

BATH HOUSING AUTHORITY  
Bath, Maine

FINANCIAL STATEMENTS  
and Additional Information

December 31, 2017  
with  
Report of Independent Auditors

BATH HOUSING AUTHORITY  
Bath, Maine

For the Year Ended December 31, 2017

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## REPORT OF INDEPENDENT AUDITORS

Board of Commissioners  
Bath Housing Authority  
Bath, Maine

We have audited the accompanying financial statements of the Bath Housing Authority, as of and for the year ended December 31, 2017, as listed in the table of contents. The prior year summarized comparative information has been derived from Bath Housing Authority's 2016 financial statements and, in our report dated May 13, 2017, we expressed an unmodified opinion on the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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 of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bath Housing Authority as of December 31, 2017, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 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 for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bath Housing Authority's financial statements as a whole. The accompanying additional information, including the Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The Financial Data Schedule and the Schedule of Expenditures of Federal Awards is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Governmental Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 9, 2018 on our consideration of Bath Housing 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* in considering Bath Housing Authority's internal control over financial reporting and compliance.



Certified Public Accountants

May 9, 2018  
South Portland, Maine

**BATH HOUSING AUTHORITY**  
Bath, Maine

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2017

Bath Housing Authority's (the Authority) management's discussion and analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual fund issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements (beginning on page 12).

**FINANCIAL HIGHLIGHTS**

- The Authority's net position decreased \$37,440 (-1.04%) during 2017. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$3,552,806 and \$3,590,246 for 2017 and 2016, respectively.
- Operating revenues increased by \$78,410 (4.11%) during 2017, and were \$1,987,303 and \$1,908,893 for 2017 and 2016, respectively.
- Operating expenses increased by \$240,208 (11.78%). Operating expenses were \$2,279,130 and \$2,038,922 for 2017 and 2016, respectively.
- Non-operating revenues (expenses) netted to \$230,387 and \$138,909 for 2017 and 2016 respectively.
- Government capital grants decreased \$5,882 (-19.68%) during 2017.
- The Authority's total long-term liabilities increased \$220 during the fiscal year to \$4,479.

## AUTHORITY-WIDE FINANCIAL STATEMENTS

The Authority-wide financial statements (see pgs 12-16) are designed to be corporate-like in that all business-type activities are consolidated into a single column.

These statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, plus deferred outflows of resources, minus liabilities, minus deferred inflows of resources equal "Net Position". Assets and liabilities are presented in order of liquidity and are classified as "Current" (convertible into cash within one year), and "Noncurrent".

The focus of the Statement of Net Position (the "Unrestricted Net Position") is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly net assets) are reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets, reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

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

Unrestricted Net Position: Consists of Net Position that does not meet the definition of "Net Investment in Capital Assets", or "Restricted Net Position".

The financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (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.

The focus of the Statement of Revenues, Expenses and Changes in Fund Net Position is the "Change in Net Position", which is similar to net income or loss.

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, non-capital financing activities, and from capital and related financing activities.

## **THE AUTHORITY'S PROGRAMS**

Low Rent Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide the housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Public Housing Capital Fund Program - The Conventional Public Housing Program also includes the Capital Fund Program, which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Resident Opportunity and Support Services – A program for the Low Rent Public Housing Program that provides funding for resident service coordination. The grant pays for the salary, benefits, training, and administrative costs for a resident service coordinator for public housing residents.

Local Programs – This fund represents the activities of the Authority's programs using non-HUD resources. Such activities include providing management and maintenance services to several housing projects.

## AUTHORITY-WIDE STATEMENTS

The following table reflects the condensed Statement of Net Position compared to the prior year.

**TABLE 1**  
**STATEMENTS OF NET POSITION**

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 1,815,734	\$ 1,755,586	\$ 60,148	3.43%
Capital Assets	1,112,997	1,202,682	(89,685)	-7.46%
Other Non-current Assets	775,085	815,909	(40,824)	-5.00%
<b>Total Assets</b>	<u>3,703,816</u>	<u>3,774,177</u>	<u>(70,361)</u>	-1.86%
Current Liabilities	146,531	111,571	34,960	31.33%
Non-current Liabilities	4,479	4,259	220	5.17%
<b>Total Liabilities</b>	<u>151,010</u>	<u>115,830</u>	<u>35,180</u>	30.37%
Deferred inflow of resources	-	68,101	(68,101)	100.00%
Net Position:				
Net investment in				
capital assets	1,112,997	1,202,682	(89,685)	-7.46%
Restricted	5,423	2,921	2,502	85.66%
Unrestricted	2,434,386	2,384,643	49,743	2.09%
<b>Total Net Position</b>	<u>\$ 3,552,806</u>	<u>\$ 3,590,246</u>	<u>\$ (37,440)</u>	-1.04%

For more detailed information see pages 12 and 13 for the Statement of Net Position.

### Major Factors Affecting the Statement of Net Position

Current liabilities increased due in part to a deposit error between the Housing Authority and the Development Corp. as well as slightly higher accounts payable.



**TABLE 2**  
**CHANGES IN UNRESTRICTED NET POSITION**

Unrestricted Net Position Beginning	\$ 2,384,643
Results of Operations	(37,440)
Adjustments:	
Depreciation (1)	141,471
Adjusted Results of Operations	104,031
Change in Restricted Assets	(2,502)
Capital Expenditures <i>(Net of construction in progress capitalized)</i>	(51,786)
Total other adjustments	(54,288)
Unrestricted Net Position Ending	\$ 2,434,386

(1) Depreciation is treated as an expense and reduces the results of operations but does not have an impact on Unrestricted Net Position.

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

**TABLE 3**

**STATEMENTS OF CHANGES IN NET POSITION**  
For the years ended December 31, 2017 and 2016

	2017	2016	Change	% Change
Operating revenues				
Dwelling rental	\$ 423,995	\$ 424,168	\$ (173)	-0.04%
Tenant revenue other	3,971	4,162	(191)	-4.59%
HUD operating grants	1,214,260	1,214,190	70	0.01%
Section 8 fraud recovery	-	315	(315)	-100.00%
Other	345,077	266,058	79,019	29.70%
<b>Total operating revenues</b>	<b>1,987,303</b>	<b>1,908,893</b>	<b>78,410</b>	4.11%
Operating expenses				
Administrative	528,978	412,046	116,932	28.38%
Tenant services	77,393	47,472	29,921	63.03%
Utilities	149,519	145,109	4,410	3.04%
Maintenance	330,817	225,979	104,838	46.39%
General	136,858	122,236	14,622	11.96%
Housing assistance payments	914,094	944,162	(30,068)	-3.18%
Depreciation and amortization	141,471	141,918	(447)	-0.31%
<b>Total operating expenses</b>	<b>2,279,130</b>	<b>2,038,922</b>	<b>240,208</b>	11.78%
Operating income (loss)	(291,827)	(130,029)	(161,798)	124.43%
Nonoperating revenues (expenses)				
Investment income	230,387	138,909	91,478	65.85%
<b>Total nonoperating revenues (expenses), net</b>	<b>230,387</b>	<b>138,909</b>	<b>91,478</b>	65.85%
Income/(loss) before capital grants	(61,440)	8,880	(70,320)	-791.89%
Governmental capital grants	24,000	29,882	(5,882)	-19.68%
Change in net position	<u>\$ (37,440)</u>	<u>\$ 38,762</u>	<u>\$ (76,202)</u>	-196.59%

**Major Factors Affecting the Statements of Revenue, Expenses and Changes in Fund Net Position**

An increase in other revenue and administrative, tenant, and maintenance expenses are a result of a bookkeeping change whereby employee wages & benefits for labor used by the Seacliff and Development Corp. properties are charged to Local Program rather than allocated to the properties. These costs are then offset by management fee revenue received from Seacliff and the Development Corp. This is a better reflection of financial activity as the employees utilized by Seacliff and the Development Corp. properties are employees of the PHA and therefore are more accurately presented as part of the total labor cost of the entity. General expense experienced an increase in the current year mainly due to recording compensated absence expense separate from wages for FDS purposes. Investment income rose as a result of dividends, interest, and capital appreciation of the Local Program investment account.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

As of year-end, the Authority had \$1,112,997 (net of depreciation) invested in a variety of capital assets, as reflected in the following schedule, which represents a net change (addition, deduction and depreciation) of \$89,685 or 7.46% from the end of last year.

**TABLE 4**

**CAPITAL ASSETS AT YEAR-END**  
*(Net of depreciation)*

	Business - Type Assets	
	2017	2016
Land	\$ 582,130	\$ 582,130
Leasehold improvements	21,892	-
Buildings and Improvements	4,336,091	4,336,091
Dwelling Equipment	288,309	268,551
Non-dwelling Equipment	291,453	291,453
	<u>5,519,875</u>	<u>5,478,225</u>
Accumulated Depreciation	(4,417,014)	(4,275,543)
Construction in Process	10,136	-
	<u>\$ 1,112,997</u>	<u>\$ 1,202,682</u>

**TABLE 5**  
**CHANGE IN CAPITAL ASSETS**

	Business-Type Activities
Beginning Balance	\$ 1,202,682
Fixed asset additions (net of construction in progress)	51,786
Depreciation	(141,471)
Ending Balance	\$ 1,112,997
 This year's major additions include <i>(but are not limited to)</i> :	
Stairlift	\$ 19,758
Office Upgrades	21,892
Sump Pump	10,136
	\$ 51,786

**DEBT OUTSTANDING**

As of year-end, Bath Housing Authority had no in debt outstanding.

## **ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development.
- Health insurance market has large impact on current and future benefit costs.
- Local labor supply and demand, which can affect salary and wage rates.
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income.
- Inflationary pressure on utility rates, supplies and other costs.

## **FINANCIAL CONTACT**

The individual to be contacted regarding this report is Debora Keller, Bath Housing Authority, at (207) 443-3116. Specific requests may be submitted to Debora Keller, Bath Housing Authority, 80 Congress Avenue, Bath, ME 04530.

BATH HOUSING AUTHORITY

COMBINED STATEMENTS OF NET POSITION

December 31, 2017

(With Comparative Totals for December 31, 2016)

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 4)		
Cash - Unrestricted	\$ 225,063	\$ 339,154
Cash - Restricted	5,423	2,921
Cash - Tenant Security Deposits	26,251	22,801
Total Cash	<u>256,737</u>	<u>364,876</u>
Receivables		
Accounts Receivable - PHA Projects	5,177	3,566
Accounts Receivable - HUD Other Projects	16,901	3,013
Accounts Receivable - Miscellaneous	10,684	55,376
Accounts Receivable - Tenants	6,995	1,723
Note Receivable - Current (Note 6)	44,153	39,226
Accrued Interest Receivable (Note 6)	2,873	187
Total Receivables	<u>86,783</u>	<u>103,091</u>
Investments - Unrestricted (Note 4)	1,463,659	1,270,831
Prepaid Expenses and Other Assets	120	8,353
Inventories	8,435	8,435
Total Current Assets	<u>1,815,734</u>	<u>1,755,586</u>
Noncurrent Assets		
Capital Assets (Note 2)		
Land	582,130	582,130
Buildings	4,336,090	4,336,090
Furniture, Equipment and Machinery - Dwellings	288,309	268,551
Furniture, Equipment and Machinery - Administration	291,454	291,454
Leasehold Improvements	21,892	-
Construction in Progress	10,136	-
Accumulated Depreciation	<u>(4,417,014)</u>	<u>(4,275,543)</u>
Total Capital Assets, Net of Accumulated Depreciation	1,112,997	1,202,682
Long-term Note Receivable (Note 6)	775,085	815,909
Total Noncurrent Assets	<u>1,888,082</u>	<u>2,018,591</u>
Total Assets	<u>3,703,816</u>	<u>3,774,177</u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY  
 COMBINED STATEMENTS OF NET POSITION  
 (Continued)  
 December 31, 2017  
 (With Comparative Totals for December 31, 2016)

	2017	2016
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable <= 90 Days	\$ 37,094	\$ 23,365
Accrued Wages/Payroll Taxes Payable	12,603	10,870
Accrued Compensated Absences - Current Portion	13,800	11,481
Accounts Payable - Other Government	27,845	28,322
Tenant Security Deposits	26,251	22,800
Deferred Revenue	-	8,066
Other Current Liabilities	28,938	6,667
Total Current Liabilities	146,531	111,571
Noncurrent Liabilities		
Accrued Compensated Absences - Noncurrent Portion	4,479	4,259
Total Noncurrent Liabilities	4,479	4,259
Total Liabilities	151,010	115,830
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Housing Assistance Payments	-	68,101
Total Deferred Inflows of Resources	-	68,101
<b>NET POSITION</b>		
Net Investment in Capital Assets	1,112,997	1,202,682
Restricted	5,423	2,921
Unrestricted	2,434,386	2,384,643
Total Net Position	\$ 3,552,806	\$ 3,590,246

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY  
 COMBINED STATEMENTS OF REVENUES, EXPENSES  
 AND CHANGES IN NET POSITION

For the Years Ended December 31, 2017 and 2016

	2017	2016
<b>OPERATING REVENUES</b>		
Net Tenant Rental Revenue	\$ 423,995	\$ 424,168
Tenant Revenue - Other	3,971	4,162
HUD PHA Operating Grants	1,214,260	1,214,190
Fraud Recovery	-	315
Other Revenue	345,077	266,058
Total Operating Revenues	1,987,303	1,908,893
<b>OPERATING EXPENSES</b>		
Administrative	528,978	412,046
Tenant Services	77,393	47,472
Utilities	149,519	145,109
Maintenance	330,817	225,979
General	136,858	122,236
Housing Assistance Payments	914,094	944,162
Depreciation	141,471	141,918
Total Operating Expenses	2,279,130	2,038,922
<b>OPERATING LOSS</b>	<b>(291,827)</b>	<b>(130,029)</b>
<b>NON-OPERATING REVENUES</b>		
Investment and Interest Income	230,387	138,909
Total Non-Operating Revenues	230,387	138,909
<b>INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL GRANTS</b>	<b>(61,440)</b>	<b>8,880</b>
<b>CAPITAL GRANTS</b>	<b>24,000</b>	<b>29,882</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>(37,440)</b>	<b>38,762</b>
<b>NET POSITION - BEGINNING</b>	<b>3,590,246</b>	<b>3,551,484</b>
<b>NET POSITION - ENDING</b>	<b>\$ 3,552,806</b>	<b>\$ 3,590,246</b>

See accompanying notes to the financial statements.



BATH HOUSING AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 423,083	\$ 428,368
Receipts from Grants	1,134,205	1,290,084
Other Receipts	390,423	230,077
Payments to Landlords	(914,774)	(943,451)
Payments to Employees	(546,074)	(384,905)
Payments for Administrative Expenses	(296,822)	(228,609)
Payments for Tenant Services Expenses	(5,650)	(1,480)
Payments for Utilities Expenses	(145,000)	(153,228)
Payments for Maintenance Expenses	(118,972)	(102,846)
Payments for Insurance	(44,355)	(53,551)
Payments for Taxes and PILOT	<u>(28,322)</u>	<u>(24,307)</u>
Net Cash Provided (Used) by Operating Activities	<u>(152,258)</u>	<u>56,152</u>
Cash Flows from Investing Activities:		
Purchases and Sales of Investment Securities	(91,922)	(88,313)
Receipts from Note Receivable	35,897	37,691
Investment and Interest Income	<u>126,795</u>	<u>46,599</u>
Net Cash Provided (Used) by Investing Activities	<u>70,770</u>	<u>(4,023)</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(40,651)	(34,047)
Capital Grant Proceeds	<u>14,000</u>	<u>29,882</u>
Net Cash Used by Capital and Related Financing Activities	<u>(26,651)</u>	<u>(4,165)</u>
Increase (Decrease) in Cash	(108,139)	47,964
Cash at Beginning of Year	<u>364,876</u>	<u>316,912</u>
Cash at End of Year	<u>\$ 256,737</u>	<u>\$ 364,876</u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS  
(Continued)

For the Years Ended December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Loss to		
Net Cash Provided (Used) by Operating Activities:		
Operating Loss	\$ (291,827)	\$ (130,029)
Adjustments to Reconcile Operating Loss to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	141,471	141,918
Changes in Operating Assets and Liabilities		
Accounts Receivable	33,921	(37,596)
Prepaid Expenses and Other Assets	8,233	4,539
Accounts Payable	2,594	(4,486)
Accrued Wages and Payroll Taxes Payable	1,733	3,836
Accrued Compensated Absences	2,539	(6,644)
Accounts Payable - Other Government	(477)	4,015
Tenant Security Deposits	3,451	3,935
Deferred Revenue	(8,066)	8,066
Deferred Inflows of Resources	(68,101)	68,101
Other Current Liabilities	22,271	497
Net Cash Provided (Used) by Operating Activities	<u>\$ (152,258)</u>	<u>\$ 56,152</u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Introduction - Bath Housing Authority is a Public Housing Authority (PHA), located in Bath, Maine. The Authority serves qualified individuals through the operation of units of Low Rent Public Housing and provides vouchers under the Housing Choice Vouchers Program.

Basis of Presentation - The financial statements of Bath Housing Authority (the "Authority" or "BHA") have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to a governmental proprietary fund. The Authority complies with Governmental Accounting Standards Board Statement (GASB) No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments* and related statements. The Authority follows GASB pronouncements as codified under GASB 62.

The financial statements comply with the provisions of *GASB Statement No. 61, The Financial Reporting Entity; Omnibus*, in that the financial statements include all the organization's activities and functions for which the Authority is financially accountable. Determination of financial accountability includes, among other factors, appointment of a voting majority of the component's governing body, the ability to impose its will over the component unit, or the possibility that the component unit will provide a financial benefit to, or impose a financial burden on the Authority.

Reporting Entity - A Board of Commissioners, which is appointed by the City Council of the City of Bath, governs the PHA. As required by accounting principles generally accepted in the United States of America, these financial statements should present the Housing Authority of the City of Bath and any organizations that are controlled by or dependent on the Authority. Control or dependence is determined on the basis of appointment or governing authority, ability to significantly influence operations and fiscal dependence. Based on the application of these criteria, there are no other entities that should be included in these financial statements. The PHA is not a department of the City of Bath.

Financial Statements - The accompanying financial statements include the accounts of the Authority's Low Rent Public Housing, Housing Choice Vouchers, Resident Opportunity and Supportive Services, Public Housing Capital Fund and Local Programs.

Basis of Accounting - The Authority's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting.

Cash and Cash Equivalents - For purposes of reporting cash flows, cash includes cash on hand and amounts due from banks. Also included in cash and cash equivalents are money market funds held by a custodian and secured by short-term US Treasury obligations.

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Bath Housing Authority is authorized by the Department of Housing and Urban Development to invest in obligations of the federal government, obligations of federal government agencies, and deposits and repurchase agreements at federally insured depository institutions with amounts in excess of FDIC limitations collateralized by federal securities.

Investments held in Local Programs are not subject to restrictions of the Department of Housing and Urban Development. The Authority's investment strategy includes investments in high quality bonds with short and intermediate term maturities which are expected to provide a stable source of income, as well as investments in quality common stocks or equity funds with potential for capital appreciation. The Authority's risk tolerance for these funds is moderate with an investment objective for growth and moderate income.

Inventories - Inventories consist of expendable supplies held for consumption and are recorded at the lower of cost or market.

Capital Assets and Depreciation - Property, plant and equipment are carried at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. When assets are retired or disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in operations. The costs of maintenance and repairs are charged to operations as incurred; significant renewals and betterments are capitalized.

Non-Operating Revenue - Non-operating revenue is defined as revenue that is not intended to support operations, such as investment income.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements to provide an understanding of changes in the Authority's financial position and operations. Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current year financial statements. These reclassifications had no impact on the results of operations or net position.

Subsequent Events - Subsequent events have been evaluated through May 9, 2018, the date the financial statements were available to be issued.

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 2 - CAPITAL ASSETS

	Balance at January 1, 2017	Additions	Reductions	Transfers	Balance at December 31, 2017
Land	\$ 582,130	\$ -	\$ -	\$ -	\$ 582,130
Buildings	4,336,090	-	-	-	4,336,090
Furniture, Equipment and Machinery - Dwellings	268,551	19,758	-	-	288,309
Furniture, Equipment and Machinery - Administration	291,454	-	-	-	291,454
Leasehold Improvements	-	21,892	-	-	21,892
Construction in Progress	-	10,136	-	-	10,136
Accumulated Depreciation	<u>(4,275,543)</u>	<u>(141,471)</u>	<u>-</u>	<u>-</u>	<u>(4,417,014)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$1,202,682</u>	<u>\$ (89,685)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,112,997</u>

NOTE 3 - TRANSACTIONS WITH AFFILIATED ENTITIES

During both 2017 and 2016, the Authority paid rent of \$28,800 to Bath Housing Development Corporation, an affiliate of the Authority. See Note 9.

The Authority received management fees of \$89,325 and \$88,653 during the years ended December 31, 2017 and 2016, respectively, from Bath Housing Development Corporation.

During 2017 and 2016, the Authority received administrative and maintenance reimbursements of \$220,061 and \$185,628, respectively, from housing projects owned by the Bath Housing Development Corporation, a related party through common management. At December 31, 2016, Bath Housing Development Corporation owed the Authority \$55,341. At December 31, 2017, the Authority owed Bath Housing Development Corporation \$16,867.

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS

Bath Housing Authority maintains an investment account with People's United Wealth Management. These amounts are not FDIC insured and are subject to market fluctuation. The Authority accounts for its investments in accordance with GASB No.72, *Fair Value Measurement and Application*, which requires disclosures about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity can access at the measurement date. Level 1 investments include mutual funds, common stock, and exchange-traded funds.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly or indirectly. Level 2 investment inputs include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in non-active markets. Level 2 investments include corporate and government bonds.

Level 3 - Unobservable inputs for the asset or liability. The Authority does not have any Level 3 investments.

	2017	Level 1	Level 2
Mutual Funds	\$ 584,364	\$ 584,364	\$ -
Government Bonds	154,765	-	154,765
Corporate Bonds	155,041	-	155,041
Common Stock	551,460	551,460	-
Exchange-Traded Funds	18,029	18,029	-
	<u>\$1,463,659</u>	<u>\$ 1,153,853</u>	<u>\$ 309,806</u>
	2016	Level 1	Level 2
Mutual Funds	\$ 488,803	\$ 488,803	\$ -
Government Bonds	156,488	-	156,488
Corporate Bonds	155,972	-	155,972
Common Stock	454,548	454,548	-
Exchange-Traded Funds	15,020	15,020	-
	<u>\$1,270,831</u>	<u>\$ 958,371</u>	<u>\$ 312,460</u>

Deposits totaling \$18,179 and \$72,718 were made to the investment account during 2017 and 2016, respectively.

For an investment, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. The Authority tries to mitigate this risk by investing its funds in money market funds backed by US Treasuries and other high quality investments.

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS (Continued)

The credit quality ratings, as rated by Standard & Poor's, are required to be disclosed for the investments in debt securities, money market funds, and bond mutual funds. As of December 31, 2017 and 2016, the values and credit quality ratings were as follows:

Investment Type	2017	Quality Rating
Money Market	\$ 75,443	AAAm
Corporate Bonds	\$ 84,153	A
Corporate Bonds	\$ 74,888	BBB
Mutual Funds	\$108,879	Not Rated
Investment Type	2016	Quality Rating
Money Market	\$ 60,314	AAAm
Corporate Bonds	\$ 30,313	A
Corporate Bonds	\$125,659	BBB
Mutual Funds	\$ 75,145	Not Rated

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2017 and 2016, cash was held at banks either insured or collateralized by government securities in the name of the Authority. At December 31, 2017 the Local Programs investment account held cash equivalents comprised of money market funds backed by US Treasuries totaling \$75,443 and investments in government bonds, corporate bonds, and securities totaling \$1,463,659. These funds were not insured or collateralized at December 31, 2017.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Bath Housing Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

As of December 31, 2017, Bath Housing Authority's investments had the following maturities:

Investment Type	Fair Value	Less than 1 Year	1-5 Years
Government Bonds	\$ 154,765	\$ 65,062	\$ 89,703
Corporate Bonds	155,041	30,107	124,934
Totals	\$ 309,806	\$ 95,169	\$ 214,637

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS (Continued)

The return on the investment account for the years ended December 31, 2017 and 2016 consisted of the following:

	2017	2016
Interest and Dividends	\$ 28,226	\$ 28,218
Realized Gain (Loss) on Investments	67,331	(11,024)
Unrealized Gain (Loss) on Investments	100,906	92,320
Account Fees	(6,685)	(6,155)
	\$ 189,778	\$ 103,359

NOTE 5 - COMPENSATED ABSENCES

The following is a summary of the changes in accrued compensated absences for the year ended December 31, 2017:

	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017	Due Within One Year
Compensated Absences	\$ 15,740	\$ 55,239	\$ 52,700	\$ 18,279	\$ 13,800

NOTE 6 - NOTE RECEIVABLE

The Authority loaned Bath Housing Development Corporation, affiliated through common management, \$1,000,000 to assist in the purchase of Seacliff Apartments. The note bears interest at 4% per annum and requires monthly payments of principal and interest of \$6,060. The note is due in full on November 29, 2032. The balances at December 31, 2017 and 2016 were \$819,238 and \$855,135, respectively.

NOTE 7 - RETIREMENT PLAN

The Authority provides a 457(b) deferred compensation plan and 401(a) defined contribution plan for eligible employees. The plans are administered by VOYA. All regular employees with more than 30 days of service are eligible to participate. The Authority provides a match of 3.5% to 5% of an employee's compensation to the 401(a) plan. Deferred compensation contributions totaled \$19,579 and \$13,882 for the years ended December 31, 2017 and 2016, respectively.



BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 8 - COMMITMENT

The Authority has guaranteed several loans between Bath Housing Development Corporation and MaineHousing.

The loan balances as of December 31, 2017 and 2016 were as follows:

	<u>2017</u>	<u>2016</u>
806 Middle Street	\$ 121,392	\$ 123,313
49 Elm Street	78,310	79,515
28 Maple Street	32,206	32,702
470 Washington Street	<u>200,000</u>	<u>-</u>
	<u>\$ 431,908</u>	<u>\$ 235,530</u>

During 2018, the Authority amended their guarantee for 28 Maple Street's loan to MaineHousing to increase the guarantee to \$150,992.

MaineHousing is precluded from exercising any remedies against any property or accounts that are pledged or have regulatory restrictions placed upon them by the City of Bath, the Department of Housing and Urban Development or any other state or federal government.

NOTE 9 - LEASING ARRANGEMENTS

The Authority conducts its operations from facilities that are leased under a three-year noncancelable operating lease expiring on December 31, 2017. The lease will be automatically renewed for two successive terms of three years each, provided that the Authority is not in default under the lease. Rental expense totaled \$28,800 during both 2017 and 2016. The lease was renewed in 2018 for three years at \$28,800 per annum.

## ADDITIONAL INFORMATION

**BATH HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
December 31, 2017**

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 184,690	\$ 176	\$ -	\$ 40,197	\$ 225,063	\$ -	\$ 225,063
113 Cash - Other Restricted	-	5,423	-	-	5,423	-	5,423
114 Cash - Tenant Security Deposits	26,251	-	-	-	26,251	-	26,251
100 Total Cash	<u>210,941</u>	<u>5,599</u>	<u>-</u>	<u>40,197</u>	<u>256,737</u>	<u>-</u>	<u>256,737</u>
121 Accounts Receivable - PHA Projects	-	5,177	-	-	5,177	-	5,177
122 Accounts Receivable - HUD Other Projects	10,000	3,155	3,746	-	16,901	-	16,901
125 Accounts Receivable - Miscellaneous	8,520	-	-	2,164	10,684	-	10,684
126 Accounts Receivable - Tenants	8,668	-	-	-	8,668	-	8,668
126.1 Allowance for Doubtful Accounts - Tenants	(1,673)	-	-	-	(1,673)	-	(1,673)
127 Notes, Loan, and Mortgages Receivable - Current	-	-	-	44,153	44,153	-	44,153
129 Accrued Interest Receivable	-	-	-	2,873	2,873	-	2,873
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>25,515</u>	<u>8,332</u>	<u>3,746</u>	<u>49,190</u>	<u>86,783</u>	<u>-</u>	<u>86,783</u>
131 Investments - Unrestricted	-	-	-	1,463,659	1,463,659	-	1,463,659
142 Prepaid Expenses and Other Assets	120	-	-	-	120	-	120
143 Inventories	8,435	-	-	-	8,435	-	8,435
144 Inter Program Due From	3,746	-	-	-	3,746	(3,746)	-
150 Total Current Assets	<u>248,757</u>	<u>13,931</u>	<u>3,746</u>	<u>1,553,046</u>	<u>1,819,480</u>	<u>(3,746)</u>	<u>1,815,734</u>
161 Land	582,130	-	-	-	582,130	-	582,130
162 Buildings	4,336,090	-	-	-	4,336,090	-	4,336,090
163 Furniture, Equipment & Machinery - Dwellings	288,309	-	-	-	288,309	-	288,309
164 Furniture, Equipment & Machinery - Administration	291,454	-	-	-	291,454	-	291,454
165 Leasehold Improvements	21,892	-	-	-	21,892	-	21,892
166 Accumulated Depreciation	(4,417,014)	-	-	-	(4,417,014)	-	(4,417,014)
167 Construction in Progress	10,136	-	-	-	10,136	-	10,136
160 Total Capital Assets, Net of Accumulated Depreciation	<u>1,112,997</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,112,997</u>	<u>-</u>	<u>1,112,997</u>
171 Long-term Notes Receivable	-	-	-	775,085	775,085	-	775,085
180 Total Non-Current Assets	<u>1,112,997</u>	<u>-</u>	<u>-</u>	<u>775,085</u>	<u>1,888,082</u>	<u>-</u>	<u>1,888,082</u>
190 Total Assets	<u>\$ 1,361,754</u>	<u>\$ 13,931</u>	<u>\$ 3,746</u>	<u>\$ 2,328,131</u>	<u>\$ 3,707,562</u>	<u>\$ (3,746)</u>	<u>\$ 3,703,816</u>

**BATH HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
(Continued)  
December 31, 2017

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$ 36,023	\$ 31	\$ -	\$ 1,040	\$ 37,094	\$ -	\$ 37,094
321 Accrued Wages/Payroll Taxes Payable	6,198	1,062	-	5,343	12,603	-	12,603
322 Accrued Compensated Absences - Current Portion	6,443	1,972	-	5,385	13,800	-	13,800
333 Accounts Payable - Other Government	27,845	-	-	-	27,845	-	27,845
341 Tenant Security Deposits	26,251	-	-	-	26,251	-	26,251
345 Other Current Liabilities	28,325	-	-	613	28,938	-	28,938
347 Inter Program - Due to	-	-	3,746	-	3,746	(3,746)	-
310 Total Current Liabilities	<u>131,085</u>	<u>3,065</u>	<u>3,746</u>	<u>12,381</u>	<u>150,277</u>	<u>(3,746)</u>	<u>146,531</u>
354 Accrued Compensated Absences - Non Current	2,091	640	-	1,748	4,479	-	4,479
350 Total Non-Current Liabilities	<u>2,091</u>	<u>640</u>	<u>-</u>	<u>1,748</u>	<u>4,479</u>	<u>-</u>	<u>4,479</u>
300 Total Liabilities	<u>133,176</u>	<u>3,705</u>	<u>3,746</u>	<u>14,129</u>	<u>154,756</u>	<u>(3,746)</u>	<u>151,010</u>
508.4 Net Investment in Capital Assets	1,112,997	-	-	-	1,112,997	-	1,112,997
511.4 Restricted Net Position	-	5,423	-	-	5,423	-	5,423
512.4 Unrestricted Net Position	115,581	4,803	-	2,314,002	2,434,386	-	2,434,386
513 Total Equity - Position	<u>1,228,578</u>	<u>10,226</u>	<u>-</u>	<u>2,314,002</u>	<u>3,552,806</u>	<u>-</u>	<u>3,552,806</u>
600 Total Liabilities and Equity - Net Position	<u>\$ 1,361,754</u>	<u>\$ 13,931</u>	<u>\$ 3,746</u>	<u>\$ 2,328,131</u>	<u>\$ 3,707,562</u>	<u>\$ (3,746)</u>	<u>\$ 3,703,816</u>

**BATH HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
December 31, 2017**

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 423,995	\$ -	\$ -	\$ -	\$ -	\$ 423,995	\$ -	\$ 423,995
70400 Tenant Revenue - Other	3,971	-	-	-	-	3,971	-	3,971
70500 Total Tenant Revenue	427,966	-	-	-	-	427,966	-	427,966
70600 HUD PHA Operating Grants	167,336	85,000	909,662	52,262	-	1,214,260	-	1,214,260
70610 Capital Grants	-	24,000	-	-	-	24,000	-	24,000
71100 Investment Income - Unrestricted	261	-	62	-	196,618	196,941	-	196,941
71200 Mortgage Interest Income	-	-	-	-	33,446	33,446	-	33,446
71500 Other Revenue	14,031	-	113,448	-	217,598	345,077	-	345,077
70000 Total Revenue	609,594	109,000	1,023,172	52,262	447,662	2,241,690	-	2,241,690
91100 Administrative Salaries	123,120	-	31,352	-	133,977	288,449	-	288,449
91200 Auditing Fees	10,700	-	4,000	-	800	15,500	-	15,500
91500 Employee Benefit Contributions - Administrative	29,805	-	15,242	-	24,620	69,667	-	69,667
91600 Office Expenses	60,586	-	25,976	-	29,137	115,699	-	115,699
91700 Legal Expense	5,598	-	-	-	-	5,598	-	5,598
91800 Travel	4,277	-	962	-	4,148	9,387	-	9,387
91900 Other	10,819	-	2,537	2,137	9,185	24,678	-	24,678
91000 Total Operating - Administrative	244,905	-	80,069	2,137	201,867	528,978	-	528,978
92100 Tenant Services - Salaries	-	-	-	28,322	29,417	57,739	-	57,739
92300 Employee Benefit Contributions - Other	-	-	-	11,655	2,349	14,004	-	14,004
92400 Tenant Services - Other	4,555	-	-	-	1,095	5,650	-	5,650
92500 Total Tenant Services	4,555	-	-	39,977	32,861	77,393	-	77,393
93100 Water	13,189	-	-	-	-	13,189	-	13,189
93200 Electricity	92,165	-	-	-	-	92,165	-	92,165
93400 Fuel	24,062	-	-	-	-	24,062	-	24,062
93600 Sewer	20,103	-	-	-	-	20,103	-	20,103
93000 Total Utilities	149,519	-	-	-	-	149,519	-	149,519
94100 Ordinary Maintenance and Operations - Labor	91,468	-	14,775	-	63,980	170,223	-	170,223
94200 Ordinary Maintenance and Operations - Materials and Other	57,926	-	-	-	-	57,926	-	57,926
94300 Ordinary Maintenance and Operations Contracts	63,988	-	-	-	-	63,988	-	63,988
94500 Employee Benefit Contributions - Ordinary Maintenance	21,334	-	2,274	-	15,072	38,680	-	38,680
94000 Total Maintenance	234,716	-	17,049	-	79,052	330,817	-	330,817

**BATH HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
(Continued)  
December 31, 2017

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
96110 Property Insurance	\$ 33,942	\$ -	\$ -	\$ -	\$ -	\$ 33,942	\$ -	\$ 33,942
96120 Liability Insurance	7,402	-	-	-	-	7,402	-	7,402
96130 Workmen's Compensation	4,352	-	911	-	3,543	8,806	-	8,806
96140 All Other Insurance	-	-	1,925	-	-	1,925	-	1,925
96100 Total Insurance Premiums	<u>45,696</u>	<u>-</u>	<u>2,836</u>	<u>-</u>	<u>3,543</u>	<u>52,075</u>	<u>-</u>	<u>52,075</u>
96200 Other General Expenses	-	-	-	-	513	513	-	513
96210 Compensated Absences	26,833	-	7,049	-	21,357	55,239	-	55,239
96300 Payments in Lieu of Taxes	27,845	-	-	-	-	27,845	-	27,845
96400 Bad Debt - Tenant Rents	1,186	-	-	-	-	1,186	-	1,186
96000 Total Other General Expenses	<u>55,864</u>	<u>-</u>	<u>7,049</u>	<u>-</u>	<u>21,870</u>	<u>84,783</u>	<u>-</u>	<u>84,783</u>
96900 Total Operating Expenses	<u>735,255</u>	<u>-</u>	<u>107,003</u>	<u>42,114</u>	<u>339,193</u>	<u>1,223,565</u>	<u>-</u>	<u>1,223,565</u>
97000 Excess of Operating Revenue over Operating Expenses	<u>(125,661)</u>	<u>109,000</u>	<u>916,169</u>	<u>10,148</u>	<u>108,469</u>	<u>1,018,125</u>	<u>-</u>	<u>1,018,125</u>
97300 Housing Assistance Payments	-	-	807,540	-	-	807,540	-	807,540
97350 HAP Portability-In	-	-	106,554	-	-	106,554	-	106,554
97400 Depreciation Expense	141,471	-	-	-	-	141,471	-	141,471
90000 Total Expenses	<u>876,726</u>	<u>-</u>	<u>1,021,097</u>	<u>42,114</u>	<u>339,193</u>	<u>2,279,130</u>	<u>-</u>	<u>2,279,130</u>
10010 Operating Transfer In	95,148	-	-	-	-	95,148	(95,148)	-
10020 Operating Transfer Out	-	(85,000)	-	(10,148)	-	(95,148)	95,148	-
10100 Total Other Financing Sources (Uses)	<u>95,148</u>	<u>(85,000)</u>	<u>-</u>	<u>(10,148)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ (171,984)</u>	<u>\$ 24,000</u>	<u>\$ 2,075</u>	<u>\$ -</u>	<u>\$ 108,469</u>	<u>\$ (37,440)</u>	<u>\$ -</u>	<u>\$ (37,440)</u>
11030 Beginning Equity	\$ 1,376,562	\$ -	\$ 8,151	\$ -	\$ 2,205,533	\$ 3,590,246	\$ -	\$ 3,590,246
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ 24,000	\$ (24,000)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170 Administrative Fee Equity	\$ -	\$ -	\$ 4,803	\$ -	\$ -	\$ 4,803	\$ -	\$ 4,803
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ 5,423	\$ -	\$ -	\$ 5,423	\$ -	\$ 5,423
11190 Unit Months Available	1,164	-	1,608	-	-	2,772	-	2,772
11210 Number of Unit Months Leased	1,138	-	1,567	-	-	2,705	-	2,705
11620 Building Purchases	\$ 136	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,136
11630 Furniture & Equipment - Dwelling Purchases	\$ 5,758	\$ 14,000	\$ -	\$ -	\$ -	\$ 19,758	\$ -	\$ 19,758
11650 Leasehold Improvement Purchases	\$ 21,892	\$ -	\$ -	\$ -	\$ -	\$ 21,892	\$ -	\$ 21,892

BATH HOUSING AUTHORITY  
Bath, Maine

SCHEDULE OF ROSS GRANT - COMPLETED

December 31, 2017

	<u>Project</u> <u>ME019-RPS073-A010</u>
Funds Approved	\$ 199,570
Funds Expended	<u>199,570</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 199,570
Funds Expended	<u>199,570</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$199,570 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY  
Bath, Maine

SCHEDULE OF ROSS GRANT - COMPLETED

December 31, 2017

	<u>Project ME019-RPS019-A013</u>
Funds Approved	\$ 158,678
Funds Expended	<u>158,678</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 158,678
Funds Expended	<u>158,678</u>
Excess of Funds Expended	<u><u>\$ -</u></u>

Funds totaling \$158,678 were expended, and accordingly, were audited.



BATH HOUSING AUTHORITY  
Bath, Maine

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Public Housing	14.850	\$ 167,336
Resident Opportunity and Supportive Services	14.870	52,262
Housing Choice Vouchers	14.871	909,662
Public Housing Capital Fund Program	14.872	<u>109,000</u>
Total U.S. Department of Housing and Urban Development		<u>1,238,260</u>
Total Federal Awards		<u>\$ 1,238,260</u>

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2017

NOTE 1 - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

NOTE 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200.516. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

NOTE 3 - DE MINIMIS INDIRECT COST RATE

The housing authority has not elected to use the 10% de minimis indirect cost rate per Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200.

BATH HOUSING AUTHORITY  
Bath, Maine

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2017

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: unmodified  
Internal control over financial reporting:  
Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified  
not considered to be material weaknesses?  yes  none reported  
Noncompliance material to financial statements noted?  yes  no

Federal Awards

Internal Control over major programs:  
Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified  
not considered to be material weaknesses?  yes  none reported  
Type of auditor's report issued on compliance for  
major programs: unmodified  
Any audit findings disclosed that are required to be  
reported in accordance with Title 2 *U.S. Code of  
Federal Regulations* (CFR) Part 200:516?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Vouchers

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 750,000  
Auditee qualified as low-risk auditee?  yes  no

**Section II - Financial Statement Findings**

None

**Section III - Federal Award Findings and Questioned Costs**

None



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners  
Bath Housing Authority  
Bath, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bath Housing Authority, which comprise the combined statement of net position as of December 31, 2017, and the related combined statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 9, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Bath 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bath Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Bath Housing Authority's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants

May 9, 2018  
South Portland, Maine



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners  
Bath Housing Authority  
Bath, Maine

**Report on Compliance for the Major Federal Program**

We have audited Bath Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Bath Housing Authority's major federal program for the year ended December 31, 2017. Bath Housing Authority's major federal program is identified in the summary of auditor's 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.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Bath Housing Authority's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Bath 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 the major federal program. However, our audit does not provide a legal determination of Bath Housing Authority's compliance.

**Opinion on the Major Federal Program**

In our opinion, Bath Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

## Report on Internal Control Over Compliance

Management of Bath 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 Bath Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Bath 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

May 9, 2018  
South Portland, Maine