

HUDSON HOUSING AUTHORITY
Hudson, Massachusetts

FINANCIAL STATEMENTS

September 30, 2014 and 2013

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Hudson Housing Authority
Hudson, Massachusetts

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the Hudson Housing Authority, Hudson, MA, as of September 30, 2014 and 2013, and for the years then ended, and the related notes to the financial statements, which collectively comprise the Hudson Housing Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The Hudson Housing Authority's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Hudson Housing Authority, as of September 30, 2014 and 2013, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hudson Housing Authority's basic financial statements. The supplemental information presented on pages 20 through 26 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information presented on pages 20 through 26 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented on pages 20 through 26 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 issued our report dated June 19, 2015 on our consideration of the Hudson Housing Authority's internal control over financial reporting and 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 considered in assessing the results of our audits.

A handwritten signature in cursive script that reads "Guyder Herby" followed by "PC" in a smaller font.

Quincy, Massachusetts
June 19, 2015

MANAGEMENT'S DISCUSSION & ANALYSIS

HUDSON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2014

As management of the 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 September 30, 2014. We encourage readers to consider the information presented here in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$4,421,039 (net position).
- The net position of the Authority consisted of Net Invested in Capital Assets in the amount of \$3,496,382 Unrestricted Net Position in the amount of \$924,203, and Restricted Net Position of \$454.
- The Authority's cash and investments at September 30, 2014 was \$1,274,650.
- The Authority had total revenues of \$2,227,317, and program expenses (inclusive of depreciation expense) of \$2,497,256 for the year ended September 30, 2014.

OVERVIEW OF THE HOUSING AUTHORITY

The Authority was created in 1962 to provide and promote safe and sanitary housing for low income persons residing in Hudson, MA. The Authority is a municipal corporation located in Hudson, MA as was established under Chapter 121B of the State Statutes.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Authority's financial statements consist of two parts - 1) Management's Discussion and 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 three components: 1) government-wide financial statements, 2) fund financial statements, and 3) 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.

The Authority is considered by accounting principles generally accepted in the United States of America (GAAP) to be a special purpose government accounted for as enterprise funds. Its chartered purpose is the 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 single purpose enterprise fund government, 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.

HUDSON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2014

Statement of Net Position

- The Statement of Net Position 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 Position is presented in a format where assets equal liabilities plus net position. Assets and liabilities are presented in order of liquidity, and are classified as "Current" (for accounting purposes, the term current assets is used to designate cash and other assets or resources commonly identified as those which are reasonably expected to be realized in cash or sold or consumed during the normal operating cycle of the business), and "Non-current."
- Net position (formerly net assets) represent the cumulative effect of revenue and expenses. It is also the difference between assets and liabilities. Net position are reported in three broad categories:

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

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

Statement of Revenue Expenses and Changes in Fund Net Position

- 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; and non-operating revenue and expenses, such as grant 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 Position is the "Change in Net Position," 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.

HUDSON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2014

Authority Funds

A *fund* is a 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. The programs of the Authority has one fund and the programs are as follows:

Low Rent Public Housing – Under this program the Authority owns, operates and maintains rental housing acquired with grants from The U.S. Department of Housing and Urban Development (HUD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by the HUD via operating grants.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of Capital funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

State and Local Programs – The Authority operates the following state and local programs:

State Consolidated Housing and State Chapter 705 Housing – Under these programs the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by the DHCD via operating grants.

State Chapter 689 Housing – Under this program the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.

Massachusetts Rental Voucher Program - DHCD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested land the tenants share of the rent not to exceed a contract amount.

State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority's application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.

Business Activities – This program was established in order for the Authority to own, rehabilitate and rent residential dwelling units to low and moderate income families.

HUDSON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2014

AN OVERVIEW OF THE AUTHORITY – WIDE FINANCIAL POSITION AND OPERATIONS

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

The Authority's total financial position at September 30, 2014 were \$4,421,039.

The Authority's overall financial position and results of operations are presented at the end of this report:

CAPITAL ASSETS

As of September 30, 2014, the Authority's investment in capital assets for its governmental activities was \$3,496,382 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements, equipment, and computers.

ECONOMIC FACTORS AFFECTING NEXT YEAR'S BUDGET

The following factors were considered in preparing the Authority's budget for the 2014 fiscal year:

- Administrative Fee Subsidies for the Housing Choice Voucher Program are expected to only be funded at 82%.
- Uncertainty exists in what level the Operating subsidies for the HUD Low Rent Program are expected to decrease substantially.
- Increased costs of Employer Health Insurance, Employer Retirement Contributions, Workers Compensation and Fire and Liability Insurance, continue to rise at unprecedented rates.
- The allowable spending "cap" by DHCD has been increased by 3.0%.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

Funding cuts during the next fiscal year by the Department of Housing and Communities Development (DHCD) along with sharp cost increases will have an impact on the State Housing 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 of the Hudson Housing Authority, 8 Brigham Circle Hudson, MA 01749.

HUDSON HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2014

STATEMENTS OF NET POSITION September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 1,378,335	\$ 1,352,618	\$ 25,717	1.90%
Capital Assets	3,496,382	3,689,589	(193,207)	-5.24%
Other Noncurrent Assets	<u>454</u>	<u>52,065</u>	<u>(51,611)</u>	-99.13%
Total Assets	<u>4,875,171</u>	<u>5,094,272</u>	<u>(219,101)</u>	-4.30%
Current Liabilities	262,652	233,882	28,770	12.30%
Noncurrent Liabilities	<u>191,480</u>	<u>169,412</u>	<u>22,068</u>	13.03%
Total Liabilities	<u>454,132</u>	<u>403,294</u>	<u>50,838</u>	12.61%
Net Invested in Capital Assets	3,496,382	3,689,589	(193,207)	-5.24%
Restricted	454	52,075	(51,621)	-99.13%
Unrestricted (Deficit)	<u>924,203</u>	<u>949,314</u>	<u>(25,111)</u>	-2.65%
Total Net Position	<u>\$ 4,421,039</u>	<u>\$ 4,690,978</u>	<u>\$ (269,939)</u>	-5.75%

- Noncurrent assets decreased due to HUD recapturing funds
- Equipment decreased due to write off of old equipment

HUDSON HOUSING AUTHORITY

**MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2014**

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the years ended September 30, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	<u>Change</u>	<u>% Change</u>
Revenue				
Non-operating Revenues	\$ 1,279,317	\$ 1,489,420	\$ (210,103)	-14.11%
Operating Revenues	<u>948,000</u>	<u>1,788,363</u>	<u>(840,363)</u>	-46.99%
Total Revenues	<u>2,227,317</u>	<u>3,277,783</u>	<u>(1,050,466)</u>	-32.05%
Expenses				
Housing assistance payments	960,438	924,012	36,426	3.94%
Administration	349,610	426,136	(76,526)	-17.96%
Repair and maintenance	445,944	510,884	(64,940)	-12.71%
Depreciation expense	359,709	350,803	8,906	2.54%
Utilities	311,461	267,402	44,059	16.48%
Insurance expense	39,598	34,242	5,356	15.64%
Other general expenses	<u>30,496</u>	<u>892,106</u>	<u>(861,610)</u>	-96.58%
Total Expenses	<u>2,497,256</u>	<u>3,405,585</u>	<u>(908,329)</u>	-26.67%
Change in Net Position	(269,939)	(127,802)	(142,137)	111.22%
Net Position - Beginning of Year	<u>4,690,978</u>	<u>4,818,780</u>	<u>(127,802)</u>	-2.65%
Net Position - End of Year	<u>\$ 4,421,039</u>	<u>\$ 4,690,978</u>	<u>\$ (269,939)</u>	-5.75%

- Non-operating Revenues decreased due to lower capital funds being used.
- Operating Revenues decreased due to the recognition of the judgment revenue (see note 7) in the prior period.
- Administration decreased due to an administrative position not being filled.
- Utilities increased due to a harsh winter.

BASIC FINANCIAL STATEMENTS

HUDSON HOUSING AUTHORITY

STATEMENTS OF NET POSITION

September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
ASSETS		
Current Assets:		
Cash and cash equivalents - Note 4	\$ 1,216,500	\$ 1,062,783
Restricted cash and cash equivalents - Notes 4 & 5	57,696	58,593
Accounts receivable, net - Note 6	36,373	167,550
Prepaid expenses and other current assets	<u>67,766</u>	<u>63,692</u>
Total Current Assets	<u>1,378,335</u>	<u>1,352,618</u>
Noncurrent Assets:		
Restricted cash and cash equivalents - Notes 4 & 5	454	52,065
Capital assets, net of accumulated depreciation - Note 8	<u>3,496,382</u>	<u>3,689,589</u>
Total Noncurrent Assets	<u>3,496,836</u>	<u>3,741,654</u>
Total Assets	<u>4,875,171</u>	<u>5,094,272</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	2,435	2,433
Accounts payable, other government	106,021	82,346
Accrued wages and current portion of compensated absences	17,210	19,413
Other current liabilities	78,595	78,595
Other accrued expenses	32,101	28,886
Unearned revenue	19,100	15,691
Tenant security deposits	<u>7,190</u>	<u>6,518</u>
Total Current Liabilities	<u>262,652</u>	<u>233,882</u>
Noncurrent Liabilities:		
Other noncurrent liabilities - Note 9	50,507	52,065
OPEB liability - Notes 9 & 12	<u>140,973</u>	<u>117,347</u>
Total Noncurrent Liabilities	<u>191,480</u>	<u>169,412</u>
Total Liabilities	<u>454,132</u>	<u>403,294</u>
NET POSITION		
Net investment in capital assets	3,496,382	3,689,589
Restricted - Note 3	454	52,075
Unrestricted (deficit)	<u>924,203</u>	<u>949,314</u>
Total Net Position	<u>\$ 4,421,039</u>	<u>\$ 4,690,978</u>

HUDSON HOUSING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
For the years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Tenant rental income	\$ 933,530	\$ 916,556
Other revenue	<u>14,470</u>	<u>871,807</u>
Total Operating Revenues	<u>948,000</u>	<u>1,788,363</u>
OPERATING EXPENSES		
Housing assistance payments	960,438	924,012
Repair and maintenance	445,944	510,884
Depreciation expense	359,709	350,803
Administration	349,610	426,136
Utilities	311,461	267,402
Insurance expense	39,598	34,242
Other general expenses	<u>30,496</u>	<u>892,106</u>
Total Operating Expenses	<u>2,497,256</u>	<u>3,405,585</u>
Operating Loss	<u>(1,549,256)</u>	<u>(1,617,222)</u>
NONOPERATING REVENUES		
HUD grants and contributions	1,017,277	925,174
Other government grants and contributions	187,939	196,676
Interest and investment revenue	<u>98</u>	<u>1,830</u>
Total Nonoperating Revenues	<u>1,205,314</u>	<u>1,123,680</u>
Loss before Capital Contributions and Transfers	<u>(343,942)</u>	<u>(493,542)</u>
CAPITAL CONTRIBUTIONS & TRANSFERS		
Other government capital grants and contributions	74,003	70,836
HUD capital grants and contributions	<u>-</u>	<u>294,904</u>
Total Capital Contributions and Transfers	<u>74,003</u>	<u>365,740</u>
Change in Net Position	(269,939)	(127,802)
Net Position - Beginning of Year	<u>4,690,978</u>	<u>4,818,780</u>
Net Position - End of Year	<u>\$ 4,421,039</u>	<u>\$ 4,690,978</u>

HUDSON HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from tenants	\$ 937,231	\$ 924,580
Other operating receipts	11,215	10,843
Payments to employees	(486,933)	(486,507)
Payments to suppliers	<u>(1,607,004)</u>	<u>(1,621,856)</u>
Net cash used in operating activities	<u>(1,145,491)</u>	<u>(1,172,940)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
HUD grants	1,017,277	925,174
Other government grants	<u>190,679</u>	<u>219,085</u>
Net cash provided by noncapital financing activities	<u>1,207,956</u>	<u>1,144,259</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Other government capital grants	70,244	66,212
HUD capital grants	134,904	167,970
Acquisitions of capital assets	<u>(166,502)</u>	<u>(451,285)</u>
Net cash provided by (used in) capital and related financing activities	<u>38,646</u>	<u>(217,103)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest and dividends received	<u>98</u>	<u>1,830</u>
Net cash provided by investing activities	<u>98</u>	<u>1,830</u>
Net increase (decrease) in cash and cash equivalents	101,209	(243,954)
Cash and cash equivalents at beginning of year	<u>1,173,441</u>	<u>1,417,395</u>
Cash and cash equivalents at end of year	<u>\$ 1,274,650</u>	<u>\$ 1,173,441</u>
Reconciliation of operating loss to net cash used in operating activities:		
Operating loss	\$ (1,549,256)	\$ (1,617,222)
Adjustments:		
Depreciation	359,709	350,803
Change in assets and liabilities:		
(Increase) decrease in accounts receivable, tenants	2,290	2,387
(Increase) decrease in accounts receivable, other	(764)	556
(Increase) decrease in prepaid expenses and other current assets	(4,074)	12,486
(Decrease) increase in accounts payable	2	(472)
(Decrease) increase in accounts payable, other government	23,675	(23,262)
(Decrease) increase in compensated absences and accrued wages	(2,203)	2,169
(Decrease) increase in OPEB liability	23,626	16,695
(Decrease) increase in accrued expenses and other current liabilities	1,657	80,288
(Decrease) increase in tenant security deposits	672	1,370
(Decrease) increase in deferred operating revenue	<u>(825)</u>	<u>1,262</u>
Net cash used in operating activities	<u>\$ (1,145,491)</u>	<u>\$ (1,172,940)</u>

See Accompanying Notes

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS September 30, 2014 and 2013

NOTE 1 – ORGANIZATION

The Hudson Housing Authority (the Authority) was incorporated under the laws of the Commonwealth of Massachusetts. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate income families and elderly individuals.

The Authority maintains its accounting records by program and operates the following programs:

Low Rent Public Housing – This program 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). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

Section 8 Housing Choice Voucher – HUD provides grants to the Authority to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Under this program, qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority will subsidize the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a predetermined payment standard.

State and Local Programs – The Authority operates the following state and local programs:

State Consolidated and State Chapter 705 Housing – Under these programs, the Authority owns, operates and maintains rental housing acquired with grants from Massachusetts Department of Housing & Community Development (DHCD). Dwelling units are leased to low income tenants at rates based on their ability to pay. Operations are supported by DHCD via operating grants.

State Chapter 689 Housing – Under this program, the Authority owns operates and maintains rental housing acquired with grants from DHCD. The building is generally rented to a non-profit corporation who provides health and human resource needs to mentally disabled individuals.

Massachusetts Rental Voucher Program (MRVP) - DHCD provides grants to subsidize rents paid by low income families and individuals who rent dwelling units from private landlords. Qualified applicants are issued vouchers which may be used by the applicant to obtain housing in the private rental market. The Authority subsidizes the landlord for the difference between the rent requested and the tenant's share of the rent not to exceed a contract amount.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS September 30, 2014 and 2013

NOTE 1 – ORGANIZATION – (Continued)

State Modernization Program – DHCD provides grant funds to authorities with State Consolidated units based on the Authority’s application and determination of need. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the State Consolidated Housing Program.

Business Activities – This program was established in order for the Authority to own, rehabilitate and rent residential dwelling units to low and moderate income families.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

- the organization is legally separate (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 Authority has no component units.

B. Basis of Presentation and Accounting

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

The Authority’s financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (“GASB 34”) and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”). GASB 34 and GASB 63 require the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. GASB 34 requires the Authority to include Management’s Discussion and Analysis as part of the Required Supplementary Information. GASB 63 requires the Authority to report deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation and Accounting – (Continued)

The Authority's primary source of nonexchange revenue relates to grants and subsidies. Grants and subsidies revenue is recognized at the time eligible program expenditures occur and/or the Authority has complied with the grant and subsidy requirements, in accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. Grants received in advance of expenditures are recorded as a liability until earned.

New Accounting Standards Adopted

During 2014, the Authority adopted GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*. The Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

C. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires the use of estimates that affect reported amounts of assets, liabilities, revenues and expenses and related disclosures. Actual amounts could differ from those estimates.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and other debt securities that are readily convertible into cash and purchased with original maturities of three months or less. Also included in cash equivalents are non negotiable certificates of deposits, recorded at cost in accordance with GASB 31.

E. Accounts Receivable

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non tenant receivables are reviewed annually. See Note 6 for details of accounts receivable and allowances at year end.

HUDSON HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Capital Assets

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$1,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	30-40 years
Land and Building Improvements	15-20 years
Furniture, Equipment and Machinery	3-10 years

G. Compensated Absences

Vacation leave accrues from 2 to 5 weeks per year based on years of service. An employee may carry unused vacation leave up to 5 days. The Authority's policy does not allow employees to accumulate any sick leave. Total accrued compensated absences at September 30, 2014 and 2013 aggregated \$6,413 and \$8,131, respectively.

H. Operating Revenues and Expenses

GASB 34 paragraph 102 requires governments to establish a policy that defines operating revenues and expenses. The Authority uses the criteria prescribed in GASB 9 paragraphs 17 and 18 for cash flows to determine operating revenues and expenses. Operating revenue includes rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

I. Reclassifications

Certain amounts for the year ended September 30, 2013 have been reclassified to conform with the presentation of the September 30, 2014 amounts. The reclassifications have no effect on the net income for the year ended September 30, 2013.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 3 – NET POSITION: RESTRICTED

At September 30, 2014 and 2013, restrictions of \$454 and \$52,075, respectively, represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments.

NOTE 4 – CASH AND INVESTMENT DEPOSITS

GASB standards require that cash and investment deposits with financial institutions be classified into one of the following four categories:

Category A – Insured

Category B – Collateralized, with securities held by the entity or by its agent in the entity's name.

Category C – Collateralized, with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category D – Non-collateralized (Includes any bank balance collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the entity's name.)

The Authority has adopted HUD's Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, (category A, B or C) by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

Custodial Credit Risk – Cash Deposits

In the case of cash deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk, except ensuring that it follows the HUD regulations for federal deposits as detailed in a prior paragraph. At September 30, 2014, the Authority's cash deposits of \$1,274,650 were fully insured or collateralized.

The Authority notes that in accordance with GASB 40, the disclosures for all types of cash deposits with a financial institution, whether categorized as cash and cash equivalents or as investments are the same and have been reported and disclosed accordingly in the previous section of the note.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 5 – RESTRICTIONS ON CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority's restricted cash and cash equivalents balance consists of funds restricted for future HAP payments as well as funds designated for tenant security deposits. These amounts support either a corresponding liability or restricted net position. At September 30, 2014 and 2013, restricted cash was categorized as follows:

<u>Category of Restriction</u>	<u>2014</u>	<u>2013</u>
HAP Reserves	\$ 454	\$ 52,075
Program Restrictions	50,507	52,065
Tenant Security Deposits	<u>7,189</u>	<u>6,518</u>
Total	<u>\$ 58,150</u>	<u>\$ 110,658</u>

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a detail listing of receivables for the Authority including the applicable allowances for uncollectible accounts at September 30, 2014 and 2013.

<u>Category of Receivable</u>	<u>2014</u>	<u>2013</u>
HUD	\$ -	\$ 134,904
Other Government	34,001	28,748
PHA Projects	764	-
Tenants	<u>2,982</u>	<u>4,345</u>
Gross Receivables	37,747	167,997
Allowance - Tenants	<u>(1,374)</u>	<u>(447)</u>
Net Receivables	<u>\$ 36,373</u>	<u>\$ 167,550</u>

NOTE 7 – JUDGMENT REVENUE

In July of 2013, a judgment was made in favor of the Authority in a breach of contract action against Coolidge Greene, LLC (the Company). The Authority, in its role as monitoring agent, had sought damages related to noncompliance in the Company's development of the 30 unit property known as Coolidge Greene Apartments. In a written stipulation dated July 16, 2013, the Authority was awarded \$616,543 in damages, with interest from May 2, 2011 to July 16, 2013 in the amount of \$163,377, together with attorney's fees in the sum of \$63,152 and additional expenses of \$15,443. As of September 30, 2014, the Authority has not received payments related to this judgment.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 8 – CAPITAL ASSETS

The following is a summary of changes in capital assets and related accumulated depreciation.

	<u>9/30/2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/2014</u>
Capital assets not being depreciated				
Land	\$ 314,195	\$ -	\$ -	\$ 314,195
Construction in Progress	<u>19,635</u>	<u>122,932</u>	<u>(41,329)</u>	<u>101,238</u>
Total capital assets not being depreciated	<u>333,830</u>	<u>122,932</u>	<u>(41,329)</u>	<u>415,433</u>
Other Capital Assets				
Buildings	11,311,116	41,329	-	11,352,445
Furniture, equipment & machinery	<u>482,896</u>	<u>43,570</u>	<u>(210,872)</u>	<u>315,594</u>
Total other capital assets	<u>11,794,012</u>	<u>84,899</u>	<u>(210,872)</u>	<u>11,668,039</u>
Less accumulated depreciation				
Buildings	7,955,358	353,485	-	8,308,843
Furniture, equipment & machinery	<u>482,895</u>	<u>6,224</u>	<u>(210,872)</u>	<u>278,247</u>
Total accumulated depreciation	<u>8,438,253</u>	<u>359,709</u>	<u>(210,872)</u>	<u>8,587,090</u>
Capital Assets Net	<u>\$ 3,689,589</u>	<u>\$ (151,878)</u>	<u>\$ (41,329)</u>	<u>\$ 3,496,382</u>
Depreciation expense was charged to:				
Low Rent		<u>\$ 244,812</u>		
State/Local		<u>\$ 112,081</u>		
Business Activities		<u>\$ 2,816</u>		

NOTE 9 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended September 30, 2014 is as follows:

	<u>9/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount due within one year</u>	<u>9/30/2014</u>
Simrah Gardens Escrow	\$ 25,054	\$ 3	\$ -	\$ -	\$ 25,057
Tenant Organization					
Escrow	27,011	12,488	(14,049)	-	25,450
OPEB Liability	<u>117,347</u>	<u>75,652</u>	<u>(52,026)</u>	<u>-</u>	<u>140,973</u>
Total	<u>\$ 169,412</u>	<u>\$ 88,143</u>	<u>\$ (66,075)</u>	<u>\$ -</u>	<u>\$ 191,480</u>

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS September 30, 2014 and 2013

NOTE 10 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. The Authority makes a payment in lieu of taxes equal to 10% of rental income charged less utility expenses annually for all of its properties constructed with and funded by HUD. State funded scattered site units make payments in lieu of real estate taxes equal to ½ of the Municipality's tax rate plus \$100 multiplied by the number of available bedrooms. State funded family properties make payments in lieu of real estate taxes equal to \$3 per unit per month. The payment in lieu of taxes for the years ended September 30, 2014 and 2013 aggregated \$25,406 and \$27,424, respectively.

NOTE 11 – MIDDLESEX RETIREMENT SYSTEM (MRS)

A. Plan Description and Membership

The Authority provides pension benefits to certain employees through the MRS, a cost-sharing, multiple-employer public employee retirement system regulated by the Public Employee Retirement Administration Commission (PERAC). The plan is a defined benefit plan. Participation is mandatory for all full time employees of the Authority. The retirement plan is a pooled risk type of plan. Under this type of plan, funding is determined based on all employees covered for all employing units. The funding liabilities are shared by each employing unit pro-rata based on the number of employees in the employing unit. Since the Authority's share of pension liability is not based on their employees, pension expense is determined by the total required payment to be made to the retirement plan for the year. The MRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to MRS, 25 Linnell Circle, Billerica, MA 01865 or by calling (978) 439-3000.

B. Significant Plan Provisions and Requirements

State law establishes benefit provisions and contribution requirements of the MRS. Employees who have at least 10 years of longevity and have attained 55 years of age are eligible to receive retirement benefits. Retired employees receive an allowance based upon the average of their three highest consecutive salary years of service multiplied by (1) the number of years and full months of creditable service at the time of retirement and (2) a percentage based on age at retirement in accordance with a schedule provided by state law. Assuming normal retirement at age 65, this percentage is 2.5%, which is reduced for individuals who retire prior to age 65 to reflect the longer payout period. Employees may elect early retirement after 20 years of service or at any time after attaining age 55 with 10 years of eligible service. Plan members who become permanently and totally disabled may be eligible to receive a disability retirement allowance. The amount of benefits to be received depends on several factors, including the member's age, compensation, veteran status, years of creditable service, and whether or not the disability is work-related. In addition, certain death benefits exist for beneficiaries of employees who die in active service.

HUDSON HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013**

NOTE 11 – MIDDLESEX RETIREMENT SYSTEM (MRS) – (Continued)

C. Funding Policy

Depending on their employment date, active Plan members must contribute either 5%, 7%, 8%, or 9% of their gross regular compensation. Members hired after December 31, 1978 must contribute an additional 2% of regular compensation in excess of \$30,000. These deductions earn interest at a rate determined by PERAC that vests based upon years of service. Member employers are required to contribute the remaining amounts necessary to finance benefits, except for certain cost-of-living adjustments (COLAs) granted before July 1, 1998, which are reimbursed by the Commonwealth. The current and two preceding years' apportionment of the annual pension cost between the employers required the Authority to contribute approximately 2.0% of the total.

D. Annual Pension Cost

The Authority's required and actual contributions to MRS for the years ended September 30, 2014 and 2013 were \$62,484 and \$65,282, respectively. Employee contributions for the years ended September 30, 2014 and 2013 were \$26,188 and \$24,872, respectively.

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS

A. Plan Description

The Authority provides comprehensive medical insurance, both with and without Medicare coordination, and life insurance to its employees who meet certain eligibility requirements. Employees are eligible for postretirement benefits if he/she has reached the age of 55 as an active employee and completed 10 years of service.

All active employees who retire from the Authority and meet the eligibility criteria will receive these benefits. The duration of these benefits is for the employee's lifetime. Under this cost sharing plan, these benefits cover 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for both individuals and family members (percentages represent the employees' portion).

The face value of each life insurance policy is \$5,000. Life insurance benefits do not apply to family members, this benefit covers 20% of premiums for Medical for those who retire on or after 10/1/2009 (15% for those who retired after 7/1/1994 but before 10/1/2009, and 10% for all others) for individuals.

Currently, there are 3 active employees and 5 retired employees enrolled in the plan.

B. Funding Policy

The Authority is not required by law or contractual agreement to provide funding for the Plan other than the pay-as-you-go amount necessary to provide current benefits to retirees and eligible beneficiaries/dependents. For the fiscal years ended September 30, 2014 and 2013, the Authority paid \$52,026 and \$58,151, respectively, on behalf of the Plan, respectively.

HUDSON HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013**

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS – (Continued)

C. Annual OPEB Cost and Net OPEB Obligation

The Authority’s annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount that was actuarially determined by using the Actuarial Cost Method (one of the actuarial cost methods in accordance with the parameters of GASB Statement No. 45). Under this method, the normal cost and actuarial accrued liability are both based on an accrual of projected benefits over the period for which benefits are accrued. The normal cost is the actuarial present value of one year’s benefit accrual on this basis. The actuarial accrued liability is the actuarial present value of the projected benefit time the ratio of past service to total service. Under this method, the Actuarial Gains (losses) are calculated each year and amortized over the minimum and maximum periods allowed by law from the year of such gains or losses. All employees who are plan participants on a valuation date are included in the actuarial valuation. The following table shows the elements of the Authority’s annual OPEB cost for the year, the amount actually paid on behalf of the Plan, and changes in the Authority’s net OPEB obligation to the Plan for the fiscal years ended September 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Annual Required Contribution (ARC)	\$ 67,493	\$ 67,354
Amortization of Actuarial (Gains)/Losses	9,991	9,063
Interest on Net OPEB obligation	4,693	4,026
Adjustment to ARC	<u>(6,525)</u>	<u>(5,597)</u>
Annual OPEB expense	75,652	74,846
Contributions made	<u>(52,026)</u>	<u>(58,151)</u>
Increase in net OPEB obligation	23,626	16,695
Net OPEB obligation - beginning of year	<u>117,347</u>	<u>100,652</u>
Net OPEB obligation - end of year	<u>\$ 140,973</u>	<u>\$ 117,347</u>

The Authority’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal years ended September 30, 2014 and 2013 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Contributions</u>	<u>Increase in Net OPEB Obligation</u>
September 30, 2014	\$ 75,652	68.77%	\$ 23,626
September 30, 2013	\$ 74,846	77.69%	\$ 16,695

D. Funding Status and Funding Progress

As of October 1, 2012, the most recent actuarial valuation date, the Plan was 0.0% funded. The actuarial accrued liability for benefits was \$1,050,469 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,050,469. The covered payroll (annual payroll of active employees covered by the Plan) was \$269,000, and the ratio of the UAAL to the covered payroll was 391%. 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

HUDSON HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013**

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS – (Continued)

D. Funding Status and Funding Progress – (Continued)

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 multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. 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.

<i>Valuation Date:</i>	October 1, 2012
<i>Discount Rate:</i>	4.0% per annum (assuming no prefunding)
<i>Mortality Rates:</i>	Pre-retirement: RP-2000 Combined Healthy Mortality Table Post-retirement: RP-2000 Combined Healthy Mortality Table
<i>Withdrawal Rates:</i>	Withdrawal rates are expected to decline over time based on an individual's years of service, from 15% for those employees with 1 year or less of service to 0% for those employees with 30 years of service.
<i>Retirement Rates:</i>	Retirement rates are expected to increase over time based on an individual's age, from 0% for employees at age 45 to 100% for employees at age 72.
<i>General Inflation Assumption:</i>	2.5% per annum
<i>Annual Compensation Increases:</i>	3.0% per annum
<i>Actuarial Value of Assets:</i>	Market Value
<i>Amortization of UAAL:</i>	Amortized as level dollar amount over 30 years at the last valuation.

HUDSON HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013**

NOTE 12 – OTHER POST EMPLOYMENT BENEFITS – (Continued)

E. Actuarial Methods and Assumptions – (Continued)

Remaining

Amortization Period: 27 years at October 1, 2012

Health Care Cost

Trend Rate: Health care costs are expected to increase at a decreasing rate, from 11% in 2008 to 5% in the year 2015.

F. Effect of 1% Change in Healthcare Trend Rates

In the event that healthcare trend rates were 1% higher than forecast and employee contributions were to increase at the forecast rates, the Actuarial Accrued Liability would increase to \$1,223,246 or by 16.4% and the corresponding Normal Cost would increase to \$19,568 or by 29.6%. If such healthcare trend rates were 1% less than forecast and employee contributions were to increase at the forecast rate, the Actuarial Accrued Liability would decrease to \$906,458 or by 13.7% and the corresponding Normal Cost would decrease to \$11,618 or by 23.0%.

NOTE 13 – RISK MANAGEMENT

Litigation

The Authority is contingently liable with respect to lawsuits and other claims incidental to the ordinary course of its operations. Claims covered by the risk management program are reviewed and losses are accrued as required in the judgment of management. In the opinion of management, based on the advice of legal counsel, the ultimate disposition of lawsuits and claims will not have a material adverse effect on the financial position of the Authority.

Grants

Amounts received or receivable from the grantor agencies are subject to audit and adjustment by grantor agencies. If expenditures are disallowed as a result of these audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE 14 – IMPAIRMENT OF CAPITAL ASSETS

Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2014.

NOTE 15 – ECONOMIC DEPENDENCY

The Authority's state and federal programs are economically dependent on grants and annual contributions from DHCD and HUD, respectively. These programs operate at a loss prior to receiving these grants and contributions.

HUDSON HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE 16 – SUBSEQUENT EVENTS

Events that occur after the statement of net position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through June 19, 2015 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

HUDSON HOUSING AUTHORITY
SCHEDULE OF FUNDING PROGRESS
For the period ended September 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a) / (b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b) - (a)] / (c)
10/1/2009	\$ -	\$ 939,793	\$ 939,793	0%	\$ 245,567	383%
10/1/2010	\$ -	\$ 960,353	\$ 960,353	0%	\$ 253,000	380%
10/1/2011	\$ -	\$ 979,358	\$ 979,358	0%	\$ 261,000	375%
10/1/2012	\$ -	\$ 1,050,469	\$ 1,050,469	0%	\$ 269,000	391%
10/1/2013	\$ -	\$ 1,047,711	\$ 1,047,711	0%	\$ 277,070	378%

SUPPLEMENTAL INFORMATION

HUDSON HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2014

FDS Line Item	Description	AMPs	Housing Choice Vouchers	Business Activities	State/Local	Total
111	Cash - Unrestricted	645,213	71,616	77,866	421,805	1,216,500
113	Cash - Other Restricted	7,677	454	-	42,830	50,961
114	Cash - Tenant Security Deposits	-	-	-	7,189	7,189
100	Total Cash	652,890	72,070	77,866	471,824	1,274,650
121	Accounts Receivable - PHA Projects	-	-	-	764	764
124	Accounts Receivable - Other Government	-	-	-	34,001	34,001
125	Accounts Receivable - Miscellaneous	-	-	858,515	-	858,515
126	Accounts Receivable - Tenants	1,050	-	935	997	2,982
126.1	Allowance for Doubtful Accounts -Tenants	(539)	-	-	(835)	(1,374)
126.2	Allowance for Doubtful Accounts - Other	-	-	(858,515)	-	(858,515)
120	Total Receivables, Net of Allowances for Doubtful Accounts	511	-	935	34,927	36,373
142	Prepaid Expenses and Other Assets	7,895	1,130	1,021	57,720	67,766
150	Total Current Assets	661,296	73,200	79,822	564,471	1,378,789
161	Land	54,035	-	-	260,160	314,195
162	Buildings	6,958,301	-	84,490	4,309,654	11,352,445
163	Furniture, Equipment & Machinery - Dwellings	96,480	-	-	-	96,480
164	Furniture, Equipment & Machinery - Administration	-	-	-	219,114	219,114
166	Accumulated Depreciation	(4,568,559)	-	(50,692)	(3,967,839)	(8,587,090)
167	Construction in Progress	-	-	7,600	93,638	101,238
160	Total Capital Assets, Net of Accumulated Depreciation	2,540,257	-	41,398	914,727	3,496,382
180	Total Non-Current Assets	2,540,257	-	41,398	914,727	3,496,382
200	Deferred Outflow of Resources	-	-	-	-	-
290	Total Assets and Deferred Outflow of Resources	3,201,553	73,200	121,220	1,479,198	4,875,171
321	Accrued Wage/Payroll Taxes Payable	2,964	967	-	6,866	10,797
322	Accrued Compensated Absences - Current Portion	2,379	542	-	3,492	6,413
332	Account Payable - PHA Projects	-	2,435	-	-	2,435
333	Accounts Payable - Other Government	49,231	-	-	56,790	106,021
341	Tenant Security Deposits	-	-	-	7,190	7,190
342	Unearned Revenue	948	-	-	18,152	19,100
345	Other Current Liabilities	-	-	78,595	-	78,595
346	Accrued Liabilities - Other	16,987	1,228	60	13,826	32,101
310	Total Current Liabilities	72,509	5,172	78,655	106,316	262,652

HUDSON HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2014

FDS Line Item	Description	AMPs	Housing Choice Vouchers	Business Activities	State/Local	Total
353	Non-current Liabilities - Other	7,677	-	-	42,830	50,507
357	Accrued Pension and OPEB Liabilities	46,377	17,679	-	76,917	140,973
350	Total Non-Current Liabilities	54,054	17,679	-	119,747	191,480
300	Total Liabilities	126,563	22,851	78,655	226,063	454,132
400	Deferred Inflow of Resources	-	-	-	-	-
508.4	Net Investment in Capital Assets	2,540,257	-	41,398	914,727	3,496,382
511.4	Restricted Net Position	-	454	-	-	454
512.4	Unrestricted Net Position	534,733	49,895	1,167	338,408	924,203
513	Total Equity - Net Assets / Position	3,074,990	50,349	42,565	1,253,135	4,421,039
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	3,201,553	73,200	121,220	1,479,198	4,875,171
70300	Net Tenant Rental Revenue	337,469	-	13,200	582,861	933,530
70500	Total Tenant Revenue	337,469	-	13,200	582,861	933,530
70600	HUD PHA Operating Grants	202,439	814,838	-	-	1,017,277
70700	Total Fee Revenue	-	-	-	-	-
70800	Other Government Grants	-	-	-	261,942	261,942
71100	Investment Income - Unrestricted	23	21	9	45	98
71400	Fraud Recovery	-	1,666	-	-	1,666
71500	Other Revenue	1,410	146,327	-	3,452	151,189
70000	Total Revenue	541,341	962,852	13,209	848,300	2,365,702
91100	Administrative Salaries	56,500	33,820	-	94,343	184,663
91200	Auditing Fees	1,997	2,480	-	2,523	7,000
91500	Employee Benefit contributions - Administrative	33,817	18,522	-	49,660	101,999
91700	Legal Expense	208	364	-	122	694
91800	Travel	831	534	-	1,276	2,641
91900	Other	17,813	15,725	336	18,739	52,613
91000	Total Operating - Administrative	111,166	71,445	336	166,663	349,610
92500	Total Tenant Services	-	-	-	-	-
93100	Water	18,654	-	-	28,729	47,383
93200	Electricity	36,340	-	-	181,340	217,680

HUDSON HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2014

FDS Line Item	Description	AMPs	Housing Choice Vouchers	Business Activities	State/Local	Total
93300	Gas	46,398	-	-	-	46,398
93000	Total Utilities	101,392	-	-	210,069	311,461
94100	Ordinary Maintenance and Operations - Labor	57,875	-	-	88,213	146,088
94200	Ordinary Maintenance and Operations - Materials and Other	40,671	-	21	25,550	66,242
94300	Ordinary Maintenance and Operations Contracts	40,558	5,945	4,091	39,199	89,793
94500	Employee Benefit Contributions - Ordinary Maintenance	27,669	-	-	47,576	75,245
94000	Total Maintenance	166,773	5,945	4,112	200,538	377,368
95000	Total Protective Services	-	-	-	-	-
96110	Property Insurance	9,618	-	-	13,445	23,063
96120	Liability Insurance	3,089	240	5	-	3,334
96130	Workmen's Compensation	2,709	816	-	4,272	7,797
96140	All Other Insurance	1,725	968	-	2,711	5,404
96100	Total insurance Premiums	17,141	2,024	5	20,428	39,598
96200	Other General Expenses	-	1,090	2,712	-	3,802
96210	Compensated Absences	142	-	-	219	361
96300	Payments in Lieu of Taxes	23,606	-	-	1,800	25,406
96400	Bad debt - Tenant Rents	425	-	-	502	927
96000	Total Other General Expenses	24,173	1,090	2,712	2,521	30,496
96700	Total Interest Expense and Amortization Cost	-	-	-	-	-
96900	Total Operating Expenses	420,645	80,504	7,165	600,219	1,108,533
97000	Excess of Operating Revenue over Operating Expenses	120,696	882,348	6,044	248,081	1,257,169
97100	Extraordinary Maintenance	47,711	-	-	20,865	68,576
97300	Housing Assistance Payments	-	803,616	-	156,822	960,438
97350	HAP Portability-In	-	138,385	-	-	138,385
97400	Depreciation Expense	244,812	-	2,816	112,081	359,709
90000	Total Expenses	713,168	1,022,505	9,981	889,987	2,635,641
10100	Total Other financing Sources (Uses)	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(171,827)	(59,653)	3,228	(41,687)	(269,939)
11030	Beginning Equity	3,246,817	110,002	39,337	1,294,822	4,690,978

HUDSON HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2014

FDS Line Item	Description	AMPs	Housing Choice Vouchers	Business Activities	State/Local	Total
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-
11170	Administrative Fee Equity	-	49,895	-	-	49,895
11180	Housing Assistance Payments Equity	-	454	-	-	454
11190	Unit Months Available	1,104	816	12	1,976	3,908
11210	Number of Unit Months Leased	1,104	797	12	1,960	3,873
11270	Excess Cash	538,162	-	-	-	538,162

HUDSON HOUSING AUTHORITY

**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
For the year ended September 30, 2014**

Project MA06091-	501-11	501-12
Modernization Funds Approved	\$ 105,818	\$ 95,015
Modernization Funds Expended	<u>105,818</u>	<u>95,015</u>
Excess of Modernization Funds Approved	<u>\$ -</u>	<u>\$ -</u>
Modernization Funds Advanced	\$ 105,818	\$ 95,015
Modernization Funds Expended	<u>105,818</u>	<u>95,015</u>
Excess of Modernization Funds Advanced	<u>\$ -</u>	<u>\$ -</u>

Based on our review of the completed projects:

- 1) All work in connection with the projects is complete.
- 2) All liabilities have been incurred and discharged through payment.

HUDSON HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the year ended September 30, 2014

	<u>Major Program</u>	<u>Direct Award</u>	<u>Pass Through Entity</u>	<u>CFDA Number</u>	<u>Federal Financial Assistance Received</u>	<u>Federal Financial Assistance Expenditures</u>
Department of Housing and Urban Development						
Low Rent Public Housing	No	Yes	N/A	14.850	\$ 187,424	\$ 187,424
Public Housing Capital Fund Program	No	Yes	N/A	14.872	15,015	15,015
Housing Choice Voucher Program	Yes	Yes	N/A	14.871	<u>814,838</u>	<u>814,838</u>
Total Major Programs					<u>814,838</u>	<u>814,838</u>
Total Non-Major Programs					<u>202,439</u>	<u>202,439</u>
Total All Programs					<u>\$ 1,017,277</u>	<u>\$ 1,017,277</u>

HUDSON HOUSING AUTHORITY

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2014**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Hudson Housing Authority under programs of the federal government for year ended September 30, 2014. 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*. Because the schedule presents only a selected portion of the operations of the Hudson Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Hudson Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**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
Hudson Housing Authority
Hudson, Massachusetts

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 the Hudson Housing Authority as of and for the years ended September 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Hudson Housing Authority's basic financial statements, and have issued our report thereon dated June 19, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Hudson Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hudson Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hudson 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 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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hudson Housing 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*.

We also noted certain matters that we reported to the management of the Hudson Housing Authority in a separate letter dated June 19, 2015.

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.

A handwritten signature in cursive script that reads "Guyden Hurley" followed by "PC" in a smaller font.

Quincy, Massachusetts
June 19, 2015

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To The Board of Commissioners
Hudson Housing Authority
Hudson, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Hudson Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014. The Hudson Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Hudson Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 Hudson Housing 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Hudson Housing Authority's compliance.

Opinion

In our opinion, the Hudson Housing Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the Hudson Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Hudson Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 Hudson Housing Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

We also noted certain matters that we reported to the management of the Hudson Housing Authority in a separate letter dated June 19, 2015.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Guyden Herby" followed by "PC" in a smaller font.

Quincy, Massachusetts
June 19, 2015

HUDSON HOUSING AUTHORITY

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2014 and 2013**

I. Summary of Audit Results

1. Type of report issued on the financial statements - Unmodified
2. The report on internal control over financial reporting did not disclose any material weaknesses.
3. The report on internal control over financial reporting did not disclose any significant deficiencies.
4. The report on compliance did not disclose instances of non-compliance material to the financial statements.
5. Type of report issued on compliance for major programs - Unmodified
6. The report on internal control over major programs did not disclose any material weaknesses.
7. The report on internal control over major programs did not disclose any significant deficiencies.
8. There are no audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section .510(a).
9. Major federal assistance programs are identified in the Schedule of Expenditures of Federal Awards. The dollar threshold to distinguish type A and type B programs was \$300,000.
10. The following programs were tested as major programs in accordance with OMB A-133:

CFDA Number

Housing Choice Voucher Program

14.871

11. The auditee qualified as a low-risk auditee.
12. The prior audit report did not disclose any findings or questioned costs.

II. Findings related to the Financial Statements which are required to be reported in accordance with GAGAS - NONE

III. Findings and Questioned Costs for Federal Awards which shall include Audit Findings as defined in paragraph 510(a) - NONE