

BATH HOUSING AUTHORITY
Bath, Maine

FINANCIAL STATEMENTS
and Additional Information

December 31, 2018
with
Report of Independent Auditors

BATH HOUSING AUTHORITY
Bath, Maine

For the Year Ended December 31, 2018

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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, 2018, as listed in the table of contents. The prior year summarized comparative information has been derived from Bath Housing Authority's 2017 financial statements and, in our report dated May 9, 2018, 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, 2018, 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 and the Schedule of Changes in the Authority's Total OPEB Liability and Related Ratios 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, Schedule of Modernization Costs – Completed, and Schedule of Modernization Costs – Uncompleted are presented for purposes of additional analysis and are 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, Schedule of Modernization Costs – Completed, Schedule of Modernization Costs – Uncompleted, and the Schedule of Expenditures of Federal Awards are 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 June 5, 2019 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

June 5, 2019
South Portland, Maine

Bath Housing Authority

Bath, Maine

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2018

The 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 by \$312,230 (-8.79%) during 2018. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$3,240,576 and \$3,552,806 for 2018 and 2017, respectively.
- Operating revenues increased by \$194,411 (9.78%) during 2018, and were \$2,181,714 and \$1,987,303 for 2018 and 2017, respectively.
- Operating expenses increased by \$202,636 (8.89%). Operating expenses were \$2,481,766 and \$2,279,130 for 2018 and 2017, respectively.
- Non-operating revenues (expenses) netted to (\$34,797) and \$230,387 for 2018 and 2017 respectively.
- Government capital grants increased by \$13,963 (58.18%) during 2018.
- The Authority's total long-term liabilities increased \$22,575 during the fiscal year to \$27,054.

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>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 1,642,409	\$ 1,815,734	\$ (173,325)	-9.55%
Capital Assets	1,038,573	1,112,997	(74,424)	-6.69%
Other Non-current Assets	736,203	775,085	(38,882)	-5.02%
Total Assets	<u>3,417,185</u>	<u>3,703,816</u>	<u>(286,631)</u>	-7.74%
Deferred outflow of resources	<u>2,857</u>	-	<u>2,857</u>	100.00%
Current Liabilities	152,412	146,531	5,881	4.01%
Non-current Liabilities	27,054	4,479	22,575	504.02%
Total Liabilities	<u>179,466</u>	<u>151,010</u>	<u>28,456</u>	18.84%
Net Position:				
Net investment in				
capital assets	1,038,573	1,112,997	(74,424)	-6.69%
Restricted	-	5,423	(5,423)	-100.00%
Unrestricted	2,202,003	2,434,386	(232,383)	-9.55%
Total Net Position	<u>\$ 3,240,576</u>	<u>\$ 3,552,806</u>	<u>\$ (312,230)</u>	-8.79%

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

Major Factors Affecting the Statement of Net Position

Current assets decreased as a net result of an increase in expenses and a net investment loss over the prior year. Non-current liabilities increased due to an increase in OPEB and pension obligations.

TABLE 2

CHANGES IN UNRESTRICTED NET POSITION

Unrestricted Net Position Beginning	<u>\$ 2,434,386</u>
Results of Operations	(296,886)
Adjustments:	
Depreciation (1)	<u>142,302</u>
Adjusted Results of Operations	<u>(154,584)</u>
Change in Restricted Assets	5,423
Capital Expenditures <i>(Net of construction in progress capitalized)</i>	(67,878)
Prior period adjustments	<u>(15,344)</u>
Total other adjustments	<u>(77,799)</u>
Unrestricted Net Position Ending	<u><u>\$ 2,202,003</u></u>

(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, 2018 and 2017

	2018	2017	Change	% Change
Operating revenues				
Dwelling rental	\$ 437,653	\$ 423,995	\$ 13,658	3.22%
Tenant revenue other	4,348	3,971	377	9.49%
HUD operating grants	1,248,569	1,214,260	34,309	2.83%
Section 8 fraud recovery	900	-	900	100.00%
Other	490,244	345,077	145,167	42.07%
Total operating revenues	2,181,714	1,987,303	194,411	9.78%
Operating expenses				
Administrative	648,724	528,978	119,746	22.64%
Tenant services	86,521	77,393	9,128	11.79%
Utilities	166,030	149,519	16,511	11.04%
Maintenance	435,868	330,817	105,051	31.76%
General	144,203	136,858	7,345	5.37%
Housing assistance payments	858,118	914,094	(55,976)	-6.12%
Depreciation and amortization	142,302	141,471	831	0.59%
Total operating expenses	2,481,766	2,279,130	202,636	8.89%
Operating income (loss)	(300,052)	(291,827)	(8,225)	2.82%
Nonoperating revenues (expenses)				
Investment income	(34,797)	230,387	(265,184)	-115.10%
Total nonoperating revenues (expenses), net	(34,797)	230,387	(265,184)	-115.10%
Income/(loss) before capital grants	(334,849)	(61,440)	(273,409)	445.00%
Governmental capital grants	37,963	24,000	13,963	58.18%
Change in net position	<u>\$ (296,886)</u>	<u>\$ (37,440)</u>	<u>\$ (259,446)</u>	692.96%

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

Other revenue increased as a net result of a decrease in HAP subsidy and 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 labor and benefit 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. The bookkeeping change, also, contributed to the increase in administrative, tenant, and maintenance wages and benefits. Utilities increased as a result of colder temperatures. Unit turnover increased which resulted in an increase in maintenance expenses over the prior year. Investment income decreased as a result of dividends, interest, and capital depreciation of the Local Program investment account.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had \$1,038,573 (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 \$74,424 or decrease of 6.69% from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END (Net of depreciation)

	Business - Type Assets	
	2018	2017
Land	\$ 575,877	\$ 582,130
Leasehold improvements	21,892	21,892
Buildings and Improvements	4,383,117	4,336,091
Dwelling Equipment	176,095	288,309
Non-dwelling Equipment	240,345	291,453
	<u>5,397,326</u>	<u>5,519,875</u>
Accumulated Depreciation	(4,358,753)	(4,417,014)
Construction in Process	-	10,136
	<u>\$ 1,038,573</u>	<u>\$ 1,112,997</u>

TABLE 5

CHANGE IN CAPITAL ASSETS

	Business-Type Activities
Beginning Balance	\$ 1,112,997
Fixed asset additions (net of construction in progress)	67,878
Depreciation	<u>(142,302)</u>
Ending Balance	<u>\$ 1,038,573</u>
This year's major additions include <i>(but are not limited to)</i> :	
Anchorage 35 Renovations	\$ 64,436
Spreader Hopper	3,442
	<u>\$ 67,878</u>

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 a 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 Ms. Debora Keller, Executive Director, Bath Housing Authority, at 207-443-3116. Specific requests may be submitted to Ms. Debora Keller, Executive Director, Bath Housing Authority, 80 Congress Avenue, Bath, Maine 04530.

BATH HOUSING AUTHORITY
STATEMENTS OF NET POSITION

December 31, 2018
(With Comparative Totals for December 31, 2017)

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 4)		
Cash - Unrestricted	\$ 151,616	\$ 225,063
Cash - Restricted	-	5,423
Cash - Tenant Security Deposits	27,527	26,251
Total Cash	179,143	256,737
Receivables		
Accounts Receivable - PHA Projects	-	5,177
Accounts Receivable - HUD Other Projects	12,231	16,901
Accounts Receivable - Miscellaneous (Note 3)	81,505	10,684
Accounts Receivable - Tenants, Net of Allowance For Doubtful Accounts of \$2,426 and \$1,673, Respectively	3,381	6,995
Note Receivable - Current (Note 6)	42,346	44,153
Accrued Interest Receivable (Note 6)	2,730	2,873
Total Receivables	142,193	86,783
Investments - Unrestricted (Note 4)	1,283,042	1,463,659
Prepaid Expenses and Other Assets	200	120
Inventories	37,831	8,435
Total Current Assets	1,642,409	1,815,734
Noncurrent Assets		
Capital Assets (Note 2)		
Land	575,877	582,130
Buildings	4,383,117	4,336,090
Furniture, Equipment and Machinery - Dwellings	176,095	288,309
Furniture, Equipment and Machinery - Administration	240,345	291,454
Leasehold Improvements	21,892	21,892
Construction in Progress	-	10,136
Total	5,397,326	5,530,011
Accumulated Depreciation	(4,358,753)	(4,417,014)
Total Capital Assets, Net of Accumulated Depreciation	1,038,573	1,112,997
Long-term Note Receivable (Note 6)	736,203	775,085
Total Noncurrent Assets	1,774,776	1,888,082
Total Assets	3,417,185	3,703,816
Deferred Outflows of Resources (Note 10)	2,857	-

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
STATEMENTS OF NET POSITION
(Continued)

December 31, 2018
(With Comparative Totals for December 31, 2017)

	2018	2017
LIABILITIES		
Current Liabilities		
Accounts Payable <= 90 Days	\$ 35,464	\$ 37,094
Accrued Wages/Payroll Taxes Payable	20,582	12,603
Accrued Compensated Absences - Current Portion	15,708	13,800
Accounts Payable - Other Government	27,597	27,845
Tenant Security Deposits	27,527	26,251
Other Current Liabilities	25,534	28,938
Total Current Liabilities	152,412	146,531
Noncurrent Liabilities		
Accrued OPEB Liability (Notes 10 and 11)	21,889	-
Accrued Compensated Absences - Noncurrent Portion	5,165	4,479
Total Noncurrent Liabilities	27,054	4,479
Total Liabilities	179,466	151,010
NET POSITION		
Net Investment in Capital Assets	1,038,573	1,112,997
Restricted	-	5,423
Unrestricted	2,202,003	2,434,386
Total Net Position	\$ 3,240,576	\$ 3,552,806

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
OPERATING REVENUES		
Net Tenant Rental Revenue	\$ 437,653	\$ 423,995
Tenant Revenue - Other	4,348	3,971
HUD PHA Operating Grants	1,248,569	1,214,260
Fraud Recovery	900	-
Other Revenue	<u>490,244</u>	<u>345,077</u>
Total Operating Revenues	<u>2,181,714</u>	<u>1,987,303</u>
OPERATING EXPENSES		
Administrative	648,724	528,978
Tenant Services	86,521	77,393
Utilities	166,030	149,519
Maintenance	435,868	330,817
General	144,203	136,858
Housing Assistance Payments	858,118	914,094
Depreciation	<u>142,302</u>	<u>141,471</u>
Total Operating Expenses	<u>2,481,766</u>	<u>2,279,130</u>
OPERATING LOSS	<u>(300,052)</u>	<u>(291,827)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment and Interest Income (Loss)	<u>(34,797)</u>	<u>230,387</u>
Total Non-Operating Revenues (Expenses)	<u>(34,797)</u>	<u>230,387</u>
DECREASE IN NET POSITION BEFORE CAPITAL GRANTS	(334,849)	(61,440)
CAPITAL GRANTS	<u>37,963</u>	<u>24,000</u>
DECREASE IN NET POSITION	(296,886)	(37,440)
NET POSITION - BEGINNING	3,552,806	3,590,246
Prior Period Adjustment (Note 11)	<u>(15,344)</u>	<u>-</u>
NET POSITION - ENDING	<u>\$ 3,240,576</u>	<u>\$ 3,552,806</u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 435,343	\$ 423,083
Receipts from Grants	1,243,239	1,134,205
Other Receipts	426,776	390,423
Payments to Landlords	(858,118)	(914,774)
Payments to Employees	(677,692)	(546,074)
Payments for Administrative Expenses	(362,970)	(296,822)
Payments for Tenant Services Expenses	(7,859)	(5,650)
Payments for Utilities Expenses	(161,695)	(145,000)
Payments for Maintenance Expenses	(192,573)	(118,972)
Payments for Insurance	(49,802)	(44,355)
Payments for Taxes and PILOT	<u>(27,845)</u>	<u>(28,322)</u>
Net Cash Used by Operating Activities	<u>(233,196)</u>	<u>(152,258)</u>
Cash Flows from Investing Activities:		
Purchases and Sales of Investment Securities	13,478	(91,922)
Receipts from Note Receivable	40,689	35,897
Investment and Interest Income	<u>132,484</u>	<u>126,795</u>
Net Cash Provided by Investing Activities	<u>186,651</u>	<u>70,770</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(79,012)	(40,651)
Capital Grant Proceeds	<u>47,963</u>	<u>14,000</u>
Net Cash Used by Capital and Related Financing Activities	<u>(31,049)</u>	<u>(26,651)</u>
Decrease in Cash	(77,594)	(108,139)
Cash at Beginning of Year	<u>256,737</u>	<u>364,876</u>
Cash at End of Year	<u><u>\$ 179,143</u></u>	<u><u>\$ 256,737</u></u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
(Continued)

For the Years Ended December 31, 2018 and 2017

	2018	2017
Reconciliation of Operating Loss to		
Net Cash Used by Operating Activities:		
Operating Loss	\$ (300,052)	\$ (291,827)
Adjustments to Reconcile Operating Loss to		
Net Cash Used by Operating Activities:		
Depreciation	142,302	141,471
Changes in Operating Assets and Liabilities		
Accounts Receivable	(67,360)	33,921
Inventories	(29,396)	-
Prepaid Expenses and Other Assets	(80)	8,233
Deferred Outflows	(2,857)	-
Accounts Payable	9,505	2,594
Accrued Wages and Payroll Taxes Payable	7,979	1,733
Accrued Compensated Absences	2,594	2,539
Accounts Payable - Other Government	(248)	(477)
Tenant Security Deposits	1,276	3,451
Other Current Liabilities	(3,404)	22,271
Deferred Revenue	-	(8,066)
Deferred Inflows of Resources	-	(68,101)
OPEB Liability	6,545	-
Net Cash Used by Operating Activities	\$ (233,196)	\$ (152,258)

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 ("BHA") is a Public Housing Authority, located in Bath, Maine. BHA 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 BHA have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to a governmental proprietary fund. BHA 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 BHA 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 BHA.

Accounting Changes - During fiscal year 2018, the Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. GASB 75 establishes standards for accounting and financial reporting for defined benefit and defined contribution other postemployment benefits (OPEB), such as insurance, that are provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements.

Reporting Entity - A Board of Commissioners, which is appointed by the City Council of the City of Bath, governs BHA. As required by accounting principles generally accepted in the United States of America, these financial statements should present the Public Housing Authority of the City of Bath and any organizations that are controlled by or dependent on BHA. 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. BHA is not a department of the City of Bath.

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

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting – BHA’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.

Investments - BHA 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. BHA’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. BHA’s risk tolerance for these funds is moderate with an investment objective for growth and moderate income.

Inventories - Inventories of materials and supplies are recorded at cost using the first-in first-out method.

Accounts Receivable and Bad Debts - Management estimates the allowance for doubtful accounts based on historical collection experience and a review of the current status of tenant accounts receivable. It is reasonably possible that management’s estimate of the allowance will change.

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.

Deferred Outflows of Resources - Deferred Outflows of Resources represent a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. BHA’s deferred outflows are comprised of OPEB deferrals resulting from changes in proportion and the proportionate share of contributions.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 June 5, 2019, the date the financial statements were available to be issued.

NOTE 2 - CAPITAL ASSETS

	Balance at January 1, 2018	Additions	Reductions	Transfers	Balance at December 31, 2018
Land	\$ 582,130	\$ -	\$ (6,253)	\$ -	\$ 575,877
Buildings	4,336,090	63,175	(27,545)	11,397	4,383,117
Furniture, Equipment and Machinery - Dwellings	288,309	-	(112,214)	-	176,095
Furniture, Equipment and Machinery - Administration	291,454	3,442	(54,551)	-	240,345
Leasehold Improvements	21,892	-	-	-	21,892
Construction in Progress	10,136	1,261	-	(11,397)	-
Accumulated Depreciation	(4,417,014)	(142,302)	200,563	-	(4,358,753)
Total Capital Assets, net of Accumulated Depreciation	<u>\$1,112,997</u>	<u>\$ (74,424)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,038,573</u>

NOTE 3 - TRANSACTIONS WITH AFFILIATED ENTITIES

During both 2018 and 2017, BHA paid rent of \$28,800 to Bath Housing Development Corporation, a related party through common management of BHA. See Note 9.

BHA received management fees of \$116,000 and \$89,325 during the years ended December 31, 2018 and 2017, respectively, from Bath Housing Development Corporation.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 3 - TRANSACTIONS WITH AFFILIATED ENTITIES (Continued)

During 2018 and 2017, BHA received administrative and maintenance reimbursements of \$293,547 and \$220,061, respectively, from housing projects owned by Bath Housing Development Corporation. At December 31, 2018, Bath Housing Development Corporation owed BHA \$57,199 for various maintenance and administrative charges. At December 31, 2017, BHA owed Bath Housing Development Corporation \$16,867 for various maintenance and administrative charges.

NOTE 4 - INVESTMENTS

BHA 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. BHA does not have any Level 3 investments.

	2018	Level 1	Level 2
Mutual Funds	\$ 629,563	\$ 629,563	\$ -
Government Bonds	89,292	-	89,292
Corporate Bonds	79,749	-	79,749
Common Stock	467,669	467,669	-
Exchange-Traded Funds	16,769	16,769	-
	<u>\$1,283,042</u>	<u>\$ 1,114,001</u>	<u>\$ 169,041</u>
	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>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 4 - INVESTMENTS (Continued)

Deposits totaling \$12 and \$18,179 were made to the investment account during 2018 and 2017, respectively.

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

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, 2018 and 2017, the values and credit quality ratings were as follows:

Investment Type	2018	Quality Rating
Money Market	\$ 81,946	AAAm
Corporate Bonds	\$ 19,992	A+
Corporate Bonds	\$ 39,898	A
Corporate Bonds	\$ 19,859	BBB+
Mutual Funds	\$228,902	Not Rated
Investment Type	2017	Quality Rating
Money Market	\$ 75,443	AAAm
Corporate Bonds	\$ 80,153	A
Corporate Bonds	\$ 74,888	BBB
Mutual Funds	\$108,879	Not Rated

Custodial credit risk is the risk that in the event of a bank failure BHA's deposits may not be returned to it. At December 31, 2018 and 2017, cash was held at banks either insured or collateralized by government securities in the name of the Authority. At December 31, 2018, the Local Programs investment account held cash equivalents comprised of money market funds backed by US Treasuries totaling \$81,946 and investments in government bonds, corporate bonds, and securities totaling \$1,283,042. These funds were not insured or collateralized at December 31, 2018.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. BHA 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.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 4 - INVESTMENTS (Continued)

As of December 31, 2018, BHA's investments had the following maturities:

Investment Type	Fair Value	Less than 1 Year	1-5 Years
Government Bonds	\$ 89,292	\$ 64,607	\$ 24,685
Corporate Bonds	79,749	79,749	-
Totals	<u>\$ 169,041</u>	<u>\$144,356</u>	<u>\$ 24,685</u>

The return on the investment account for the years ended December 31, 2018 and 2017 consisted of the following:

	2018	2017
Interest and Dividends	\$ 31,677	\$ 28,226
Realized Gain on Investments	68,513	67,331
Unrealized Gain (Loss) on Investments	(167,138)	100,906
Account Fees	(7,150)	(6,685)
	<u>\$ (74,098)</u>	<u>\$ 189,778</u>

NOTE 5 - COMPENSATED ABSENCES

The following is a summary of the changes in accrued compensated absences for the year ended December 31, 2018:

	Balance January 1, 2018	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Compensated Absences	<u>\$ 18,279</u>	<u>\$ 56,563</u>	<u>\$ (53,969)</u>	<u>\$ 20,873</u>	<u>\$ 15,708</u>

NOTE 6 - NOTE RECEIVABLE

BHA loaned Bath Housing Development Corporation \$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, 2018 and 2017 were \$778,549 and \$819,238, respectively.

NOTE 7 - RETIREMENT PLAN

BHA 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. BHA provides a match of 3.5% to 5% of an employee's compensation to the 401(a) plan. Deferred compensation contributions totaled \$21,202 and \$19,579 for the years ended December 31, 2018 and 2017, respectively.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 8 - COMMITMENT

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

The loan balances as of December 31, 2018 and 2017 were as follows:

	2018	2017
806 Middle Street	\$ 119,373	\$ 121,392
49 Elm Street	77,044	78,310
28 Maple Street	148,668	32,206
470 Washington Street	168,342	200,000
Lincoln Street	300,000	-
	\$ 813,427	\$ 431,908

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.

During July 2018 Bath Housing Development Corporation entered into a line of credit agreement with Peoples United Bank. BHA has guaranteed the line of credit and has pledged a portion of their investments as collateral.

NOTE 9 - LEASING ARRANGEMENTS

BHA conducts its operations from facilities that are leased under a three-year noncancelable operating lease that expired on December 31, 2017. The lease was renewed in January 2018 for three years at \$28,800 per annum. Rental expense totaled \$28,800 during both 2018 and 2017, respectively.

The following is a schedule of estimated future minimum rental payments as of December 31:

2019	\$ 28,800
2020	28,800
Total	\$ 57,600

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan:

Plan Description - BHA sponsors a single-employer post-retirement benefit plan providing health insurance to retiring employees through Maine Municipal Employees Health Trust (the plan). No assets are accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No.75.

Benefits Provided - BHA does not provide any payment toward employee retirement benefits for health, dental or life insurances. However, if an employee meets the requirements, they may, at their own cost, remain on the employer's health insurance plan.

Employees Covered by Benefit Terms - At January 1, 2018 (the measurement date) the following employees were covered by the benefit terms:

Active employees	<u>6</u>
------------------	----------

BHA's total OPEB liability of \$21,889 was measured as of January 1, 2018 and was determined by actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs -The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Salary Increase	2.75% per year
Discount Rate	3.44% per annum
Healthcare cost trend rates	8.20%, decreasing to an ultimate rate of 4%
Retirees' share of benefit-related costs	100%

The discount rate was based on high quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer Index.

The mortality rates were based on 104% and 120% of the RP-2014 Total Dataset Healthy Annuitant Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table for ages prior to start of the Healthy Annuitant Mortality Table, both projected from the 2006 base rates using RPEC_2015 model, with an ultimate rate of 0.85% for ages 20-85 grading down to an ultimate rate of 0.00% for ages 111-120, and convergence to the ultimate rate in the year 2020.

The actuarial assumptions used in the January 1, 2018 valuation are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2016 and based on the experience study covering the period from June 30, 2012 through June 30, 2015.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the Total OPEB Liability:

	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/01/2017 (Reporting December 31, 2017)	\$ 15,344	\$ -	\$ 15,344
Changes for the Year:			
Service Cost	2,651	-	2,651
Interest	680	-	680
Changes of Benefits	-	-	-
Differences between expected and actual experience	791	-	791
Changes of Assumptions	2,423	-	2,423
Contributions – Employer	-	-	-
Contributions - Member	-	-	-
Net Investment Income	-	-	-
Benefit Payments	-	-	-
Administrative Expense	-	-	-
Balances at 1/1/2018 (Reporting December 31, 2018)	<u>\$ 21,889</u>	<u>\$ -</u>	<u>\$ 21,889</u>

Changes in assumptions reflect a change in the discount rate from 3.78% in 2017 to 3.44% in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of BHA, as well as what BHA's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.44%) or 1-percentage-point higher (4.44%) than the current discount rate:

	1% Decrease 2.44%	Discount Rate 3.44%	1% Increase 4.44%
Total OPEB Liability	\$ 26,162	\$ 21,889	\$ 18,461
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 26,162</u>	<u>\$ 21,889</u>	<u>\$ 18,461</u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of BHA, as well as what BHA's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB Liability	\$ 17,977	\$ 21,889	\$ 26,905
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	\$ 17,977	\$ 21,889	\$ 26,905

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended December 31, 2018, BHA recognized OPEB expense of \$6,545. At December 31, 2018, BHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 703	\$ -
Changes of Assumptions	2,154	-
Contributions subsequent to the measurement date	-	-
Total	\$ 2,857	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year ended December 31:	
2019	\$ 357
2020	357
2021	357
2022	357
2023	357
Thereafter	1,072
	\$ 2,857

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 11 - PRIOR PERIOD ADJUSTMENT

During 2018, the Authority adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. As a result, a prior period adjustment of \$15,344 (related to the OPEB liability at December 31, 2017) has been recorded in the financial statements. The prior period adjustment had the following impact on the 2018 financial statements:

OPEB Liability as of 1/1/18 was increased by \$15,344.

Unrestricted Net Assets as of 1/1/18 was decreased by \$15,344.

NOTE 12 - ECONOMIC DEPENDENCY

BHA receives the majority of the funds used for housing programs from the U.S. Department of Housing and Urban Development.

ADDITIONAL INFORMATION

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF CHANGES IN THE AUTHORITY'S TOTAL
OPEB LIABILITY AND RELATED RATIOS

December 31, 2018

	2018
<u>Total OPEB Liability</u>	
Service Cost	\$ 2,651
Interest	680
Changes in Benefit Terms	-
Differences Between Expected and Actual Experience	791
Changes of Assumptions	2,423
Benefit Payments	-
Net Change in Total OPEB Liability	6,545
Total OPEB Liability - Beginning	15,344
Total OPEB Liability - Ending	\$ 21,889
Covered Employee Payroll	\$ 271,914
Net OPEB Liability as a Percentage of its Covered Payroll	8%

Notes to Schedule:

The amounts presented were determined as of 1/1.

Changes in benefit terms . None

Changes in assumptions . None

No assets are accumulated in a trust that meets the criteria of GASB Statement 75 paragraph 4.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - COMPLETED

December 31, 2018

	<u>Project ME01P01950116</u>
Funds Approved	\$ 125,933
Funds Expended	<u>125,933</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 125,933
Funds Expended	<u>125,933</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$125,933 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - COMPLETED
(Continued)

December 31, 2018

	Project ME01P01950117
Funds Approved	\$ 122,345
Funds Expended	<u>122,345</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 122,345
Funds Expended	<u>122,345</u>
Excess of Funds Expended	<u><u>\$ -</u></u>

Funds totaling \$122,345 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - UNCOMPLETED

December 31, 2018

	<u>Project ME01P01950118</u>
Funds Approved	\$ 191,260
Funds Expended	<u>152,200</u>
Excess of Funds Approved	<u>\$ 39,060</u>
Funds Advanced	\$ 152,200
Funds Expended	<u>152,200</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$152,200 were expended, and accordingly, were audited.

**BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
December 31, 2018**

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 61,631	\$ 223	\$ -	\$ 89,762	\$ 151,616	\$ -	\$ 151,616
114 Cash - Tenant Security Deposits	27,527	-	-	-	27,527	-	27,527
100 Total Cash	<u>89,158</u>	<u>223</u>	<u>-</u>	<u>89,762</u>	<u>179,143</u>	<u>-</u>	<u>179,143</u>
122 Accounts Receivable - HUD Other Projects	-	7,549	4,682	-	12,231	-	12,231
125 Accounts Receivable - Miscellaneous	19,399	5,895	-	56,211	81,505	-	81,505
126 Accounts Receivable - Tenants	5,807	-	-	-	5,807	-	5,807
126.1 Allowance for Doubtful Accounts -Tenants	(2,426)	-	-	-	(2,426)	-	(2,426)
127 Notes, Loan, and Mortgages Receivable - Current	-	-	-	42,346	42,346	-	42,346
129 Accrued Interest Receivable	-	-	-	2,730	2,730	-	2,730
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>22,780</u>	<u>13,444</u>	<u>4,682</u>	<u>101,287</u>	<u>142,193</u>	<u>-</u>	<u>142,193</u>
131 Investments - Unrestricted	-	-	-	1,283,042	1,283,042	-	1,283,042
142 Prepaid Expenses and Other Assets	200	-	-	-	200	-	200
143 Inventories	37,831	-	-	-	37,831	-	37,831
144 Inter Program Due From	22,656	8,403	-	-	31,059	(31,059)	-
150 Total Current Assets	<u>172,625</u>	<u>22,070</u>	<u>4,682</u>	<u>1,474,091</u>	<u>1,673,468</u>	<u>(31,059)</u>	<u>1,642,409</u>
161 Land	575,877	-	-	-	575,877	-	575,877
162 Buildings	4,383,117	-	-	-	4,383,117	-	4,383,117
163 Furniture, Equipment & Machinery - Dwellings	176,095	-	-	-	176,095	-	176,095
164 Furniture, Equipment & Machinery - Administration	240,345	-	-	-	240,345	-	240,345
165 Leasehold Improvements	21,892	-	-	-	21,892	-	21,892
166 Accumulated Depreciation	(4,358,753)	-	-	-	(4,358,753)	-	(4,358,753)
160 Total Capital Assets, Net of Accumulated Depreciation	<u>1,038,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,038,573</u>	<u>-</u>	<u>1,038,573</u>
171 Long-term Notes Receivable	-	-	-	736,203	736,203	-	736,203
180 Total Non-Current Assets	<u>1,038,573</u>	<u>-</u>	<u>-</u>	<u>736,203</u>	<u>1,774,776</u>	<u>-</u>	<u>1,774,776</u>
190 Total Assets	<u>1,211,198</u>	<u>22,070</u>	<u>4,682</u>	<u>2,210,294</u>	<u>3,448,244</u>	<u>(31,059)</u>	<u>3,417,185</u>
200 Deferred Outflows of Resources	<u>1,022</u>	<u>188</u>	<u>-</u>	<u>1,647</u>	<u>2,857</u>	<u>-</u>	<u>2,857</u>
290 Total Assets and Deferred Outflows of Resources	<u>\$ 1,212,220</u>	<u>\$ 22,258</u>	<u>\$ 4,682</u>	<u>\$ 2,211,941</u>	<u>\$ 3,451,101</u>	<u>\$ (31,059)</u>	<u>\$ 3,420,042</u>

**BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
(Continued)
December 31, 2018**

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$ 35,464	\$ -	\$ -	\$ -	\$ 35,464	\$ -	\$ 35,464
321 Accrued Wages/Payroll Taxes Payable	8,560	1,954	-	10,068	20,582	-	20,582
322 Accrued Compensated Absences - Current Portion	5,759	1,282	-	8,667	15,708	-	15,708
333 Accounts Payable - Other Government	27,597	-	-	-	27,597	-	27,597
341 Tenant Security Deposits	27,527	-	-	-	27,527	-	27,527
345 Other Current Liabilities	9,922	-	-	15,612	25,534	-	25,534
347 Inter Program - Due to	-	17,974	4,682	8,403	31,059	(31,059)	-
310 Total Current Liabilities	<u>114,829</u>	<u>21,210</u>	<u>4,682</u>	<u>42,750</u>	<u>183,471</u>	<u>(31,059)</u>	<u>152,412</u>
354 Accrued Compensated Absences - Non Current	1,894	422	-	2,849	5,165	-	5,165
357 Accrued OPEB Liabilities	9,087	1,881	-	10,921	21,889	-	21,889
350 Total Non-Current Liabilities	<u>10,981</u>	<u>2,303</u>	<u>-</u>	<u>13,770</u>	<u>27,054</u>	<u>-</u>	<u>27,054</u>
300 Total Liabilities	<u>125,810</u>	<u>23,513</u>	<u>4,682</u>	<u>56,520</u>	<u>210,525</u>	<u>(31,059)</u>	<u>179,466</u>
508.4 Net Investment in Capital Assets	1,038,573	-	-	-	1,038,573	-	1,038,573
512.4 Unrestricted Net Position	47,837	(1,255)	-	2,155,421	2,202,003	-	2,202,003
513 Total Equity - Position	<u>1,086,410</u>	<u>(1,255)</u>	<u>-</u>	<u>2,155,421</u>	<u>3,240,576</u>	<u>-</u>	<u>3,240,576</u>
600 Total Liabilities and Equity - Net Position	<u>\$ 1,212,220</u>	<u>\$ 22,258</u>	<u>\$ 4,682</u>	<u>\$ 2,211,941</u>	<u>\$ 3,451,101</u>	<u>\$ (31,059)</u>	<u>\$ 3,420,042</u>

**BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
December 31, 2018**

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 437,653	\$ -	\$ -	\$ -	\$ -	\$ 437,653	\$ -	\$ 437,653
70400 Tenant Revenue - Other	4,348	-	-	-	-	4,348	-	4,348
70500 Total Tenant Revenue	442,001	-	-	-	-	442,001	-	442,001
70600 HUD PHA Operating Grants	152,456	152,200	887,099	56,814	-	1,248,569	-	1,248,569
70610 Capital Grants	-	37,963	-	-	-	37,963	-	37,963
71100 Investment Income (Loss) - Unrestricted	170	-	62	-	(66,915)	(66,683)	-	(66,683)
71200 Mortgage Interest Income	-	-	-	-	31,886	31,886	-	31,886
71400 Fraud Recovery	-	-	900	-	-	900	-	900
71500 Other Revenue	11,246	-	66,715	-	412,283	490,244	-	490,244
70000 Total Revenue	605,873	190,163	954,776	56,814	377,254	2,184,880	-	2,184,880
91100 Administrative Salaries	94,712	-	38,326	-	211,313	344,351	-	344,351
91200 Auditing Fees	10,700	-	4,000	-	800	15,500	-	15,500
91500 Employee Benefit Contributions - Administrative	21,201	-	16,838	-	46,884	84,923	-	84,923
91600 Office Expenses	69,145	-	22,315	-	49,081	140,541	-	140,541
91700 Legal Expense	342	-	60	-	-	402	-	402
91800 Travel	9,104	-	1,108	-	506	10,718	-	10,718
91900 Other	34,379	-	3,149	1,934	12,827	52,289	-	52,289
91000 Total Operating - Administrative	239,583	-	85,796	1,934	321,411	648,724	-	648,724
92100 Tenant Services - Salaries	-	-	-	39,232	26,341	65,573	-	65,573
92300 Employee Benefit Contributions - Other	-	-	-	5,652	7,437	13,089	-	13,089
92400 Tenant Services - Other	22	-	-	-	7,837	7,859	-	7,859
92500 Total Tenant Services	22	-	-	44,884	41,615	86,521	-	86,521
93100 Water	13,537	-	-	-	-	13,537	-	13,537
93200 Electricity	97,887	-	-	-	-	97,887	-	97,887
93400 Fuel	33,012	-	-	-	-	33,012	-	33,012
93600 Sewer	21,594	-	-	-	-	21,594	-	21,594
93000 Total Utilities	166,030	-	-	-	-	166,030	-	166,030
94100 Ordinary Maintenance and Operations - Labor	116,137	-	-	-	102,237	218,374	-	218,374
94200 Ordinary Maintenance and Operations - Materials and Other	79,931	-	-	-	-	79,931	-	79,931
94300 Ordinary Maintenance and Operations Contracts	76,687	-	9,587	-	-	86,274	-	86,274
94500 Employee Benefit Contributions - Ordinary Maintenance	22,958	-	-	-	28,331	51,289	-	51,289
94000 Total Maintenance	295,713	-	9,587	-	130,568	435,868	-	435,868

**BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
(Continued)
December 31, 2018**

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
96110 Property Insurance	\$ 33,858	\$ -	\$ -	\$ -	\$ -	\$ 33,858	\$ -	\$ 33,858
96120 Liability Insurance	6,542	-	-	-	1,271	7,813	-	7,813
96130 Workmen's Compensation	2,626	-	391	-	3,714	6,731	-	6,731
96140 All Other Insurance	-	-	1,320	-	-	1,320	-	1,320
96100 Total Insurance Premiums	<u>43,026</u>	<u>-</u>	<u>1,711</u>	<u>-</u>	<u>4,985</u>	<u>49,722</u>	<u>-</u>	<u>49,722</u>
96200 Other General Expenses	-	-	-	-	49	49	-	49
96210 Compensated Absences	22,086	-	4,418	-	30,059	56,563	-	56,563
96300 Payments in Lieu of Taxes	27,597	-	-	-	-	27,597	-	27,597
96400 Bad Debt - Tenant Rents	5,095	-	-	-	-	5,095	-	5,095
96600 Bad Debt - Other	-	-	5,177	-	-	5,177	-	5,177
96000 Total Other General Expenses	<u>54,778</u>	<u>-</u>	<u>9,595</u>	<u>-</u>	<u>30,108</u>	<u>94,481</u>	<u>-</u>	<u>94,481</u>
96900 Total Operating Expenses	<u>799,152</u>	<u>-</u>	<u>106,689</u>	<u>46,818</u>	<u>528,687</u>	<u>1,481,346</u>	<u>-</u>	<u>1,481,346</u>
97000 Excess (Deficiency) of Operating Revenue Over (Under) Operating Expenses	<u>(193,279)</u>	<u>190,163</u>	<u>848,087</u>	<u>9,996</u>	<u>(151,433)</u>	<u>703,534</u>	<u>-</u>	<u>703,534</u>
97300 Housing Assistance Payments	-	-	793,779	-	-	793,779	-	793,779
97350 HAP Portability-In	-	-	64,339	-	-	64,339	-	64,339
97400 Depreciation Expense	142,302	-	-	-	-	142,302	-	142,302
90000 Total Expenses	<u>941,454</u>	<u>-</u>	<u>964,807</u>	<u>46,818</u>	<u>528,687</u>	<u>2,481,766</u>	<u>-</u>	<u>2,481,766</u>
10010 Operating Transfer In	162,196	-	-	-	-	162,196	(162,196)	-
10020 Operating Transfer Out	-	(152,200)	-	(9,996)	-	(162,196)	162,196	-
10100 Total Other Financing Sources (Uses)	<u>162,196</u>	<u>(152,200)</u>	<u>-</u>	<u>(9,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ (173,385)</u>	<u>\$ 37,963</u>	<u>\$ (10,031)</u>	<u>\$ -</u>	<u>\$ (151,433)</u>	<u>\$ (296,886)</u>	<u>\$ -</u>	<u>\$ (296,886)</u>
11030 Beginning Equity	\$ 1,228,578	\$ -	\$ 10,226	\$ -	\$ 2,314,002	\$ 3,552,806	\$ -	\$ 3,552,806
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ (6,746)	\$ -	\$ (1,450)	\$ -	\$ (7,148)	\$ (15,344)	\$ -	\$ (15,344)
11170 Administrative Fee Equity	\$ -	\$ -	\$ (1,255)	\$ -	\$ -	\$ (1,255)	\$ -	\$ (1,255)
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11190 Unit Months Available	1,164	-	1,608	-	-	2,772	-	2,772
11210 Number of Unit Months Leased	1,133	-	1,520	-	-	2,653	-	2,653
11620 Building Purchases	\$ 64,436	\$ -	\$ -	\$ -	\$ -	\$ 64,436	\$ -	\$ 64,436
11630 Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11640 Furniture & Equipment - Administrative Purchases	\$ 3,442	\$ -	\$ -	\$ -	\$ -	\$ 3,442	\$ -	\$ 3,442
11650 Leasehold Improvement Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

<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	\$ 152,456
Resident Opportunity and Supportive Services	14.870	56,814
Housing Choice Vouchers	14.871	887,099
Public Housing Capital Fund Program	14.872	<u>190,163</u>
Total U.S. Department of Housing and Urban Development		<u>1,286,532</u>
Total Federal Awards		<u>\$ 1,286,532</u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2018

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, 2018

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 statement of net position as of December 31, 2018, and the related 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 June 5, 2019.

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

June 5, 2019
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, 2018. 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, 2018.

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

June 5, 2019
South Portland, Maine