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**Town of Chilmark
MIDDLE LINE ROAD RENTAL DUPLEX**

Financial Statements

Year Ended June 30, 2014

DRAFT

**Town of Chilmark
MIDDLE LINE ROAD RENTAL DUPLEX**

Financial Statements

For the Year Ended June 30, 2014

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Independent Accountant's Review Report

Mr. Tim Carroll, Executive Secretary
Town of Chilmark
Middle Line Road Rental Duplex
Chilmark, MA 02535

We have reviewed the accompanying special-purpose statement of assets and liabilities of the Middle Line Road Rental Duplex as of June 30, 2014 and the related special-purpose statements of revenues and expenses and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the management agreement of between Middle Line Road Rental Duplex and the Dukes County Housing Authority (the "Authority") as discussed in Note 1 and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

The accompanying special-purpose financial statements were prepared for the purpose of complying with the management agreement between Middle Line Road Rental Duplex and the Authority, as discussed in Note 1, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the accompanying special-purpose financial statements in order for them to be in conformity with the basis of accounting described in Note 2.

This report is intended solely for the information and use of the management of Middle Line Road Rental Duplex and the Authority and is not intended to be and should not be used by anyone other than these specified parties.

NE Kelly & Associates, LLC
Boston, Massachusetts
October 3, 2014

Town of Chilmark
MIDDLE LINE ROAD RENTAL DUPLEX

Statement of Financial Position

As of June 30, 2014

(with comparative totals as of June 30, 2013)

	<u>2014</u>	<u>2013</u>
<i>Assets</i>		
Cash	\$ 54,068	\$ 78,606
Security deposits	6,525	6,525
Account receivable	<u>1,204</u>	<u>1,115</u>
<i>Total assets</i>	<u>\$ 61,797</u>	<u>\$ 86,246</u>
<i>Liabilities and Net Assets</i>		
<i>Liabilities:</i>		
Account payable	\$ 43,746	\$ 2,232
Security deposits	<u>6,525</u>	<u>6,525</u>
<i>Total liabilities</i>	<u>50,271</u>	<u>8,757</u>
<i>Net assets:</i>		
Unrestricted	<u>11,526</u>	<u>77,489</u>
<i>Total net assets</i>	<u>11,526</u>	<u>77,489</u>
<i>Total liabilities and net assets</i>	<u>\$ 61,797</u>	<u>\$ 86,246</u>

**Town of Chilmark
MIDDLE LINE ROAD RENTAL DUPLEX**

Statement of Activities

For the Year Ended June 30, 2014

(with summarized comparative totals for the year ended June 30, 2013)

	2014	2013
<i>Revenues:</i>		
Rental income	\$ 78,751	\$ 78,300
Other income	10	9
<i>Total income</i>	78,761	78,309
<i>Expenses:</i>		
Administrative fees	5,319	5,481
Property management fees	6,456	6,264
Property insurance	392	132
Repairs and maintenance	11,993	9,948
Utilities	380	303
Professional services	3,181	2,000
Non capital improvements	9,142	13,863
Due to Town of Chilmark	41,878	-
Miscellaneous	20	-
<i>Total expenses</i>	78,761	37,991
<i>Change in net assets</i>	-	40,318
<i>Net assets, beginning of year</i>	77,489	37,171
<i>Prior period adjustment</i>	(65,963)	-
<i>Net assets, beginning of year, as restated</i>	11,526	37,171
<i>Net assets, end of year</i>	\$ 11,526	\$ 77,489

**Town of Chilmark
MIDDLE LINE ROAD RENTAL DUPLEX**

Statement of Cash Flows

For the Year Ended June 30, 2014

(with summarized comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ -	\$ 40,318
Prior period adjustment	(65,963)	-
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Change in:		
Account receivable	(89)	(1,115)
Account payable	41,514	(1,996)
<i>Net cash provided by / used in operating activities</i>	<u>(24,538)</u>	<u>37,207</u>
<i>Net change in cash and cash equivalents</i>	(24,538)	37,207
<i>Cash and cash equivalents, beginning</i>	<u>78,606</u>	<u>41,399</u>
<i>Cash and cash equivalents, ending</i>	<u>\$ 54,068</u>	<u>\$ 78,606</u>

**Town of Chilmark
MIDDLE LINE ROAD RENTAL DUPLEX**

Notes to Financial Statements

For the Year Ended June 30, 2014

Note 1 - The Organization

The Middle Line Road Rental Duplex (“The Project”) is a property located in Chilmark, Massachusetts (“The Town”). The property is managed pursuant to an agreement as defined below by the Dukes County Housing Authority (“DCRHA”) (the “Authority”).

Note 2 - Significant Accounting Policies

Basis of Accounting

Summary of Significant Accounting Policies

The Authority has prepared the accompanying special-purpose financial statements to present the assets, liabilities, revenues, expenses, and cash flows of the activity related to the Project pursuant to a management agreement between the Project and the Authority. The agreement specifies that the Authority prepares special-purpose financial statements in which all assets are presented in accordance with accounting principles generally accepted in the United States of America except for land and buildings, which are not presented as they are assets of the Town.

Cash and Cash Equivalents

For the purpose of the statement of cash flow, the Project considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Management Agreement

Management

The term of the agreement shall commence on October 27, 2011 and shall remain in full force and effect for a period of (5) year and shall continue thereafter on mutually agreeable terms from year to year unless sooner terminated. The Manager shall use all reasonable efforts to achieve and maintain the property at 100% occupancy. The Manager shall lease said units to qualified households with incomes ranging from 65% of the area median income for one bedroom and two bedroom apartment and 70% of the area median income for all other apartments up to a maximum of 150% of the area median income as defined by HUD. As per DCRHA procedures in other town sponsored rentals, otherwise qualified households who additionally either reside, work or volunteer in Town will receive initial preference for any vacant unit. No tenant lease term may exceed 12 consecutive months.

**Town of Chilmark
MIDDLE LINE ROAD RENTAL DUPLEX**

Notes to Financial Statements

For the Year Ended June 30, 2014

Note 2 - Significant Accounting Policies (Continued)

Compensation

Management Fee

The Town agrees to pay the Authority for management of the Project a fee at the rate of eight percent (8%) of the gross residential rental revenue.

Administrative Fee

The Town agrees to pay the Authority for administrative services of the Project a fee at the rate of seven percent (7%) of the gross residential rental revenue.

Payments to the Town

Any surplus of revenue, over expenses, is to be paid to the Town on a quarterly basis as long as the minimum cash requirements are maintained in the operating account, along with reconciliation.

Note 3 – Prior Period Adjustment

The Project had an amount due to the Town of Chilmark for the year ended June 30, 2013 of \$65,963. This amount presents surplus of revenue over expenses for the required capital reserve in accordance with the Management Agreement.

Beginning net assets as originally reported	\$ 77,489
Prior period adjustment	<u>(65,963)</u>
Beginning net assets as restated	<u>\$ 11,526</u>

Note 4 – Due to Town of Chilmark

Surplus of revenue over expenses owed to the Town of Chilmark for the year ended June 30, 2014 is \$41,878.

Note 5 - Subsequent Events

Subsequent events have been evaluated through October 3, 2014 which is the date the financial statements were available to be issued.