (-9%) as compared to the prior year due to a decrease in current year routine maintenance. Additionally, there were also small increases in administrative (\$5,093, 6%) and utility expenses (\$1,364, 2%) as compared to the prior year due to regular cost increases.

Capital Asset and Debt Administration

Capital Assets

2019

As of December 31, 2019, the Authority's investment in capital assets was \$365,723 (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.

2018

As of December 31, 2018, the Authority's investment in capital assets was \$417,920 (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, 2019 and 2018, 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 2020 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 2020. This may require the use of operating reserves during 2020.

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.

Wellington Housing Authority

Statements of Net Position
December 31, 2019 and 2018

	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 313,337	\$ 274,919
Accounts receivable - tenants	3,012	7,755
Due from other government	-	244
Prepaid expenses	3,800	15,262
Total Current Assets	320,149	298,180
Restricted Cash	14,145	13,760
Capital Assets		
Non-depreciable	144,669	144,669
Depreciable, net	221,054	273,251
Total Capital Assets, Net	365,723	417,920
Total Assets	<u>\$ 700,017</u>	<u>\$ 729,860</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ 12,005	\$ 18,405
Accrued liabilities	5,927	4,590
Unearned revenues	1,021	1,141
Due to other government	298	-
Total Current Liabilities	19,251	24,136
Long-Term Liabilities		
Tenant security deposits payable	9,723	9,797
Money held in escrow	4,422	3,963
Total Long-Term Liabilities	14,145	13,760
Total Liabilities	33,396	37,896
Net Position		
Net investment in capital assets	365,723	417,920
Unrestricted net position	300,898	274,044
Total Net Position	666,621	691,964
Total Liabilities and Net Position	<u>\$ 700,017</u>	<u>\$ 729,860</u>

Wellington Housing Authority
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenues		
HUD PHA grants	\$ 202,161	\$ 191,350
Rental income	110,317	105,437
Other	2,052	1,725
Total Operating Revenues	314,530	298,512
Operating Expenses		
Ordinary maintenance	163,282	134,462
Administrative	121,484	96,850
Depreciation	52,197	59,497
Utilities	59,402	61,352
Insurance	24,021	22,519
Payments in lieu of taxes	3,799	2,751
Other	6,463	5,115
Total Operating Expenses	430,648	382,546
Operating Income (Loss)	(116,118)	(84,034)
Non-Operating Revenues (Expenses)		
Interest income	135	97
Total Non-Operating Revenues (Expenses)	135	97
HUD Capital Contributions	90,640	86,386
Change in Net Position	(25,343)	2,449
Net Position, Beginning of the Year	691,964	689,515
Net Position, End of the Year	\$ 666,621	\$ 691,964

Wellington Housing Authority
 Statements of Cash Flows
 Years Ended December 31, 2019 and 2018

	2019	2018
Operating Activities		
HUD PHA grants	\$ 202,161	\$ 191,418
Receipts from tenants	117,377	108,153
Payments to suppliers	(369,048)	(312,179)
Payments in lieu of taxes	(2,462)	(1,362)
Net Cash used for Operating Activities	(51,972)	(13,970)
Capital and Related Financing Activities		
HUD capital contributions	90,640	86,386
Net Cash from Capital and Related Financing Activities	90,640	86,386
Investing Activities		
Interest income	135	97
Net Cash from Investing Activities	135	97
Net Change in Cash and Cash Equivalents	38,803	72,513
Cash and Cash Equivalents, Beginning of Year	288,679	216,166
Cash and Cash Equivalents, End of Year	\$ 327,482	\$ 288,679

Wellington Housing Authority
 Statements of Cash Flows
 Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Cash and Cash Equivalents		
Cash	\$ 313,337	\$ 274,919
Restricted Cash	14,145	13,760
Total Cash and Cash Equivalents	\$ 327,482	\$ 288,679
Reconciliation of Operating Loss to Net Cash Used For Operating Activities		
Operating loss	\$ (116,118)	\$ (84,034)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	52,197	59,497
Changes in assets and liabilities		
(Increase) decrease in assets:		
Receivables	4,987	(1,959)
Prepaid expenses	11,462	(852)
Increase (decrease) in liabilities:		
Accounts payable	(6,400)	9,333
Tenant security deposits payable	(74)	235
Due to other government	298	(118)
Money held in escrow	459	1,467
Accrued liabilities	1,337	1,389
Unearned revenue	(120)	1,072
Net Cash used for Operating Activities	\$ (51,972)	\$ (13,970)

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 2019 or 2018.

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 2019 and 2018.

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, 2019 and 2018, 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, 2019 and 2018, the Authority's carrying amount of deposits was \$327,482 and \$288,679, respectively, and the bank balance was \$327,097 and \$288,679, respectively. As of December 31, 2019 and 2018, \$250,000 of the bank balance was covered by Federal Depository Insurance for each year and the remaining balance of \$77,097 and \$38,679, respectively, was collateralized with securities held by a pledging financial institution's agent in the government's name.

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

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.

Wellington Housing Authority

Notes to Financial Statements
December 31, 2019 and 2018

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, 2019 and 2018, \$14,145 and \$13,760, respectively, of cash was restricted.

Note 4 - Capital Assets, Net

The following is a summary of changes in capital assets for the years ended December 31, 2019 and 2018:

	Balance 12/31/18	Additions	Deletions	Balance 12/31/19
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	(1,703,237)	(52,197)	-	(1,755,434)
Office building	(25,357)	-	-	(25,357)
Equipment	(29,406)	-	-	(29,406)
Total Accumulated Depreciation	(1,758,000)	(52,197)	-	(1,810,197)
Net Depreciable Capital Assets	273,251	(52,197)	-	221,054
Total	<u>\$ 417,920</u>	<u>\$ (52,197)</u>	<u>\$ -</u>	<u>\$ 365,723</u>

Wellington Housing Authority

Notes to Financial Statements
December 31, 2019 and 2018

	Balance 12/31/17	Additions	Deletions	Balance 12/31/18
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	(1,644,363)	(58,874)	-	(1,703,237)
Office building	(25,357)	-	-	(25,357)
Equipment	(28,783)	(623)	-	(29,406)
Total Accumulated Depreciation	(1,698,503)	(59,497)	-	(1,758,000)
Net Depreciable Capital Assets	332,748	(59,497)	-	273,251
Total	\$ 477,417	\$ (59,497)	\$ -	\$ 417,920

Depreciation expense for 2019 and 2018 was \$52,197 and \$59,497, 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 2019 and 2018, the Authority incurred and paid Housing Catalyst \$56,048 and \$52,616, respectively, for management fees.

During 2019 and 2018, the Authority incurred and paid Housing Catalyst \$85,368 and \$82,916, respectively, for all other direct costs related to maintenance and operating expenses.

As of December 31, 2019, the Authority owed Housing Catalyst \$298 for unpaid management fees. As of December 31, 2018, Housing Catalyst owed the Authority \$244 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 June 12, 2020, which is the date the financial statements were available to be issued, and there are no subsequent events requiring disclosure.

In early March, the COVID-19 virus was declared a global pandemic, and it unfortunately continues to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, could be severely impacted for months or more, as governments and their citizens take significant and unprecedented measures to mitigate the consequences of the pandemic. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**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***

To the Board of Commissioners of the
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, 2019, and the related notes to the financial statements, which collectively comprise the Authority's financial statements, and have issued our report thereon dated June 12, 2020.

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.

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

June 12, 2020
Toms River, New Jersey

Wellington Housing Authority

Managed by HOUSING CATALYST

Financial Data Schedules
December 31, 2019

Wellington Housing Authority (CO014)

Wellington, CO

Single Project Balance Sheet

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2019

	Total Project
111 Cash - Unrestricted	\$313,337
112 Cash - Restricted - Modernization and Development	
113 Cash - Other Restricted	
114 Cash - Tenant Security Deposits	\$9,723
115 Cash - Restricted for Payment of Current Liabilities	\$4,422
100 Total Cash	\$327,482
121 Accounts Receivable - PHA Projects	
122 Accounts Receivable - HUD Other Projects	
124 Accounts Receivable - Other Government	
125 Accounts Receivable - Miscellaneous	
126 Accounts Receivable - Tenants	\$3,012
126.1 Allowance for Doubtful Accounts -Tenants	\$0
126.2 Allowance for Doubtful Accounts - Other	
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	\$3,012
131 Investments - Unrestricted	
132 Investments - Restricted	
135 Investments - Restricted for Payment of Current Liability	
142 Prepaid Expenses and Other Assets	\$3,800
143 Inventories	
143.1 Allowance for Obsolete Inventories	
144 Inter Program Due From	
145 Assets Held for Sale	
150 Total Current Assets	\$334,294
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	-\$1,810,195
167 Construction in Progress	
168 Infrastructure	
160 Total Capital Assets, Net of Accumulated Depreciation	\$365,723
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	\$365,723
200 Deferred Outflow of Resources	
290 Total Assets and Deferred Outflow of Resources	\$700,017
311 Bank Overdraft	
312 Accounts Payable <= 90 Days	\$12,005
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	\$9,723
342 Unearned Revenue	\$1,021
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	
344 Current Portion of Long-term Debt - Operating Borrowings	
345 Other Current Liabilities	\$10,647
346 Accrued Liabilities - Other	
347 Inter Program - Due To	
348 Loan Liability - Current	
310 Total Current Liabilities	\$33,396
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	\$33,396
400 Deferred Inflow of Resources	
508.4 Net Investment in Capital Assets	\$365,723
511.4 Restricted Net Position	
512.4 Unrestricted Net Position	\$300,898
513 Total Equity - Net Assets / Position	\$666,621
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$700,017

Wellington Housing Authority (CO014)

Wellington, CO

Single Project Revenue and Expense

Submission Type: Audited/Non Single Audit Fiscal Year End: 12/31/2019

	Low Rent	Capital Fund	Total Project
70300 Net Tenant Rental Revenue	\$99,841		\$99,841
70400 Tenant Revenue - Other	\$10,476		\$10,476
70500 Total Tenant Revenue	\$110,317	\$0	\$110,317
70600 HUD PHA Operating Grants	\$202,161	\$90,640	\$292,801
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	\$135		\$135
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	\$2,052		\$2,052
71600 Gain or Loss on Sale of Capital Assets			
72000 Investment Income - Restricted			
70000 Total Revenue	\$314,665	\$90,640	\$405,305
91100 Administrative Salaries	\$34,470		\$34,470
91200 Auditing Fees	\$8,500		\$8,500
91300 Management Fee	\$56,048		\$56,048
91310 Book-keeping Fee			
91400 Advertising and Marketing			
91500 Employee Benefit contributions - Administrative	\$7,943		\$7,943
91600 Office Expenses	\$2,771		\$2,771
91700 Legal Expense	\$625		\$625
91800 Travel			
91810 Allocated Overhead			
91900 Other	\$9,209		\$9,209
91000 Total Operating - Administrative	\$119,566	\$0	\$119,566
92000 Asset Management Fee			
92100 Tenant Services - Salaries			
92200 Relocation Costs	\$89		\$89
92300 Employee Benefit Contributions - Tenant Services			
92400 Tenant Services - Other	\$1,829		\$1,829
92500 Total Tenant Services	\$1,918	\$0	\$1,918
93100 Water	\$43,209		\$43,209
93200 Electricity	\$6,970		\$6,970
93300 Gas	\$9,223		\$9,223
93400 Fuel			
93500 Labor			
93600 Sewer			

93700 Employee Benefit Contributions - Utilities			
93800 Other Utilities Expense			
93000 Total Utilities	\$59,402	\$0	\$59,402
94100 Ordinary Maintenance and Operations - Labor	\$9,758		\$9,758
94200 Ordinary Maintenance and Operations - Materials and Other	\$10,512		\$10,512
94300 Ordinary Maintenance and Operations Contracts	\$141,019		\$141,019
94500 Employee Benefit Contributions - Ordinary Maintenance	\$1,993		\$1,993
94000 Total Maintenance	\$163,282	\$0	\$163,282
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	\$24,021		\$24,021
96120 Liability Insurance			
96130 Workmen's Compensation			
96140 All Other Insurance			
96100 Total insurance Premiums	\$24,021	\$0	\$24,021
96200 Other General Expenses	\$2,453		\$2,453
96210 Compensated Absences			
96300 Payments in Lieu of Taxes	\$3,799		\$3,799
96400 Bad debt - Tenant Rents	\$4,010		\$4,010
96500 Bad debt - Mortgages			
96600 Bad debt - Other			
96800 Severance Expense			
96000 Total Other General Expenses	\$10,262	\$0	\$10,262
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	\$378,451	\$0	\$378,451
97000 Excess of Operating Revenue over Operating Expenses	-\$63,786	\$90,640	\$26,854
97100 Extraordinary Maintenance			
97200 Casualty Losses - Non-capitalized			
97300 Housing Assistance Payments			
97350 HAP Portability-In			
97400 Depreciation Expense	\$52,197		\$52,197
97500 Fraud Losses			
97600 Capital Outlays - Governmental Funds			
97700 Debt Principal Payment - Governmental Funds			
97800 Dwelling Units Rent Expense			
90000 Total Expenses	\$430,648	\$0	\$430,648
10010 Operating Transfer In	\$90,640		\$90,640
10020 Operating transfer Out		-\$90,640	-\$90,640
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)	\$90,640	-\$90,640	\$0
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$25,343	\$0	-\$25,343
11020	Required Annual Debt Principal Payments	\$0	\$0	\$0
11030	Beginning Equity	\$691,964	\$0	\$691,964
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	\$265,561		\$265,561
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