

CHELSEA HOUSING AUTHORITY

**Financial Statements
And Supplemental Data**

December 31, 2009

CHELSEA HOUSING AUTHORITY
Financial Statements and Supplementary Information
December 31, 2009

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MARTIN J. SCAFIDI, P.C.
Certified Public Accountants

Independent Auditors' Report on Financial Statements and Supplemental Data

Board of Commissioners
Chelsea Housing Authority
Chelsea, Massachusetts

We have audited the accompanying statement of net assets of the Chelsea Housing Authority ("the Authority") as of December 31, 2009, and the related statements of activities and cash flows for year then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Chelsea Housing Authority as of December 31, 2009, and the changes in its financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2010 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis included is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

A handwritten signature in cursive script that reads "Martin J. Scafidi, P.C.".

Martin J. Scafidi, P.C.
Peabody, Massachusetts
September 1, 2010

CHELSEA HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2009

As management of the Chelsea 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 year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements, which begin on page 10.

Financial Highlights

- The net assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$28,933,563.
- The net assets of the Authority consisted of Invested in Capital Assets in the amount of \$27,554,667; Restricted Net Asset in the amount of \$501,845 and Unrestricted Net Assets in the amount of \$877,051.
- The Authority's cash and investments at December 31, 2009 was \$1,506,637 representing an increase of \$427,259 from December 31, 2008.
- The Authority had intergovernmental revenues of \$14,937,553; program revenues (charges for services) of \$3,473,502; and other revenues of \$163,925. The Authority had program expenses (exclusive of depreciation expense and prior period adjustments) of \$13,909,174 for the year ended December 31, 2009. The Authority had depreciation expense of \$1,300,155 and a prior period net credit of \$(248,599) for the year ended December 31, 2009.

Overview of the Chelsea Housing Authority

The Chelsea Housing Authority was created in 1946 to provide and promote safe and sanitary housing for low-income persons residing in Chelsea, MA. The Authority is a municipal corporation located in Chelsea, MA as was established under Chapter 121B of the State Statutes.

Overview of the Financial Statements

The Chelsea Housing Authority's financial statements consist of two parts -1) management discussion analysis which is intended to serve as an introduction to the Authority's basic financial statements, and 2) the Authority's basic financial statements which are comprised of two components:

1) Fund financial statements, and 2) notes to the financial statements. This report also contains the schedule of expenditures of federal awards as supplementary information in addition to the basic financial statements themselves.

CHELSEA HOUSING AUTHORITY
Management's Discussion and Analysis
December 31, 2009
(Unaudited)

The Authority is considered a special purpose government accounted for as enterprise fund under accounting principles generally accepted in the United States of America (GAAP). Its chartered purpose is to assist in providing housing of low and moderate income families and elderly individuals. All of the activities, programs, and grants administered by the Authority are focused for that purpose.

As a special purpose government enterprise fund, the Authority is permitted to issue combined entity level and fund level financial statements. These statements report financial information for each of the Authority's funds and a combined total of all funds that represents the Authority wide financial position. The following is a brief description of each financial statement.

The government-wide 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.

Statement of Net Assets

- The Statement of Net Assets is prepared using the accrual basis of accounting and provides information relating to all financial and capital resources for the Authority as of the reporting date and related debts and other liabilities. The Statement of Net Assets is presented in a format where assets equal liabilities plus net assets. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (*convertible into cash within one year*), and "Non-current".
- Net assets (formerly equity) represent the cumulative effect of revenue and expenses. It is also the difference between assets and liabilities. Net assets are reported in three broad categories:

Unrestricted Net Assets is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire authority

Net Assets, Invested in Capital Assets, Net of Related Debt consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Assets consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Statement of Revenues, Expenses and Changes in Fund Net Assets

- This statement is similar to an Income Statement. This Statement includes operating revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance and depreciation. Non-Operating revenue and expenses, such as grant

CHELSEA HOUSING AUTHORITY
Management's Discussion and Analysis
December 31, 2009
(Unaudited)

revenue, investment income and interest expense and capital contributions and operating transfers.

- The focus of this Statement of Revenues, Expenses and Changes in Fund Net Assets is the "Change in Net Assets", which is similar to Net Income or Loss.

Statement of Cash Flows

- This Statement of cash flows shows the sources and amounts from which the Authority received cash such as income from tenants, income from grants, loans etc. and the items and amounts for which cash was used such as payments to vendors and contractors, payments to employees, repayment of loans etc. The statement is divided into four major sections, operating activities, non-capital financing activities, capital and related financing activities and investing activities. The statement functions down to the net increase or decrease in the Authority's cash accounts for the reporting period.

Authority Funds

A *fund* is a self-balancing grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Business Type Funds – All of the Authority's funds are business type funds. These are also called enterprise funds. The Authority has two major funds. There are no non-major funds.

Low and Moderate Rent Public Housing – This fund accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low income elderly, disabled, and special needs individuals.

The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD) or the Commonwealth of Massachusetts (DHCD). The Authority receives grants from HUD and DHCD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income. The Authority receives numerous grants from HUD and DHCD that support the properties and activities of the tenants that are served by the program. The major grant programs that support the funds are:

- HUD Operating Fund – a program funded by HUD intended to subsidize the operating deficit of the Authority as determined by the Performance Funding System.
- HUD Capital Fund Grants – a grant program funded by HUD for improvements to properties owned by the Authority.
- State Modernization Grants – a grant program funded by DHCD for improvement to properties owned by the Authority.

CHELSEA HOUSING AUTHORITY
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(Unaudited)

Low Rent Leased Housing – This fund is used to account for leasing activities of properties that are not owned by the Authority. The Authority administers contracts with independent property owners that own property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The funds for these payments are provided by program grants provided by HUD and DHCD. The Authority also receives an administrative fee that is part of the grant, and supports the administration of the programs.

Capital Assets

As of December 31, 2009 the Authority's investment in capital assets for its governmental activities was \$27,554,668 (net of accumulated depreciation and related debt). This investment in capital assets includes buildings, building improvements, office and maintenance equipment, and computer software.

Capital expenditures of \$4,730,505 were made for the improvement of the Authority's rental units through HUD Capital Fund and DHCD Modernization grants.

An Overview of the Authority-Wide Financial Position and Operations

The U.S. Department of Housing and Urban Development named the Chelsea Housing Authority as a "High Performer," HUD's highest possible rating, for the ninth straight year, based on HUD's annual comprehensive review for 2009. Its financial, management and physical reviews all scored in the 90 percentile (over 90% of the possible points) in a time of fiscal restraint and rising costs.

HUD's performance assessment system covers all aspects of housing authority operations, including financial, the physical condition of the units, management operations, and resident satisfaction and relations.

We have summarized the Authority's overall financial position and operations for the past two years below. These summaries are based on the information included in the current and prior financial statements.

The Authority's total assets at December 31, 2009 were \$30,978,927; an increase of \$3,669,788 as compared to the amount for December 31, 2008. The increase was primarily due to the Authority's increasing its investment in its rental units, net depreciation expense for the year, of \$1,300,155. These improvements consisted of major upgrades in building exteriors, roofing and electrical systems in its rental unit buildings and were funded by grants from HUD and DHCD.

During 2009 the Authority adopted GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pension. The authority accrued the amount of \$206,015 as of December 31, 2009. See Note 5 for the impact on the Authority's financial statements as a result of the implementation of GASB 45.

CHELSEA HOUSING AUTHORITY
Management's Discussion and Analysis
December 31, 2009
(Unaudited)

The Authority's overall financial position and results of operations are presented below:

Chelsea Housing Authority
Statement of Net Assets
December 31, 2009

| | 2009 | 2008 | Increase (Decrease) | Total Percentage Change |
|---|-------------------|-------------------|------------------------|-------------------------------|
| Current Assets | 3,424,260 | 3,184,824 | 239,436 | 7.52% |
| Capital Assets, Net of Depreciation | 27,554,668 | 24,124,316 | 3,430,352 | 14.22% |
| Total Assets | 30,978,928 | 27,309,140 | 3,669,788 | 13.44% |
| Current Liabilities | 1,627,829 | 1,263,304 | 364,525 | 28.85% |
| Non-Current Liabilities | 471,536 | 206,202 | 265,334 | 128.68% |
| Total Liabilities | 2,099,365 | 1,469,506 | 629,859 | 42.86% |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Debt | 27,554,668 | 24,124,316 | 3,430,352 | 14.22% |
| Restricted | 501,845 | 727,715 | (225,870) | -31.04% |
| Unrestricted | 877,051 | 987,602 | (110,551) | -11.19% |
| Total Net Assets | 28,933,564 | 25,839,633 | 3,093,931 | 11.97% |

CHELSEA HOUSING AUTHORITY
Management's Discussion and Analysis
December 31, 2009
(Unaudited)

Chelsea Housing Authority
Statement of Revenues, Expenses and Changes in Net Assets
December 31, 2009

| | 2009 | 2008 | Increase (Decrease) | Total Percentage Change |
|------------------------------------|-------------------|-------------------|------------------------|-------------------------------|
| Operating Revenues | | | | |
| Grants and Subsidies | 14,937,553 | 12,568,878 | 2,368,675 | 18.85% |
| Rental Income | 3,473,502 | 3,395,219 | 78,283 | 2.31% |
| Other Income | 140,604 | 191,426 | (50,822) | -26.55% |
| Investment Income | 23,321 | 29,027 | (5,706) | -19.66% |
| Total Operating Revenues | 18,574,980 | 16,184,550 | 2,390,430 | 14.77% |
| Operating Expenses | | | | |
| Housing Assistance Payments | 5,643,069 | 5,668,056 | (24,987) | -0.44% |
| Administration & General | 2,796,687 | 2,560,624 | 236,063 | 9.22% |
| Tenant Services | 49,852 | 125,274 | (75,422) | -60.21% |
| Utilities | 3,196,636 | 3,221,478 | (24,842) | -0.77% |
| Maintenance | 1,902,737 | 1,598,388 | 304,349 | 19.04% |
| Protective Services | 101,128 | 56,504 | 44,624 | 78.97% |
| Insurance | 179,117 | 177,251 | 1,866 | 1.05% |
| PILOT | 30,410 | 27,122 | 3,288 | 12.12% |
| Bad Debt – Tenants | 9,536 | 29,836 | (20,300) | -68.04% |
| Extraordinary Maintenance | - | 50,036 | (50,036) | |
| Depreciation | 1,300,155 | 1,493,460 | (193,305) | -12.94% |
| Total Operating Expenses | 15,209,327 | 15,008,029 | 201,298 | 1.34% |
| Net Operating (Loss) Income | 3,365,653 | 1,176,521 | | |

CHELSEA HOUSING AUTHORITY
Management's Discussion and Analysis
December 31, 2009
(Unaudited)

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

Funding legislations in future fiscal years by both the U.S. Department of Housing and Urban Development (HUD) and the State Department of Communities and Development (DHCD) along with cost increases, particularly utilities, health insurance cost increases and accrual for 'postemployment benefits other than pension' will have an impact on the Chelsea Housing Authority in the future.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, Chelsea Housing Authority, 54 Locke Street, Chelsea, MA 02150 or call (617) 884-5617.

CHELSEA HOUSING AUTHORITY
Statement of Net Assets - Proprietary Fund Type
December 31, 2009

Assets

Current Assets:

| | |
|--------------------------------------|--------------|
| Cash - unrestricted | \$ 1,506,639 |
| Cash - restricted | 551,361 |
| Due from other governments | 1,175,570 |
| Tenant receivables, net of allowance | 23,489 |
| Miscellaneous receivables | 52,138 |
| Prepaid expenses | 115,065 |
| Total current assets | 3,424,262 |

Fixed Assets:

| | |
|-------------------------------|---------------|
| Land | 2,774,731 |
| Buildings and improvements | 51,149,146 |
| Furniture and fixtures | 751,074 |
| Construction in progress | 11,515,202 |
| | 66,190,153 |
| Less accumulated depreciation | (38,635,485) |
| | 27,554,668 |
| Total assets | \$ 30,978,930 |

Liabilities and Net Assets

Current Liabilities:

| | |
|--|-----------|
| Accrued compensated absences | \$ 70,508 |
| Accounts payable | 252,491 |
| Security deposits held | 7,588 |
| Due to other governments | 3,734 |
| Deferred revenues | 794,930 |
| Accrued expenses and other liabilities | 498,579 |
| Total current liabilities | 1,627,830 |

Long-term Liabilities:

| | |
|------------------------------|-----------|
| Accrued compensated absences | 211,522 |
| OPEB liability | 206,015 |
| Total liabilities | 2,045,367 |

Net Assets:

| | |
|--|---------------|
| Invested in capital assets (net of related debt) | 27,554,668 |
| Restricted | 501,845 |
| Unrestricted | 877,050 |
| Total net assets | 28,933,563 |
| Total liabilities and net assets | \$ 30,978,930 |

See notes to financial statements.

CHELSEA HOUSING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net
Assets - Proprietary Fund Type
For the year ended December 31, 2009

| | |
|--|----------------------|
| Operating Revenues: | |
| Intergovernmental | \$ 14,937,553 |
| Tenant rental revenues | 3,473,502 |
| Other revenue | 140,604 |
| Total operating revenues | <u>18,551,659</u> |
| Operating Expenses: | |
| Housing assistance payments | 5,643,069 |
| Administrative: | |
| Salaries | 1,228,268 |
| Benefits | 695,683 |
| Other | 373,205 |
| Tenant Services | 49,852 |
| Utilities: | |
| Water | 1,311,946 |
| Electricity | 1,328,652 |
| Gas | 556,038 |
| Maintenance: | |
| Salaries | 956,445 |
| Supplies | 138,160 |
| Benefits | 561,635 |
| Contractors | 246,497 |
| Protective services | 101,128 |
| Insurance | 179,117 |
| Payments in lieu of taxes | 30,410 |
| Depreciation | 1,300,155 |
| Compensated absences | 12,196 |
| Other | 496,874 |
| Total operating expenses | <u>15,209,330</u> |
| Operating income | 3,342,329 |
| Non-operating income/expenses: | |
| Interest income | 23,322 |
| | <u>23,322</u> |
| Change in Net Assets | 3,365,651 |
| Net Assets, beginning, as previously reported | 25,816,511 |
| HUD Prior Period Adjustments | <u>(248,599)</u> |
| Net Assets, ending | <u>\$ 28,933,563</u> |

See notes to financial statements

CHELSEA HOUSING AUTHORITY
Statement of Cash Flows - Direct Method - Proprietary Fund Types
Year Ended December 31, 2009

| | |
|--|----------------------------|
| Cash Flows from Operating Activities: | |
| Receipts from tenants | \$ 3,895,470 |
| Other receipts | 152,749 |
| Payments to suppliers | (6,003,446) |
| Payments to employees | <u>(2,388,975)</u> |
| Net cash used in operating activities | <u>(4,344,202)</u> |
| Cash Flows from Noncapital Financing Activities: | |
| Intergovernmental receipts | 14,981,188 |
| Housing assistance payments | <u>(5,643,069)</u> |
| Net cash provided by noncapital financing activities | <u>9,338,119</u> |
| Cash Flows from Capital and Related Financing Activities: | |
| Acquisition of capital assets | <u>(4,753,630)</u> |
| Net cash used in capital and related financing activities | <u>(4,753,630)</u> |
| Cash Flow from Investing Activities: | |
| Interest income | <u>23,322</u> |
| Net cash provided by investing activities | <u>23,322</u> |
| Net Increase in Cash | 263,609 |
| Cash, Beginning of Year | <u>1,794,391</u> |
| Cash, End of Year | <u><u>\$ 2,058,000</u></u> |

See notes to financial statements.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 1 - Organization and Summary of Significant Accounting Policies

Organization and Reporting Entity

The Chelsea Housing Authority ("the Authority") was created in 1946 and operates under the provisions of Chapter 121B of the Massachusetts General Laws, as amended. The Authority operates and administers low-rent housing programs primarily for the benefit of residents of Chelsea, Massachusetts which are funded by the U.S. Department of Housing and Urban Development ("HUD") and Commonwealth of Massachusetts' Department of Housing and Community Development ("DCHD.") The Authority is governed by an appointed five-member Board of Commissioners, who each serve five-year terms, as follows:

Henry Cordero, Chairman
Stephen Roche
Robert McWatters
Patrick Flynn
Maria Rivera

The Board of Commissioners hires and employs the Executive Director, Michael E. McLaughlin, who is responsible for the daily administration of the Authority.

The Chelsea Housing Authority currently administers the following housing programs:

Federal Public Housing
Federal Section 8 Rental Vouchers
State Aided Housing Program 400
Massachusetts Rental Voucher Program

Basis of Presentation

The Authority's financial statements and accounting policies conform to accounting principles generally accepted in the United States of America ("GAAP.") GAAP for governmental units is formatted by the Government Accounting Standards Board ("GASB.")

The accounts of the Authority are organized and operated as an enterprise fund. The Authority accounts for its transactions with a set of self-balancing accounts that include its assets, liabilities, net assets, revenues, and expenses. Enterprise funds are used to account for operations that provide a service to the public financed by charges to users of that service and activities where the periodic measurement of net income is deemed appropriated for capital maintenance, public policy, management control, accountability, or other purposes.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

During 2009, the Authority adopted GASB Statement No. 45 (“GASB 45”) *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for the measurement, recognition, and display of other post employment benefit (“OPEB”) costs/contributions and related liabilities/assets, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. See Note 5 for the impact on the Authority’s financial statements as a result of the implementation of GASB 45.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting refers to the timing of the measurement made, regardless of the measurement focus applied.

The Authority’s enterprise fund is accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recorded when they are earned. Expenses are recorded at the time the fund liability is incurred.

The Authority applies all applicable GASB pronouncements as well as all applicable Financial Accounting Standards Board pronouncements that were issued on or before November 30, 1989.

Budgetary Control

The Authority adopts a consolidated annual budget for all programs. In addition, an annual operating budget is adopted for the Federal Public Housing Low Rent Program. The budget for the Low Rent Housing is adopted on the basis of accounting practices prescribed by HUD, which differ in some respects from accounting principles generally accepted in the United States of America. The HUD basis of accounting, as it pertains to budgeting, does not recognize depreciation of fixed assets, materials and supplies inventory, allowances for doubtful accounts, or compensated absences.

Summary of Significant Accounting Policies

Use of Estimates – The preparation of financial statements in accordance with governmental 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, and the disclosures of contingencies at the balance sheet date and the amounts of revenues, expenditures, and expenses for the year. Actual results could differ from those estimates.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Summary of Significant Accounting Policies (continued)

Cash and Cash Equivalents – The Authority considers all cash in banks, demand deposits, money market funds, and short-term highly liquid investments with original maturities of three months or less to be cash and cash equivalents.

Accounts Receivable – Tenant rent receivable consists of amounts due from tenants and HUD for rents and operating subsidies, and are presented net of an allowance for doubtful accounts of \$3,335.

Fixed Assets – Fixed assets are recorded at historical cost if purchased or constructed, or, if donated, at their estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' useful lives are expensed as incurred. Included in the historical cost of land are any acquisition, title insurance, and related legal fees. Included in the historical cost of buildings and equipment are any development costs, professional fees, construction costs, insurance, taxes, and other "soft costs" associated with constructing the asset. The cost of buildings and equipment also includes any interest expense incurred during the construction period.

Depreciation – Depreciation on fixed assets is charged as an expense over the following useful lives:

| | |
|--------------------------------------|-------------|
| Land and site improvements | 20-40 years |
| Buildings | 40 years |
| Building improvements | 15 years |
| Equipment and furniture and fixtures | 3-10 years |

Capital assets are shown net of accumulated depreciation on the statement of net assets.

Compensated Absences – The Authority's employees earn vacation and sick time benefits at varying rates depending on their years of services. The Authority's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits and carry them forward from year-to-year. When an employee terminates their employment, they are paid for any unused vacation and sick benefits. The cost of the accumulated vacation and sick leave are reported in the period the benefits are earned by the employee.

Deferred Revenues – The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Authority before it recognizes the revenues, such as when a receivable is recorded prior to the recognition of the revenue. In subsequent periods, when the Authority has the right to recognize the revenues, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Summary of Significant Accounting Policies (continued)

Equity Classifications – Equity is classified as net assets and displayed in three components:

- 1) **Invested in capital assets, net of related debt:** Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balance of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Equity Classification (continued) –

- 2) **Restricted net assets:** consists of net assets with restrictions place on their use either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (b) law through constitutional provisions or enabling legislations.
- 3) **Unrestricted net assets:** All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of debt.”

Operating and Nonoperating Revenues and Expenses – The Authority distinguishes operating revenues and expenses from nonoperating revenues and expenses. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary activity’s principal ongoing operations. Operating revenues include tenant rental revenues and intergovernmental operating grants, since they constitute the Authority’s ongoing operations. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Totals (Memorandum Only) Columns – Total columns on the financial statements are captioned as “Memorandum only” because they do not represent consolidated financial information and are presented only to facilitate financial analysis. These columns do not present information that reflects the financial position, results of operations, or cash flows in accordance with accounting principles generally accepted in the United States of America. Not all interfund eliminations have been made in the aggregation of this date.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 2 – Cash

The Authority maintains separate cash and investment accounts for use by individual Federal and State programs as well as a revolving account in which funds are deposited prior to allocation to individual programs. All deposits are collateralized as described below.

Cash and cash equivalents are classified in the following risk categories:

1. Fully insured by the Federal Deposit Insurance Corporation or the Massachusetts Deposit Insurance Fund, or registered and collateralized by securities held by the Authority or its agent in its name.
2. Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.
3. Uninsured and uncollateralized.

As of December 31, 2009, the Authority's unrestricted and restricted cash, by collateralized investments, are as follows:

| | |
|---|-----------------------------------|
| Balances per bank: | |
| Category 1 | \$ 906,139 |
| Category 2 | 1,591,458 |
| Category 3 | - |
| Exempt deposits in external investment pools | <u>-</u> |
| | 2,497,597 |
| Reconciling items | <u>(439,597)</u> |
| Balances per financial statements | <u><u>\$ 2,058,000</u></u> |

Reconciling items consist of deposits-in-transit and outstanding checks.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 3. Fixed Assets

A summary of changes in fixed assets during the year ended December 31, 2008 is as follows:

| | <u>January 1,</u> <u>2009</u> | <u>Additions</u> | <u>Adjustments/</u> <u>Transfers</u> | <u>December 31,</u> <u>2009</u> |
|--------------------------------|----------------------------------|---------------------|---|------------------------------------|
| Proprietary-type funds: | | | | |
| Land and land improvements | \$ 3,542,447 | \$ - | \$ - | \$ 3,542,447 |
| Buildings and improvements | 50,182,789 | - | 198,641 | 50,381,430 |
| Furniture and equipment: | | | | |
| Dwellings | 344,957 | - | - | 344,957 |
| Administration | 364,395 | - | 41,722 | 406,117 |
| Construction in progress | 7,025,058 | 4,992,186 | (502,042) | 11,515,202 |
| | 61,459,646 | 4,992,186 | (261,679) | 66,190,153 |
| Less accumulated depreciation | (37,335,330) | (1,300,155) | - | (38,635,485) |
| | <u>\$ 24,124,316</u> | <u>\$ 3,692,031</u> | <u>\$ (261,679)</u> | <u>\$ 27,554,668</u> |

Note 4 – Revenue Concentrations

For the year ended December 31, 2009, the Authority received approximately 43% of its revenues from HUD in the form of Section 8 Voucher reimbursements, Housing Assistance Payments under the Federal Low Rent Housing Program, and Capital Improvements Grants. The Authority also received approximately 37% of its revenues from the DHCD in the form of operating expense subsidies under the State Aided Housing Program and Modernization Grants.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 5. Other Post-Retirement Benefits

The Authority provides health care, dental care, and life insurance benefits to retirees and their dependants or survivors through the Authority's group health insurance plan with the GIC.

Overview of the Benefits - For health care benefits, an employee becomes eligible to retire under this plan upon meeting attainment of age 55 as an active member and completion of 10 years of service. Employees pay 20% of premiums for Medical & Life Insurance for participants who retire on or after October 1, 2009, 15% of premiums for Medical & Life Insurance for those who retire between July 1, 1994 and October 1, 2009 and 10% for all others. For dental care benefits, an employee becomes eligible to retire under this plan upon meeting attainment of age 55 as an active member and completion of 10 years of service. Retired employees pay 100% of the premiums for dental benefits. For group term life insurance, an employee becomes eligible to retire under this plan upon meeting attainment of age 55 as an active member and completion of 10 years of service. Retired employees pay 20% of premiums for Life Insurance for participants who retire on or after October 1, 2009, 15% of premiums for Medical & Life Insurance for those who retire between July 1, 1994 and October 1, 2009 and 10% for all others

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Funding Policy - The contribution requirements of plan members and the Authority are established and may be amended through Authority ordinances. The required contribution is based on the projected pay-as-you-go financing requirements. For the 2009 fiscal year, total Authority premiums plus implicit costs for the retiree medical program are \$143,334.

Annual OPEB Cost And Net OPEB Obligation - The Authority's annual other postemployment benefit ("OPEB") cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 5. Other Post-Retirement Benefits (continued)
Annual OPEB Cost And Net OPEB Obligation (continued)

The following table shows the components of the Authority's annual OPEB costs for the fiscal year, the amount actually contributed to the plan and changes in the Authority's net OPEB obligation to the plan:

| | |
|--|-----------|
| Annual Required Contribution | \$349,349 |
| Interest on net OPEB obligation | \$0 |
| Adjustment to annual required contribution | \$0 |
| Annual OPEB cost (expense) | \$349,349 |
| Contributions made | \$143,334 |
| Increase in net OPEB obligation | \$206,015 |
| Net OPEB Obligation – beginning of year | \$0 |
| Net OPEB Obligation – end of year | \$206,015 |

Funded Status and Funding Progress - As of January 1, 2009, the most recent valuation date, the plan was 0.0% funded. The actuarial liability for benefits was \$3,927,475, and the actuarial value of assets was \$0.0 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,927,475. The covered payroll (annual payroll of active employees covered by the plan) was \$ 2,200,429 and the ratio of the UAAL to the covered payroll was 178.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress shown as required supplementary information presents the results of OPEB valuations as of January 1, 2009 and looking forward, the schedule will eventually provide multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Note 6 – Pension Plan

The Authority follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees* with respect to employees' retirement funds.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 6 – Pension Plan (continued)

Plan Description - All full-time employees of the Authority participate in the City of Chelsea, Massachusetts Retirement System (“the System,”) which is a defined benefit, cost-sharing, multiple-employer Public Employee Retirement System administered by the City of Chelsea’s Retirement Board. Chapter 32 of the Massachusetts General Laws assigns the System the authority to establish and amend benefit provisions of the plan, and grant cost-of-living increases. The System provides pension benefits, deferred allowances, and death and disability benefits to the plan members and beneficiaries. Members of the system may retire at age 55 with 10 years of service or at any age with 20 years of service. Both service requirements can be met with service with either the Authority or any other entity covered by the System. The System issues a publicly available report in accordance with guidelines established by the Public Employee Retirement Administrations Commission (“PERAC.”) A copy of their report can be obtained by contacting the City of Chelsea Retirement System at (617) 889-8307.

Funding Policy – The contributions of plan members and the Authority are governed by Chapter 32 of the Massachusetts General Laws. The Authority’s active plan members’ contributions range from 5% to 11% of annual covered compensation, depending on the date of the members initial employment. The Authority is required to pay into the system its share of the remaining system-wide actuarially determined contribution plus administrative costs, as approved by PERAC, which are apportioned among the various member employers based on the active current payroll. The Commonwealth of Massachusetts reimburses the System for a portion of the benefit payments due to cost-of-living increases granted before July 1, 1998. Cost-of-living adjustments granted after June 30, 1998 must be approved by the City of Chelsea Retirement Board and are fund by the system. The Authority’s contribution for the years ended December 31, 2009, 2008, and 2007 were \$642,160, \$617,822, and \$617,165, respectively, and were equal to its required contributions for each year.

Note 7 – Risk Management, Commitments, and Contingencies

The Authority is exposed various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, and natural disasters in the normal course of business for which the Authority covers commercial insurance. Management periodically reviews its insurance coverage and believes it has adequate insurance.

Certain claims, suits, and complaints arising in the normal course of business have been filed and are pending against the Authority. The Authority has not experienced a material loss from such matters in the past and Management believes that all such matters are either adequately insured, without merit, involve amounts which would not be material to the financial statements, or that a combination of those previous three conditions would apply.

CHELSEA HOUSING AUTHORITY
Notes to the Financial Statements
December 31, 2009

Note 7 – Risk Management, Commitments, and Contingencies (continued)

Amounts received or receivable by the Authority from grantor agencies, principally HUD or DHCD, are subject to audit by the grantor agencies. Any disallowed claims, including amounts already collected by the Authority, may be required to be repaid by the Authority and would constitute a liability of the applicable funds. Management has not experienced any disallowed claims in the past and believes amounts owed, if any, would not be material to the financial statements.

CHELSEA HOUSING AUTHORITY

**Financial Data Schedule: Combining Statement of Assets, Liabilities, and Net Assets - All Funds
December 31, 2009**

| | | | | | (Memorandum Only) Total |
|--|----------------------|----------------------|-----------------------|----------------------|-------------------------------|
| | Federal Low Rent | Federal Section 8 | Federal CFP Grants | State and Local | |
| ASSETS | | | | | |
| Current Assets: | | | | | |
| Cash - unrestricted | \$ 724,358 | \$ 553,293 | \$ - | \$ 228,988 | \$ - |
| Cash - restricted | - | 527,013 | 1,173 | 23,175 | - |
| Due from other governments | - | 60,959 | 392,242 | 722,369 | - |
| Tenant receivables, net of allowance | 14,145 | - | - | 9,344 | - |
| Fraud recovery receivables | - | 52,138 | - | - | - |
| Prepaid expenses and other assets | 34,971 | 8,621 | - | 71,473 | - |
| Due from other funds | - | - | - | 1,331,174 | (1,331,174) |
| Total current assets | <u>773,474</u> | <u>1,202,024</u> | <u>393,415</u> | <u>2,386,523</u> | <u>(1,331,174)</u> |
| Rental Property and Equipment: | | | | | |
| Land | 280,923 | - | - | 2,493,808 | - |
| Buildings and Improvements | 28,158,127 | - | - | 22,991,019 | - |
| Furniture and fixtures | 620,447 | 12,095 | - | 118,532 | - |
| Construction in progress | - | - | 607,743 | 10,907,459 | - |
| Less accumulated depreciation | <u>29,059,497</u> | <u>12,095</u> | <u>607,743</u> | <u>36,510,818</u> | <u>-</u> |
| | <u>(19,292,148)</u> | <u>(2,117)</u> | <u>-</u> | <u>(19,341,220)</u> | <u>-</u> |
| Total Assets | <u>\$ 10,540,823</u> | <u>\$ 1,212,002</u> | <u>\$ 1,001,158</u> | <u>\$ 19,556,121</u> | <u>\$ (1,331,174)</u> |
| LIABILITIES AND NET ASSETS | | | | | |
| Current Liabilities: | | | | | |
| Accrued compensated absences | \$ 27,632 | \$ 10,981 | \$ - | \$ 31,895 | \$ - |
| Accounts payable | - | 75,240 | - | 177,251 | - |
| Security deposits held | 624 | - | - | 6,964 | - |
| Due to other governments | - | 899 | - | 2,835 | - |
| Deferred revenues | 25,194 | 523,928 | - | 245,808 | - |
| Accrued expenses and other liabilities | - | - | - | 498,579 | - |
| Due to other funds | 10,000 | 67,705 | 393,415 | 860,954 | (1,331,174) |
| Total current liabilities | <u>63,450</u> | <u>678,753</u> | <u>393,415</u> | <u>1,823,386</u> | <u>(1,331,174)</u> |
| Long-term Liabilities: | | | | | |
| Accrued compensated absences | 82,897 | 32,941 | - | 95,684 | - |
| OPEB liability | - | - | - | 206,015 | - |
| Total liabilities | <u>146,347</u> | <u>711,694</u> | <u>393,415</u> | <u>2,125,085</u> | <u>(1,331,174)</u> |
| Investment in Fixed Assets | 9,767,349 | 9,978 | 607,743 | 17,169,598 | - |
| Restricted Net Assets | - | 451,773 | - | 50,072 | - |
| Unrestricted Net Assets | <u>627,127</u> | <u>38,557</u> | <u>-</u> | <u>211,366</u> | <u>-</u> |
| Total Liabilities and Fund Balance | <u>\$ 10,540,823</u> | <u>\$ 1,212,002</u> | <u>\$ 1,001,158</u> | <u>\$ 19,556,121</u> | <u>\$ (1,331,174)</u> |
| | | | | | <u>\$ 30,978,930</u> |

CHELSEA HOUSING AUTHORITY

Financial Data Schedule: Combining Statement of Revenues, Expenses, and Changes in Net Assets - All Funds
For the year ended December 31, 2009

| | Federal <u>Low Rent</u> | Federal <u>Section 8</u> | Federal <u>CFP</u> | State <u>and Local</u> | <u>Eliminations</u> | (Memorandum Only) <u>Total</u> |
|---|----------------------------|-----------------------------|-----------------------|---------------------------|---------------------|--------------------------------------|
| Revenues: | | | | | | |
| Intergovernmental | \$ 1,639,274 | \$ 5,401,365 | \$ 934,483 | \$ 6,962,431 | \$ - | \$ 14,937,553 |
| Tenant rental revenues | 1,342,423 | - | - | 2,131,079 | - | 3,473,502 |
| Fraud recovery and other revenue | 15,702 | 79,189 | - | 45,713 | - | 140,604 |
| Total revenues | 2,997,399 | 5,480,554 | 934,483 | 9,139,223 | - | 18,551,659 |
| Expenses: | | | | | | |
| Housing assistance payments | - | 5,053,335 | - | 589,734 | - | 5,643,069 |
| Administrative: | | | | | | |
| Salaries | 410,897 | 366,265 | - | 451,106 | - | 1,228,268 |
| Benefits | 241,707 | 184,515 | - | 269,461 | - | 695,683 |
| Other | 130,258 | 81,193 | - | 161,754 | - | 373,205 |
| Tenant Services | 46,952 | - | - | 2,900 | - | 49,852 |
| Utilities: | | | | | | |
| Water | 524,006 | - | - | 787,940 | - | 1,311,946 |
| Electricity | 402,996 | - | - | 925,656 | - | 1,328,652 |
| Gas | 214,120 | - | - | 341,918 | - | 556,038 |
| Maintenance: | | | | | | |
| Salaries | 466,957 | - | - | 489,488 | - | 956,445 |
| Supplies | 13,567 | - | - | 124,593 | - | 138,160 |
| Benefits | 269,866 | - | - | 291,769 | - | 561,635 |
| Contractors | 35,768 | - | - | 210,729 | - | 246,497 |
| Protective services | 101,128 | - | - | - | - | 101,128 |
| Insurance | 107,305 | 735 | - | 71,077 | - | 179,117 |
| Payments in lieu of taxes | 20,130 | - | - | 10,280 | - | 30,410 |
| Depreciation | 552,565 | 302 | - | 747,288 | - | 1,300,155 |
| Compensated absences | (305) | 2,515 | - | 9,986 | - | 12,196 |
| Other | 4,255 | 32,968 | 326,740 | 132,911 | - | 496,874 |
| Total Expenditures | 3,542,172 | 5,721,828 | 326,740 | 5,618,590 | - | 15,209,330 |
| Excess of revenues over expenditures | (544,773) | (241,274) | 607,743 | 3,520,633 | - | 3,342,329 |
| Other Financing Sources: | | | | | | |
| Interest income | 11,950 | 6,391 | - | 4,981 | - | 23,322 |
| Excess of revenues and other sources over expenditures and other uses | (532,823) | (234,883) | 607,743 | 3,525,614 | - | 3,365,651 |
| Net Assets, Beginning | 10,683,268 | 734,311 | 502,040 | 13,896,892 | - | 25,816,511 |
| Fund Balance Transfer | 240,363 | - | (240,363) | - | - | - |
| HUD Prior Period Adjustments | 3,668 | 880 | (261,677) | 8,530 | - | (248,999) |
| Net Assets, Ending | \$ 10,394,476 | \$ 500,308 | \$ 607,743 | \$ 17,431,036 | \$ - | \$ 28,933,563 |

CHELSEA HOUSING AUTHORITY
Financial Data Schedule: Combining Statement of Assets, Liabilities, and Net Assets - State and Local Funds
 December 31, 2009

| | Revolving Fund | State Low Rent | State MRYP | State Mod. | Eliminations | (Memorandum Only) |
|---|-------------------|-------------------|---------------|---------------|--------------|----------------------|
| | | | | | | Total |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash - unrestricted | \$ 149,421 | \$ 19,071 | \$ 60,496 | \$ - | \$ - | \$ 228,988 |
| Cash - restricted | - | 23,175 | - | - | - | 23,175 |
| Due from other governments | - | 388,095 | 9,575 | 324,699 | - | 722,369 |
| Tenant receivables, net of allowance | - | 9,344 | - | - | - | 9,344 |
| Fraud recovery receivables | - | - | - | - | - | - |
| Prepaid expenses | - | 71,473 | - | - | - | 71,473 |
| Due from other funds | 820,802 | 406,000 | 2,000 | 102,372 | - | 1,331,174 |
| Total current assets | 970,223 | 917,158 | 72,071 | 427,071 | - | 2,386,523 |
| Rental Property and Equipment: | | | | | | |
| Land | - | 2,493,808 | - | - | - | 2,493,808 |
| Buildings and improvements | - | 22,991,019 | - | - | - | 22,991,019 |
| Furniture and fixtures | - | 116,115 | 2,417 | - | - | 118,532 |
| Construction in progress | - | - | - | 10,907,459 | - | 10,907,459 |
| | - | 25,600,942 | 2,417 | 10,907,459 | - | 36,510,818 |
| Less accumulated depreciation | - | (19,338,803) | (2,417) | - | - | (19,341,220) |
| | - | 6,262,139 | - | 10,907,459 | - | 17,169,598 |
| Total Assets | \$ 970,223 | \$ 7,179,297 | \$ 72,071 | \$ 11,334,530 | \$ - | \$ 19,556,121 |
| LIABILITIES AND PARTNERS' EQUITY | | | | | | |
| Current Liabilities: | | | | | | |
| Accrued compensated absences | \$ - | \$ 31,250 | \$ 645 | \$ - | \$ - | \$ 31,895 |
| Accounts payable | - | - | - | 177,251 | - | 177,251 |
| Bank overdraft | - | 6,964 | - | - | - | 6,964 |
| Security deposits held | - | - | 2,835 | - | - | 2,835 |
| Due to other governments | - | 45,808 | 51,180 | 148,820 | - | 245,808 |
| Deferred revenues | 477,656 | 20,923 | - | - | - | 498,579 |
| Accrued expenses and other liabilities | 286,552 | 463,367 | 9,135 | 101,000 | - | 860,054 |
| Due to other funds | 764,208 | 568,312 | 63,795 | 427,071 | - | 1,823,386 |
| Total current liabilities | - | - | - | - | - | - |
| Long-term Liabilities: | | | | | | |
| Accrued compensated absences | - | 93,749 | 1,935 | - | - | 95,684 |
| OPEB Liability | 206,015 | - | - | - | - | 206,015 |
| Total liabilities | 970,223 | 662,061 | 65,730 | 427,071 | - | 2,125,085 |
| Investment in net fixed assets | | | | | | |
| Restricted net assets | - | 6,262,139 | - | 10,907,459 | - | 17,169,598 |
| Unrestricted net assets | - | 50,072 | - | - | - | 50,072 |
| | - | 205,025 | 6,341 | - | - | 211,366 |
| Total Liabilities and Net Assets | \$ 970,223 | \$ 7,179,297 | \$ 72,071 | \$ 11,334,530 | \$ - | \$ 19,556,121 |

CHELSEA HOUSING AUTHORITY
Financial Data Schedule: Combining Statement of Revenues, Expenses, and Changes
in Net Assets - State and Local Funds
For the year ended December 31, 2009

| | Revolving Fund | State Low Rent | State MRVP | State Mod. | Eliminations | (Memorandum Only) Total |
|---|----------------|---------------------|-----------------|----------------------|--------------|-------------------------|
| | | | | | | |
| Revenues: | | | | | | |
| Intergovernmental | \$ - | \$ 1,845,094 | \$ 618,627 | \$ 4,498,710 | \$ - | \$ 6,962,431 |
| Tenant rental revenues | - | 2,131,079 | - | - | - | 2,131,079 |
| Other revenue | - | 45,713 | - | - | - | 45,713 |
| Total revenues | - | 4,021,886 | 618,627 | 4,498,710 | - | 9,139,223 |
| Expenses: | | | | | | |
| Housing assistance payments | - | - | 589,734 | - | - | 589,734 |
| Administrative: | | | | | | |
| Salaries | - | 430,061 | 21,045 | - | - | 451,106 |
| Benefits | - | 258,738 | 10,723 | - | - | 269,461 |
| Other | - | 155,263 | 6,491 | - | - | 161,754 |
| Tenant Services | - | 2,900 | - | - | - | 2,900 |
| Utilities: | | | | | | |
| Water | - | 787,940 | - | - | - | 787,940 |
| Electricity | - | 925,656 | - | - | - | 925,656 |
| Gas | - | 341,918 | - | - | - | 341,918 |
| Maintenance: | | | | | | |
| Salaries | - | 489,488 | - | - | - | 489,488 |
| Supplies | - | 124,593 | - | - | - | 124,593 |
| Benefits | - | 291,769 | - | - | - | 291,769 |
| Contractors | - | 210,729 | - | - | - | 210,729 |
| Protective services | - | - | - | - | - | - |
| Insurance | - | 70,434 | 643 | - | - | 71,077 |
| Payments in lieu of taxes | - | 10,280 | - | - | - | 10,280 |
| Depreciation | - | 747,288 | - | - | - | 747,288 |
| Compensated absences | - | 9,986 | - | - | - | 9,986 |
| Other | - | 18,642 | - | 114,269 | - | 132,911 |
| Total Expenditures | - | 4,875,685 | 628,636 | 114,269 | - | 5,618,590 |
| Excess of revenues over expenditures | - | (853,799) | (10,009) | 4,384,441 | - | 3,520,633 |
| Other Financing Sources/(Uses): | | | | | | |
| Interest income | - | 4,301 | 680 | - | - | 4,981 |
| Excess of revenues and other sources over expenditures and other uses | - | (849,498) | (9,329) | 4,384,441 | - | 3,525,614 |
| Net Assets, Beginning, previously reported | | | | | | |
| Fund Balance Transfer | - | 7,362,830 | 11,044 | 6,523,018 | - | 13,896,892 |
| HUD Prior Period Adjustments | - | 3,904 | 4,626 | - | - | 8,530 |
| Net Assets, Ending | \$ - | \$ 6,517,236 | \$ 6,341 | \$ 10,907,459 | \$ - | \$ 17,431,036 |

CHELSEA HOUSING AUTHORITY
Schedule of Capital Fund Program Costs - Uncompleted
Year Ended December 31, 2009

| | MA 06-P016 501-07 | MA 06-P016 501-08 | MA 06-P016 501-09 |
|--------------------------|----------------------|----------------------|----------------------|
| Funds approved | \$ 826,934 | \$ 872,798 | \$ 869,989 |
| Funds expended | \$ 751,989 | \$ 353,216 | \$ - |
| Excess of funds approved | <u>\$ 74,945</u> | <u>\$ 519,582</u> | <u>\$ 869,989</u> |
| Funds advanced | \$ 751,989 | \$ 353,216 | \$ - |
| Funds expended | \$ 751,989 | \$ 353,216 | \$ - |
| Excess of funds advanced | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Funds expended during the audit period for grants numbered 501-07, 501-08, and 508-09 totaled \$503,909, 353,216, and \$0, respectively, and accordingly, were audited.



MARTIN J. SCAFIDI, P.C.
Certified Public Accountants

**Independent Auditors' Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance With *Government Auditing Standards***

Board of Commissioners
Chelsea Housing Authority
Chelsea, Massachusetts

We have audited the financial statements of Chelsea Housing Authority ("the Authority,") as of and for the year ended December 31, 2008, and have issued our report thereon dated September 1, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

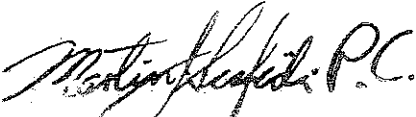
A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of the Authority's management, the Board of Commissioners, HUD and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Martin J. Scafidi, P.C.
Peabody, Massachusetts
September 1, 2010



MARTIN J. SCAFIDI, P.C.
Certified Public Accountants

**Independent Auditors' Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control over
Compliance in Accordance with OMB Circular A-133**

Board of Commissioners
Chelsea Housing Authority
Chelsea, Massachusetts

Compliance with Requirements Applicable to Each Major Program

We have audited the compliance of Chelsea Housing Authority (“the Authority”) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The Authority’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the Authority’s management. Our responsibility is to express an opinion on the Authority’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Authority’s compliance with those requirements.

In our opinion, the Chelsea Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to all of its major federal programs for the year ended December 31, 2009.

Internal Control over Compliance in Accordance with OMB Circular A-133

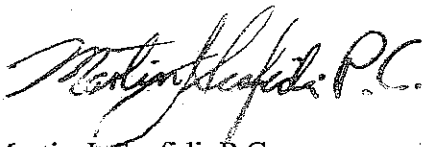
The management of the Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to its federal programs. In planning and performing our audit, we considered the Authority’s internal control over compliance with requirements that could have a direct and material effect on its major federal programs in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remoter likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Authority's management, the Authority's Board of Commissioners, HUD, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Martin J. Scafidi, P.C.", written in a cursive style.

Martin J. Scafidi, P.C.
Peabody, Massachusetts
September 1, 2010

CHELSEA HOUSING AUTHORITY
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2009

| <u>Federal Grantor/ Program Title</u> | <u>Federal CFDA No.</u> | <u>Federal Expenditures</u> |
|---|-----------------------------|---------------------------------|
| Department of Housing and Urban Development: | | |
| Low Rent Public Housing | 14.850 | \$ 1,639,274 |
| Section 8 Housing Choice Vouchers | 14.871 | 5,401,365 |
| Public Housing Capital Fund (CFP) | 14.872 | <u>934,483</u> |
| | | <u>\$ 7,975,122</u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards.

CHELSEA HOUSING AUTHORITY
Notes to Schedule of Federal Awards Expenditures
December 31, 2009

Basis of Presentation – The schedule of federal awards expenditures includes the federal grant activity of the Chelsea Housing Authority and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB-Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CHELSEA HOUSING AUTHORITY
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

Summary of Audit Results

The auditors' report on the financial statements is unqualified.

No reportable conditions in internal control were disclosed by the audit of the financial statements.

No instances of noncompliance with regulatory requirements, which are material to the financial statements, were disclosed during the audit.

No reportable conditions were disclosed during the audits of the major federal programs.

The auditors' report on compliance for the Authority's Low Rent Public Housing program and Section 8 Housing Voucher programs expresses an unqualified opinion.

Audit findings relative to the Authority's major federal award programs are reported in this schedule.

The Authority has two major programs as follows:

Low Rent Public Housing, CFDA Number 14.850
Section 8 Housing Choice Vouchers, CFDA Number 14.871

The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.

The Authority was determined to be a low-risk auditee.

Findings – Financial Statements Audit

None

Findings and Questioned Costs – Major Federal Award Program Audit

None.

Prior Year Findings – Financial Statements Audit

None

Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

None.