

Wellington Housing Authority

Managed by HOUSING CATALYST

Financial Statements

December 31, 2021 and 2020

Wellington Housing Authority

Table of Contents

December 31, 2021 and 2020

Report of Independent Auditors	1
Management's Discussion and Analysis	4
Financial Statements:	
Statements of Net Position	11
Statements of Revenues, Expenses and Changes in Net Position	12
Statements of Cash Flows	13
Notes to Financial Statements	15
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>	22
Supplemental Information:	
Financial Data Schedules	24



Independent Auditor's Report

To the Board of Commissioners
Wellington Housing Authority
Fort Collins, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of Wellington Housing Authority (the Authority) as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2021 and 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.⁵
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying Financial Data Schedules (FDS) is presented for purposes of additional analysis and is not a required part of the financial statements. The FDS is presented for purposes of additional analysis as required by Housing and Urban Development Real Estate Assessment Center (REAC) and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the FDS is fairly stated, in all material respects, in relation to the basic 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 September 29, 2022 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



Fargo, North Dakota
September 29, 2022

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2021 and 2020

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, 2021 and 2020. 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

2021

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$13,709.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$13,709, a decrease of \$205,066 over the prior year end balance of \$217,775.
- The Authority's cash balances at December 31, 2021 totaled \$22,128, representing a decrease of \$224,357 from December 31, 2020.
- The Authority had HUD Operating Subsidy income of \$154,705, including \$27,629 of HUD CARES Act grant income and net rental income of \$91,303 for the year. The Authority incurred \$133,578 in maintenance and operations, \$128,878 in administrative expenses and \$49,796 for utilities.
- During 2021, the Authority disposed of all 42 public housing units and other related capital assets through the HUD Section 18 Demolition & Disposition program. The assets sold for \$1 to an unrelated nonprofit organization, Wellington Community Housing.

2020

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$535,225.
- As of the close of the current fiscal year, the Authority had an unrestricted net position of \$218,775, a decrease of \$82,123 over the prior year end balance of \$300,898.
- The Authority's cash balances at December 31, 2020 totaled \$246,485, representing a decrease of \$80,997 from December 31, 2019.
- The Authority had HUD Operating Subsidy income of \$188,074, including \$1,140 of HUD CARES Act grant income and net rental income of \$100,971 for the year. The Authority incurred \$225,855 in maintenance and operations, \$160,327 in administrative expenses and \$57,006 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, 2021 and 2020

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)

	2021	2020	2019	2018	2017
Cash & Escrow Deposits	\$ 22	\$ 246	\$ 327	\$ 289	\$ 216
Tenant Receivables	1	6	3	8	6
HUD Receivables	-	-	-	-	1
Other Receivables	-	-	-	-	-
Prepaid Expenses	-	2	4	15	14
Capital Assets (Net)	-	317	366	418	477
Total Assets	\$ 23	\$ 571	\$ 700	\$ 730	\$ 714
A/P & Accrued Liabilities	\$ 9	\$ 18	\$ 18	\$ 23	\$ 12
Security Deposits/Escrow	-	14	14	14	12
Due to Other Governments	-	1	-	-	-
Unearned Revenue	-	2	1	1	1
Total Liabilities	9	35	33	38	25
Investment in Capital Assets	-	317	366	418	477
Unrestricted Net Position	14	219	301	274	212
Total Net Position	14	536	667	692	689
Total Liabilities & Net Position	\$ 23	\$ 571	\$ 700	\$ 730	\$ 714

2021

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 \$13,709 at the close of the most recent fiscal year.

As the Authority disposed of all public housing units and related capital assets during the year, there is no remaining public housing program to operate. The sale of capital assets resulted in a decrease in the balance of the net investment in capital assets of \$316,450. The remaining cash balance and unrestricted net position of \$13,709 for the Authority is available for future use to provide any additional program services and fund any additional program close-out items.

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2021 and 2020

The unrestricted net position of the Authority decreased by \$205,066 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. During the current year, the balance of operating subsidy revenue, including CARES Act funding, decreased by \$33,369, mainly due to the partial year of operations. There was also an increase to capital funding of \$4,139, a decrease in current year tenant rental income of \$9,668 and purchases of capital assets of \$215,494.

2020

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 \$535,225 at the close of the most recent fiscal year.

The largest portion of the Authority's net position (59%) 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 \$218,775 for the Authority is available for future use to provide program services.

The unrestricted net position of the Authority decreased by \$82,123 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. During the current year, the balance of operating subsidy revenue decreased by \$15,227 despite an overall increase to the awarded funding as a portion of the current year funding was diverted to CARES Act related activities and was not drawn during the year. There was also an increase to capital funding of \$8,497 and a decrease in current year tenant rental income of \$9,436. The Authority's operating and capital grant revenues and charges for rents were not sufficient to cover operating expenses for the year due mainly to increased maintenance costs for the year related to additional tree pruning and increased vacancy costs.

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2021 and 2020

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)

	2021	2020	2019	2018	2017
Operating Revenues					
HUD Annual Contribution	\$ 155	\$ 187	\$ 202	\$ 191	\$ 177
Dwelling Rental	91	101	110	106	93
Other Income	1	5	2	2	-
Total Operating Revenue	247	293	314	299	270
Operating Expenses					
Maintenance and Operations	134	226	163	134	147
Administrative	129	159	122	97	92
Depreciation	35	49	52	59	61
Utilities	50	57	59	61	60
Insurance and Other	25	29	30	28	27
PILOT	2	3	4	3	2
Total Operating Expenses	375	523	430	382	389
Operating Income (Loss)	(128)	(230)	(116)	(83)	(119)
Nonoperating Revenues (Loss)	(394)	99	91	86	56
Change in Net Position	(522)	(131)	(25)	3	(63)
Net Position - Beginning of Year	536	667	692	689	752
Net Position - End of Year	\$ 14	\$ 536	\$ 667	\$ 692	\$ 689

2021

- Current year operating subsidy grant revenue, including CARES Act funding, received from the United States Department of Housing and Urban Development (HUD) decreased as compared to the prior year by \$33,369 (18%). Capital Fund contributions increased by \$4,139 (4%) as compared to the prior year. Overall, total intergovernmental grant revenue received from HUD decreased by \$29,230 (10%). As noted above, the decrease was mainly due to the partial year of operations.

- Rental income decreased by \$9,668 (10%) as compared to the prior year. The decrease was due to a decrease in tenant rental income, which decreased by \$2,624 (3%) as compare to the prior year due mainly to the partial year of operations. There was also an increase in other tenant revenues of \$7,044 (53%) as compared to the prior year.

Wellington Housing Authority

Management's Discussion and Analysis
December 31, 2021 and 2020

- Total operating expenses decreased by \$149,107 (28%) as compared to the prior year. The largest decreases in operating expenses were in maintenance and administrative expenses, which decreased by \$92,277 (41%) and \$31,449 (20%), respectively, as compared to the prior year due to decreases to grounds care expense, routine maintenance expense, administrative salaries and management fees that were paid for only 8 months. Additionally, there were also decreases in utility expenses (\$7,210, -13%) and insurance expense (\$7,262, -28%) as compared to the prior year due to the partial year of operations.

2020

- Current year operating subsidy grant revenue received from the United States Department of Housing and Urban Development (HUD) decreased as compared to the prior year by \$15,227 (8%). Capital Fund contributions increased by \$8,497 (9%) as compared to the prior year. Overall, total intergovernmental grant revenue received from HUD decreased by \$6,730 (2%). As noted above, the decrease was mainly due to the allocation of subsidy funds to CARES Act related activities, the majority of which was not drawn during the year. These funds will be available for use in 2021.
- Rental income decreased by \$9,346 (8%) as compared to the prior year. The decrease was due to a decrease in tenant rental income, which decreased by \$12,192 (12%) as compared to the prior year. Other tenant revenues increased by \$2,846 (27%) as compared to the prior year, due mainly to an increase in tenant work orders.
- Operating expenses increased by \$92,508 (21%) as compared to the prior year. The largest increases in operating expenses were in maintenance and administrative expenses, which increased by \$62,573 (38%) and \$37,703 (31%), respectively, as compared to the prior year due to increases to grounds care expense, administrative salaries and management fees. Additionally, there was a small decrease in utility expenses (\$2,396, -4%) as compared to the prior year due to a decrease in gas expense.

Capital Asset and Debt Administration

Capital Assets

2021

As noted above, the Authority disposed of all capital asset during the year under the HUD Section 18 Demolition and Disposition program.

Prior to the disposition, the Authority addressed long-term capital needs and other additions including:

- Roof replacements in various units totaling \$185,463
- Community Wi-Fi equipment and installation of \$30,031

2020

As of December 31, 2020, the Authority's investment in capital assets was \$316,450 (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, 2021 and 2020, 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 2022 fiscal year:

- The Authority has disposed of all units of public housing and will continue to complete the Section 18 close out process.

Future Events that will Financially Impact the Authority

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

- The Authority has disposed of all units of public housing and will continue to complete the Section 18 close out process.

Contact Information

This financial report is designed to provide the reader with a general overview of the Authority's finances and to demonstrate the Authority's financial accountability over its resources. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Tonya Frammolino, Chief Financial Officer
1715 West Mountain Avenue
Fort Collins, Colorado 80521
(970) 416-2910

Wellington Housing Authority

Statements of Net Position
December 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash and cash equivalents	\$ 22,128	\$ 232,224
Accounts receivable - tenants	829	5,632
Prepaid expenses	-	1,937
Total Current Assets	<u>22,957</u>	<u>239,793</u>
Restricted Cash	-	14,261
Capital Assets		
Non-depreciable	-	144,669
Depreciable, net	-	171,781
Total Capital Assets, Net	<u>-</u>	<u>316,450</u>
Total Assets	<u>\$ 22,957</u>	<u>\$ 570,504</u>
Liabilities and Net Position		
Current Liabilities		
Accounts payable	\$ -	\$ 6,037
Accrued liabilities	9,248	7,572
Unearned revenues	-	1,900
Due to other government	-	5,509
Total Current Liabilities	<u>9,248</u>	<u>21,018</u>
Long-Term Liabilities		
Tenant security deposits payable	-	11,437
Money held in escrow	-	2,824
Total Long-Term Liabilities	<u>-</u>	<u>14,261</u>
Total Liabilities	<u>9,248</u>	<u>35,279</u>
Net Position		
Net investment in capital assets	-	316,450
Unrestricted net position	13,709	218,775
Total Net Position	<u>13,709</u>	<u>535,225</u>
Total Liabilities and Net Position	<u>\$ 22,957</u>	<u>\$ 570,504</u>

Wellington Housing Authority
 Statements of Revenues, Expenses and Changes in Net Position
 Years Ended December 31, 2021 and 2020

	2021	2020
Operating Revenues		
HUD PHA grants	\$ 154,705	\$ 188,074
Rental income	91,303	100,971
Other	1,190	4,696
Total Operating Revenues	247,198	293,741
Operating Expenses		
Ordinary maintenance	133,578	225,855
Administrative	128,878	160,327
Depreciation	35,141	49,273
Utilities	49,796	57,006
Insurance	18,494	25,756
Payments in lieu of taxes	2,385	3,064
Other	6,917	3,015
Total Operating Expenses	375,189	524,296
Operating Income (Loss)	(127,991)	(230,555)
Non-Operating Revenues (Expenses)		
Interest income	2	22
Loss on Section 18 Disposition of Capital Assets	(496,803)	-
Total Non-Operating Revenues (Expenses)	(496,801)	22
HUD Capital Contributions	103,276	99,137
Change in Net Position	(521,516)	(131,396)
Net Position, Beginning of the Year	535,225	666,621
Net Position, End of the Year	\$ 13,709	\$ 535,225

Wellington Housing Authority
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020

	2021	2020
Operating Activities		
HUD PHA grants	\$ 154,705	\$ 188,074
Receipts from tenants	81,135	104,042
Payments to suppliers	(348,691)	(472,272)
Payments in lieu of taxes	710	-
	(112,141)	(180,156)
Capital and Related Financing Activities		
HUD capital contributions	103,276	99,137
Acquisition of capital assets	(215,494)	-
	(112,218)	99,137
Investing Activities		
Interest income	2	22
	2	22
Net Cash from Investing Activities	2	22
Net Change in Cash and Cash Equivalents and Restricted Cash	(224,357)	(80,997)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	246,485	327,482
Cash and Cash Equivalents and Restricted Cash, End of Year	\$ 22,128	\$ 246,485

Wellington Housing Authority
 Statements of Cash Flows
 Years Ended December 31, 2021 and 2020

	2021	2020
Reconciliation of Total Cash and Cash Equivalents		
Cash and Cash Equivalents	\$ 22,128	\$ 232,224
Restricted Cash	-	14,261
 Total Cash and Cash Equivalents and Restricted Cash	 \$ 22,128	 \$ 246,485
 Reconciliation of Operating Loss to Net Cash Used For Operating Activities		
Operating loss	\$ (127,991)	\$ (230,555)
Adjustments to reconcile operating loss to net cash used for operating activities		
Depreciation	35,141	49,273
Changes in assets and liabilities		
(Increase) decrease in assets:		
Receivables	4,803	(2,620)
Prepaid expenses	1,937	1,863
Increase (decrease) in liabilities:		
Accounts payable	(6,037)	(1,444)
Tenant security deposits payable	(11,437)	1,714
Due to other government	(5,509)	687
Money held in escrow	(2,824)	(1,598)
Accrued liabilities	1,676	1,645
Unearned revenue	(1,900)	879
 Net Cash used for Operating Activities	 \$ (112,141)	 \$ (180,156)

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"). During the year ended December 31, 2021, the Authority completed a disposition of all capital assets under the Section 18 Demolition and Disposition Program. All assets were released from the Public Housing program and transferred to a newly formed, unrelated entity, Wellington Community Housing.

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 Land Improvements	15 - 30 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 2021 or 2020.

As noted above, all capital assets were disposed of during the year ended December 31, 2021 under the HUD Section 18 Demolition and Disposition Program resulting in a loss on sale of assets of \$496,803.

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 2021 and 2020.

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, 2021 and 2020, 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, 2021 and 2020, the Authority's carrying amount of deposits was \$22,128 and \$246,485, respectively, and the bank balance was \$22,128 and \$246,485, respectively. As of December 31, 2021 and 2020, the full amount of the bank balances were covered by Federal Depository Insurance.

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, 2021 and 2020

Note 3 - Restricted Assets

Restricted cash consist of cash which is restricted to comply with HUD requirements for the home ownership program and for tenant security deposits. At December 31, 2020, \$14,261 of cash was restricted. There was no restricted cash as of December 31, 2021.

Note 4 - Capital Assets, Net

The following is a summary of changes in capital assets for the years ended December 31, 2021 and 2020:

	Balance 12/31/20	Additions	Deletions	Balance 12/31/21
Non-Depreciable				
Land	\$ 144,669	\$ -	\$ (144,669)	\$ -
Depreciable				
Building and land improvements	1,976,486	185,463	(2,161,949)	-
Office building	25,357	-	(25,357)	-
Equipment	29,406	30,031	(59,437)	-
Total Depreciable Assets	2,031,249	215,494	(2,246,743)	-
Accumulated Depreciation				
Building and land improvements	(1,804,705)	(32,281)	1,836,986	-
Office building	(25,357)	-	25,357	-
Equipment	(29,406)	(2,860)	32,266	-
Total Accumulated Depreciation	(1,859,468)	(35,141)	1,894,609	-
Net Depreciable Capital Assets	171,781	180,353	(352,134)	-
Total	\$ 316,450	\$ 180,353	\$ (496,803)	\$ -

Wellington Housing Authority

Notes to Financial Statements
December 31, 2021 and 2020

	Balance 12/31/19	Additions	Deletions	Balance 12/31/20
Non-Depreciable				
Land	\$ 144,669	\$ -	\$ -	\$ 144,669
Depreciable				
Building and land improvements	1,976,486	-	-	1,976,486
Office building	25,357	-	-	25,357
Equipment	29,406	-	-	29,406
Total Depreciable Assets	2,031,249	-	-	2,031,249
Accumulated Depreciation				
Building and land improvements	(1,755,432)	(49,273)	-	(1,804,705)
Office building	(25,357)	-	-	(25,357)
Equipment	(29,406)	-	-	(29,406)
Total Accumulated Depreciation	(1,810,195)	(49,273)	-	(1,859,468)
Net Depreciable Capital Assets	221,054	(49,273)	-	171,781
Total	\$ 365,723	\$ (49,273)	\$ -	\$ 316,450

Depreciation expense for 2021 and 2020 was \$35,141 and \$49,276, 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 2021 and 2020, the Authority incurred and paid Housing Catalyst \$55,008 and \$70,652, respectively, for management fees.

During 2021 and 2020, the Authority incurred and paid Housing Catalyst \$63,241 and \$129,753, respectively, for all other direct costs related to maintenance and operating expenses.

As of December 31, 2020, the Authority owed Housing Catalyst \$985 for unpaid management fees and other direct costs. There was no balance due as of December 31, 2021.

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.

Wellington Housing Authority

Managed by HOUSING CATALYST

Financial Data Schedules
December 31, 2021



**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with *Government Auditing Standards***

To the Board of Commissioners
Wellington Housing Authority
Fort Collins, Colorado

We have audited, 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, the financial statements of Wellington Housing Authority, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise Wellington Housing Authority's basic financial statements and have issued our report thereon dated September 29, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wellington Housing Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Wellington Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Wellington Housing Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed text of the firm's name and location.

Fargo, North Dakota
September 29, 2022

Wellington Housing Authority (CO014)

Wellington, CO

Entity Wide Balance Sheet Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Total
111 Cash - Unrestricted	\$22,128		\$22,128	\$22,128
112 Cash - Restricted - Modernization and Development				
113 Cash - Other Restricted				
114 Cash - Tenant Security Deposits				
115 Cash - Restricted for Payment of Current Liabilities				
100 Total Cash	\$22,128	\$0	\$22,128	\$22,128
121 Accounts Receivable - PHA Projects				
122 Accounts Receivable - HUD Other Projects				
124 Accounts Receivable - Other Government				
125 Accounts Receivable - Miscellaneous				
126 Accounts Receivable - Tenants	\$829		\$829	\$829
126.1 Allowance for Doubtful Accounts - Tenants	\$0		\$0	\$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	\$829	\$0	\$829	\$829
131 Investments - Unrestricted				
132 Investments - Restricted				
135 Investments - Restricted for Payment of Current Liability				
142 Prepaid Expenses and Other Assets				
143 Inventories				
143.1 Allowance for Obsolete Inventories				
144 Inter Program Due From				
145 Assets Held for Sale				
150 Total Current Assets	\$22,957	\$0	\$22,957	\$22,957
161 Land				
162 Buildings				
163 Furniture, Equipment & Machinery - Dwellings				
164 Furniture, Equipment & Machinery - Administration				
165 Leasehold Improvements				
166 Accumulated Depreciation				
167 Construction in Progress				
168 Infrastructure				
160 Total Capital Assets, Net of Accumulated Depreciation	\$0	\$0	\$0	\$0
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	\$0	\$0	\$0	\$0
200 Deferred Outflow of Resources				
290 Total Assets and Deferred Outflow of Resources	\$22,957	\$0	\$22,957	\$22,957
311 Bank Overdraft				
312 Accounts Payable <= 90 Days				
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				
342	Unearned Revenue				
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue				
344	Current Portion of Long-term Debt - Operating Borrowings				
345	Other Current Liabilities	\$9,248		\$9,248	\$9,248
346	Accrued Liabilities - Other				
347	Inter Program - Due To				
348	Loan Liability - Current				
310	Total Current Liabilities	\$9,248	\$0	\$9,248	\$9,248
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	\$0	\$0	\$0
300	Total Liabilities	\$9,248	\$0	\$9,248	\$9,248
400	Deferred Inflow of Resources				
508.4	Net Investment in Capital Assets				
511.4	Restricted Net Position				
512.4	Unrestricted Net Position	\$13,709	\$0	\$13,709	\$13,709
513	Total Equity - Net Assets / Position	\$13,709	\$0	\$13,709	\$13,709
600	Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$22,957	\$0	\$22,957	\$22,957

Wellington Housing Authority (CO014)

Wellington, CO

Entity Wide Revenue and Expense Summary

Submission Type: Audited/Non Single Audit

Fiscal Year End: 12/31/2021

	Project Total	14.PHC Public Housing CARES Act Funding	Subtotal	Total
70300 Net Tenant Rental Revenue	\$85,025		\$85,025	\$85,025
70400 Tenant Revenue - Other	\$6,278		\$6,278	\$6,278
70500 Total Tenant Revenue	\$91,303	\$0	\$91,303	\$91,303
70600 HUD PHA Operating Grants	\$230,352	\$27,629	\$257,981	\$257,981
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	\$2		\$2	\$2
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	\$1,190		\$1,190	\$1,190
71600 Gain or Loss on Sale of Capital Assets	-\$496,803		-\$496,803	-\$496,803
72000 Investment Income - Restricted				
70000 Total Revenue	-\$173,956	\$27,629	-\$146,327	-\$146,327
91100 Administrative Salaries	\$13,435	\$22,290	\$35,725	\$35,725
91200 Auditing Fees	\$7,320		\$7,320	\$7,320
91300 Management Fee	\$55,008		\$55,008	\$55,008
91310 Book-keeping Fee				
91400 Advertising and Marketing				
91500 Employee Benefit contributions - Administrative	\$3,217	\$5,339	\$8,556	\$8,556
91600 Office Expenses	\$1,118		\$1,118	\$1,118
91700 Legal Expense	\$3,713		\$3,713	\$3,713
91800 Travel				
91810 Allocated Overhead				
91900 Other	\$17,438		\$17,438	\$17,438
91000 Total Operating - Administrative	\$101,249	\$27,629	\$128,878	\$128,878
92000 Asset Management Fee				
92100 Tenant Services - Salaries				
92200 Relocation Costs				
92300 Employee Benefit Contributions - Tenant Services				
92400 Tenant Services - Other				
92500 Total Tenant Services	\$0	\$0	\$0	\$0
93100 Water	\$39,092		\$39,092	\$39,092
93200 Electricity	\$5,134		\$5,134	\$5,134
93300 Gas	\$5,570		\$5,570	\$5,570
93400 Fuel				
93500 Labor				
93600 Sewer				
93700 Employee Benefit Contributions - Utilities				
93800 Other Utilities Expense				
93000 Total Utilities	\$49,796	\$0	\$49,796	\$49,796
94100 Ordinary Maintenance and Operations - Labor	\$247		\$247	\$247
94200 Ordinary Maintenance and Operations - Materials and Other	\$4,358		\$4,358	\$4,358
94300 Ordinary Maintenance and Operations Contracts	\$128,793		\$128,793	\$128,793
94500 Employee Benefit Contributions - Ordinary Maintenance	\$180		\$180	\$180

94000 Total Maintenance	\$133,578	\$0	\$133,578	\$133,578
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	\$0
96110 Property Insurance	\$18,494		\$18,494	\$18,494
96120 Liability Insurance				
96130 Workmen's Compensation				
96140 All Other Insurance				
96100 Total insurance Premiums	\$18,494	\$0	\$18,494	\$18,494
96200 Other General Expenses				
96210 Compensated Absences				
96300 Payments in Lieu of Taxes	\$2,385		\$2,385	\$2,385
96400 Bad debt - Tenant Rents	\$6,917		\$6,917	\$6,917
96500 Bad debt - Mortgages				
96600 Bad debt - Other				
96800 Severance Expense				
96000 Total Other General Expenses	\$9,302	\$0	\$9,302	\$9,302
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	\$0
96900 Total Operating Expenses	\$312,419	\$27,629	\$340,048	\$340,048
97000 Excess of Operating Revenue over Operating Expenses	-\$486,375	\$0	-\$486,375	-\$486,375
97100 Extraordinary Maintenance				
97200 Casualty Losses - Non-capitalized				
97300 Housing Assistance Payments				
97350 HAP Portability-In				
97400 Depreciation Expense	\$35,141		\$35,141	\$35,141
97500 Fraud Losses				
97600 Capital Outlays - Governmental Funds				
97700 Debt Principal Payment - Governmental Funds				
97800 Dwelling Units Rent Expense				
90000 Total Expenses	\$347,560	\$27,629	\$375,189	\$375,189
10010 Operating Transfer In	\$103,276		\$103,276	\$103,276
10020 Operating transfer Out	-\$103,276		-\$103,276	-\$103,276
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)	\$0	\$0	\$0	\$0
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	-\$521,516	\$0	-\$521,516	-\$521,516
11020 Required Annual Debt Principal Payments	\$0	\$0	\$0	\$0
11030 Beginning Equity	\$535,225	\$0	\$535,225	\$535,225
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$0		\$0	\$0
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	336		336	336
11210 Number of Unit Months Leased	328		328	328
11270 Excess Cash	-\$12,325		-\$12,325	-\$12,325
11610 Land Purchases	\$0		\$0	\$0
11620 Building Purchases	\$185,463		\$185,463	\$185,463
11630 Furniture & Equipment - Dwelling Purchases	\$0		\$0	\$0
11640 Furniture & Equipment - Administrative Purchases	\$30,031		\$30,031	\$30,031
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