

BATH HOUSING AUTHORITY
Bath, Maine

FINANCIAL STATEMENTS
and Additional Information

December 31, 2019 and 2018
with
Report of Independent Auditors

BATH HOUSING AUTHORITY
Bath, Maine

For the Years Ended December 31, 2019 and 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 Bath Housing Authority which are comprised of the statements of net position as of December 31, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended, and the related notes to 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2019 and 2018, and the changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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 and comparing 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 audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Bath Housing Authority's basic financial statements. The accompanying additional information on pages 30 through 35, 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 basic financial statements.

The information contained on pages 30 to 35 and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information contained on pages 30 to 35 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 July 22, 2020 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 solely 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 effectiveness of Bath Housing Authority's 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

July 22, 2020
South Portland, Maine

Bath Housing Authority

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2019

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 increased by \$274,307 (8.46%) during 2019. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$3,514,883 and \$3,240,576 for 2019 and 2018, respectively.
- Operating revenues increased by \$260,493 (11.94%) during 2019, and were \$2,442,207 and \$2,181,714 for 2019 and 2018, respectively.
- Operating expenses increased by \$62,618 (2.52%). Operating expenses were \$2,544,384 and \$2,481,766 for 2019 and 2018, respectively.
- Non-operating revenues (expenses) netted to \$326,135 and (\$34,797) for 2019 and 2018 respectively.
- Government capital grants increased by \$12,386 (32.63%) during 2019.
- The Authority's total long-term liabilities increased \$4,189 during the fiscal year to \$31,243.

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 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.

Mainstream Voucher Program – A program which operates as a separate program distinct from the regular tenant-based Housing Choice Voucher Program providing tenant-based assistance to persons with disabilities. The program is administered in accordance with regular Housing Choice Voucher Program requirements.

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.

	STATEMENTS OF NET POSITION			
	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 2,026,385	\$ 1,642,409	\$ 383,976	23.38%
Capital Assets	979,270	1,038,573	(59,303)	-5.71%
Other Non-current Assets	688,378	736,203	(47,825)	-6.50%
Total Assets	<u>3,694,033</u>	<u>3,417,185</u>	<u>276,848</u>	<u>8.10%</u>
Deferred outflow of resources	2,500	2,857	(357)	-12.50%
Current Liabilities	148,019	152,412	(4,393)	-2.88%
Non-current Liabilities	31,243	27,054	4,189	15.48%
Total Liabilities	<u>179,262</u>	<u>179,466</u>	<u>(204)</u>	<u>-0.11%</u>
Deferred inflow of resources	2,388	-	2,388	100.00%
Net Position				
Net investment in capital assets	979,270	1,038,573	(59,303)	-5.71%
Restricted	66,380	-	66,380	
Unrestricted	2,469,233	2,202,003	267,230	12.14%
Total Net Position	<u>\$ 3,514,883</u>	<u>\$ 3,240,576</u>	<u>\$ 274,307</u>	<u>8.46%</u>

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 increased primarily due to positive investment results from Local Program reserves as well as better operating activity over the prior year resulting in higher cash balances. Current liabilities decreased over the prior year primarily as a result of a decrease in the balance owed to Seacliff from Local Programs.

TABLE 2

CHANGES IN UNRESTRICTED NET POSITION

Unrestricted Net Position Beginning	<u>\$ 2,202,003</u>
Results of Operations	274,307
Adjustments:	
Depreciation (1)	<u>113,000</u>
Adjusted Results of Operations	<u>387,307</u>
Capital Expenditures <i>(Net of construction in progress capitalized)</i>	(56,206)
Retirement of assets <i>(net of depreciation)</i>	<u>2,509</u>
Total other adjustments	<u>(120,077)</u>
Unrestricted Net Position Ending	<u>\$ 2,469,233</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, 2019 and 2018

	2019	2018	Change	% Change
Operating revenues				
Dwelling rental	\$ 424,555	\$ 437,653	\$ (13,098)	-2.99%
Tenant revenue other	4,272	4,348	(76)	-1.75%
HUD operating grants	1,534,001	1,248,569	285,432	22.86%
Section 8 fraud recovery	2,250	900	1,350	150.00%
Other	477,129	490,244	(13,115)	-2.68%
Total operating revenues	2,442,207	2,181,714	260,493	11.94%
Operating expenses				
Administrative	637,026	648,724	(11,698)	-1.80%
Tenant services	59,162	86,521	(27,359)	-31.62%
Utilities	178,600	166,030	12,570	7.57%
Maintenance	490,542	435,868	54,674	12.54%
General	133,549	144,203	(10,654)	-7.39%
Housing assistance payments	932,505	858,118	74,387	8.67%
Depreciation and amortization	113,000	142,302	(29,302)	-20.59%
Total operating expenses	2,544,384	2,481,766	62,618	2.52%
Operating income (loss)	(102,177)	(300,052)	197,875	-65.95%
Nonoperating revenues (expenses)				
Gain/(loss) on disposals of assets	(2,509)	-	(2,509)	-100.00%
Investment income	328,644	(34,797)	363,441	-1044.46%
Total nonoperating revenues (expenses), net	326,135	(34,797)	360,932	-1037.25%
Income/(loss) before capital grants	223,958	(334,849)	558,807	-166.88%
Governmental capital grants	50,349	37,963	12,386	32.63%
Change in net position	<u>\$ 274,307</u>	<u>\$ (296,886)</u>	<u>\$ 571,193</u>	-192.39%

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

The Housing Authority received more HUD operating subsidies across all programs when compared to the prior year. A Mainstream 5 program was added which contributed to the increase in HUD operating grants. Tenant services decreased as a result in staff turnover. Unit turnover increased which resulted in an increase in maintenance expenses over the prior year. Investment income increased 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 \$979,270 (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 \$59,303 or decrease of 5.71% from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END
(Net of depreciation)

	Business - Type Assets	
	2019	2018
Land	\$ 575,877	\$ 575,877
Leasehold improvements	21,892	21,892
Buildings and Improvements	4,433,466	4,383,117
Dwelling Equipment	144,019	176,095
Non-dwelling Equipment	241,207	240,345
	5,416,461	5,397,326
Accumulated Depreciation	(4,437,191)	(4,358,753)
	<u>\$ 979,270</u>	<u>\$ 1,038,573</u>

TABLE 5

CHANGE IN CAPITAL ASSETS

	<u>Business-Type Activities</u>
Beginning Balance	\$ 1,038,573
Fixed asset additions (net of construction in progress)	56,206
Fixed asset retirements	(2,509)
Depreciation	<u>(113,000)</u>
Ending Balance	<u><u>\$ 979,270</u></u>
This year's major additions include <i>(but are not limited to)</i> :	
Anchorage Paving	\$ 50,349
Honda SS Hopper	<u>5,857</u>
	<u><u>\$ 56,206</u></u>

DEBT OUTSTANDING

As of year-end, Bath Housing Authority had no 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, 2019 and 2018

	2019	2018
ASSETS		
Current Assets		
Cash and Cash Equivalents (Note 4)		
Cash - Unrestricted	\$ 289,991	\$ 151,616
Cash - Restricted	66,380	-
Cash - Tenant Security Deposits	29,345	27,527
Total Cash	385,716	179,143
Receivables		
Accounts Receivable - HUD Other Projects	12,145	12,231
Accounts Receivable - Miscellaneous (Note 3)	59,694	81,505
Accounts Receivable - Tenants, Net of Allowance For Doubtful Accounts of \$6,857 and \$2,426, Respectively	2,714	3,381
Note Receivable - Current (Note 6)	44,219	42,346
Accrued Interest Receivable (Note 6)	171	2,730
Total Receivables	118,943	142,193
Investments - Unrestricted (Note 4)	1,492,917	1,283,042
Prepaid Expenses and Other Assets	119	200
Inventories	28,690	37,831
Total Current Assets	2,026,385	1,642,409
Noncurrent Assets		
Capital Assets (Note 2)		
Land	575,877	575,877
Buildings	4,433,466	4,383,117
Furniture, Equipment and Machinery - Dwellings	144,019	176,095
Furniture, Equipment and Machinery - Administration	241,207	240,345
Leasehold Improvements	21,892	21,892
Total	5,416,461	5,397,326
Accumulated Depreciation	(4,437,191)	(4,358,753)
Total Capital Assets, Net of Accumulated Depreciation	979,270	1,038,573
Long-term Note Receivable (Note 6)	688,378	736,203
Total Noncurrent Assets	1,667,648	1,774,776
Total Assets	3,694,033	3,417,185
Deferred Outflows of Resources (Note 10)	2,500	2,857

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
STATEMENTS OF NET POSITION
(Continued)

December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
LIABILITIES		
Current Liabilities		
Accounts Payable <= 90 Days	\$ 49,771	\$ 35,464
Accrued Wages/Payroll Taxes Payable	20,015	20,582
Accrued Compensated Absences - Current Portion	17,120	15,708
Accounts Payable - HUD PHA Programs	3,857	-
Accounts Payable - Other Government	25,023	27,597
Tenant Security Deposits	29,345	27,527
Deferred Revenue	2,228	-
Other Current Liabilities	660	25,534
Total Current Liabilities	<u>148,019</u>	<u>152,412</u>
Noncurrent Liabilities		
Accrued OPEB Liability (Notes 10 and 11)	23,041	21,889
Accrued Compensated Absences - Noncurrent Portion	8,202	5,165
Total Noncurrent Liabilities	<u>31,243</u>	<u>27,054</u>
Total Liabilities	<u>179,262</u>	<u>179,466</u>
DEFERRED INFLOWS OF RESOURCES	<u>2,388</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	979,270	1,038,573
Restricted	66,380	-
Unrestricted	2,469,233	2,202,003
Total Net Position	<u>\$ 3,514,883</u>	<u>\$ 3,240,576</u>

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, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Net Tenant Rental Revenue	\$ 424,555	\$ 437,653
Tenant Revenue - Other	4,272	4,348
HUD PHA Operating Grants	1,534,001	1,248,569
Fraud Recovery	2,250	900
Other Revenue	<u>477,129</u>	<u>490,244</u>
Total Operating Revenues	<u>2,442,207</u>	<u>2,181,714</u>
OPERATING EXPENSES		
Administrative	636,928	648,724
Tenant Services	59,162	86,521
Utilities	178,600	166,030
Maintenance	490,542	435,868
General	133,549	144,203
Housing Assistance Payments	932,603	858,118
Depreciation	<u>113,000</u>	<u>142,302</u>
Total Operating Expenses	<u>2,544,384</u>	<u>2,481,766</u>
OPERATING LOSS	<u>(102,177)</u>	<u>(300,052)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment and Interest Income (Loss)	328,644	(34,797)
Loss on Disposal of Capital Assets	<u>(2,509)</u>	<u>-</u>
Total Non-Operating Revenues (Expenses)	<u>326,135</u>	<u>(34,797)</u>
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL	223,958	(334,849)
CAPITAL GRANTS	<u>50,349</u>	<u>37,963</u>
INCREASE (DECREASE) IN NET POSITION	274,307	(296,886)
NET POSITION - BEGINNING	3,240,576	3,552,806
Prior Period Adjustment (Note 11)	<u>-</u>	<u>(15,344)</u>
NET POSITION - ENDING	<u>\$ 3,514,883</u>	<u>\$ 3,240,576</u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 427,010	\$ 435,343
Receipts from Grants	1,537,944	1,243,239
Other Receipts	503,008	426,776
Payments to Landlords	(931,054)	(858,118)
Payments to Employees	(682,401)	(677,692)
Payments for Administrative Expenses	(387,590)	(362,970)
Payments for Tenant Services Expenses	(1,844)	(7,859)
Payments for Utilities Expenses	(189,631)	(161,695)
Payments for Maintenance Expenses	(151,323)	(192,573)
Payments for Insurance	(51,372)	(49,802)
Payments for Taxes and PILOT	<u>(27,597)</u>	<u>(27,845)</u>
Net Cash Provided (Used) by Operating Activities	<u>45,150</u>	<u>(233,196)</u>
Cash Flows from Investing Activities:		
Net Purchases and Sales of Investment Securities	8,140	13,478
Receipts from Note Receivable	45,952	40,689
Investment and Interest Income	<u>113,188</u>	<u>132,484</u>
Net Cash Provided by Investing Activities	<u>167,280</u>	<u>186,651</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(56,206)	(79,012)
Capital Grant Proceeds	<u>50,349</u>	<u>47,963</u>
Net Cash Used by Capital and Related Financing Activities	<u>(5,857)</u>	<u>(31,049)</u>
Increase (Decrease) in Cash	206,573	(77,594)
Cash at Beginning of Year	<u>179,143</u>	<u>256,737</u>
Cash at End of Year	<u><u>\$ 385,716</u></u>	<u><u>\$ 179,143</u></u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
STATEMENTS OF CASH FLOWS
(Continued)

For the Years Ended December 31, 2019 and 2018

	2019	2018
Reconciliation of Operating Loss to		
Net Cash Provided (Used) by Operating Activities:		
Operating Loss	\$ (102,177)	\$ (300,052)
Adjustments to Reconcile Operating Loss to		
Net Cash Provided (Used) by Operating Activities:		
Depreciation	113,000	142,302
Changes in Operating Assets and Liabilities		
Accounts Receivable	22,564	(67,360)
Inventories	9,141	(29,396)
Prepaid Expenses and Other Assets	81	(80)
Deferred Outflows	357	(2,857)
Accounts Payable	14,307	9,505
Accrued Wages and Payroll Taxes Payable	(567)	7,979
Accrued Compensated Absences	4,449	2,594
Accounts Payable - HUD PHA Programs	3,857	-
Deferred Revenue	2,228	-
Accounts Payable - Other Government	(2,574)	(248)
Tenant Security Deposits	1,818	1,276
Other Current Liabilities	(24,874)	(3,404)
Deferred Inflows of Resources	2,388	-
OPEB Liability	1,152	6,545
Net Cash Provided (Used) by Operating Activities	\$ 45,150	\$ (233,196)

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 Voucher and Mainstream Voucher programs.

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.

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, Mainstream Vouchers, Resident Opportunity and Supportive Services, Public Housing Capital Fund and Local Programs.

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.

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

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Accounts Receivable and Bad Debts - Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant receivables consist of amounts due for rental income, charges for damages and cleaning fees. BHA does not accrue interest on the tenant receivable balances.

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 (generally 5 to 40 years). 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.

Impairment of Capital Assets - Governmental Accounting Standards Board's Statement No. 42, Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries requires certain note disclosures regarding impairments of capital assets. BHA did not recognize any impairments of capital assets in fiscal year 2019.

Non-Operating Revenue and Expense - BHA's nonoperating revenues relate primarily to capital grants provided by HUD, investment portfolio income and interest income from notes receivable from related parties. For reporting purposes, capital grant revenue is recognized when expenditures are incurred, and advance receipts are initially recorded as unearned revenue. Nonoperating expenses are expenditures derived from transactions other than those associated with BHA's primary housing operations and are reported as incurred.

Subsequent Events - Subsequent events have been evaluated through July 22, 2020, the date the financial statements were available to be issued.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Postemployment Benefits Other Than Pensions (OPEB) - For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, have been determined by an actuarial valuation conducted by BHA and are accounted for in accordance with the requirements of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).

Deferred Outflows and Inflows of Resources - Deferred outflows of resources are the consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are the acquisition of net position by the government that is applicable to a future reporting period. These consist of the deferral of the recognition of revenues and expenses until the future period to which the outflows and inflows are related. BHA's deferred outflows and or inflows of resources are related to the OPEB.

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.

NOTE 2 - CAPITAL ASSETS

	Balance at January 1, 2019	Additions	Reductions	Transfers	Balance at December 31, 2019
Land	\$ 575,877	\$ -	\$ -	\$ -	\$ 575,877
Buildings	4,383,117	50,349	-	-	4,433,466
Furniture, Equipment and Machinery - Dwellings	176,095	-	(32,076)	-	144,019
Furniture, Equipment and Machinery - Administration	240,345	5,857	(4,995)	-	241,207
Leasehold Improvements	21,892	-	-	-	21,892
Accumulated Depreciation	(4,358,753)	(113,000)	34,562	-	(4,437,191)
Total Capital Assets, net of Accumulated Depreciation	<u>\$ 1,038,573</u>	<u>\$ (56,794)</u>	<u>\$ (2,509)</u>	<u>\$ -</u>	<u>\$ 979,270</u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 3 - TRANSACTIONS WITH AFFILIATED ENTITIES

Office Lease - BHA has a lease agreement with Bath Housing Development Corporation ("BHDC"). BHA was charged \$28,800 during both 2019 and 2018 for leasing the office space. See Note 9.

Management Agreement - BHA has a management agreement with BHDC. As part of the agreement, BHDC is charged a fee that ranges from 10% to 12% of collected rental income. During 2019 and 2018, management fees totaled \$127,849 and \$116,000, respectively.

Maintenance, Administrative, and Resident Services - BHA provides maintenance, administrative, and resident services to BHDC on an as needed basis. Services charged to BHDC during 2019 and 2018 totaled \$320,509 and \$293,547, respectively.

Accounts Receivable - Miscellaneous - At December 31, 2019 and 2018, BHDC owed BHA \$59,489 and \$57,199, respectively, for various maintenance, administrative, and resident service 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. BHA 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.

	2019	Level 1	Level 2
Mutual Funds	\$ 911,226	\$ 911,226	\$ -
Government Bonds	25,063	-	25,063
Common Stock	538,233	538,233	-
Exchange-Traded Funds	18,395	18,395	-
	<u>\$ 1,492,917</u>	<u>\$ 1,467,854</u>	<u>\$ 25,063</u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 4 - INVESTMENTS (Continued)

	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>

Deposits totaling \$12 were made to the investment account during 2018. No deposits were made during 2019.

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, 2019 and 2018, the values and credit quality ratings were as follows:

Investment Type	2019	Quality Rating
Money Market	\$ 65,777	AAAm
Mutual Funds	\$457,609	Not Rated

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

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, 2019 and 2018, cash was held at banks either insured or collateralized by government securities in the name of the Authority. At December 31, 2019, the Local Programs investment account held cash equivalents comprised of money market funds backed by US Treasuries totaling \$65,777 and investments in government bonds, corporate bonds, and securities totaling \$1,492,917. These funds were not insured or collateralized at December 31, 2019.

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, 2019, BHA's investments had the following maturities:

Investment Type	Fair Value	Less than 1 Year	1-5 Years
Government Bonds	\$ 25,063	\$ 25,063	\$ -
Totals	\$ 25,063	\$ 25,063	\$ -

The return on the investment account for the years ended December 31, 2019 and 2018 consisted of the following:

	2019	2018
Interest and Dividends	\$ 34,173	\$ 31,677
Realized Gain on Investments	45,757	68,513
Unrealized Gain (Loss) on Investments	218,015	(167,138)
Account Fees	(6,739)	(7,150)
	<u>\$ 291,206</u>	<u>\$ (74,098)</u>

NOTE 5 - COMPENSATED ABSENCES

The following is a summary of the changes in accrued compensated absences for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
Compensated Absences	<u>\$ 20,873</u>	<u>\$ 52,361</u>	<u>\$ (47,912)</u>	<u>\$ 25,322</u>	<u>\$ 17,120</u>

NOTE 6 - NOTE RECEIVABLE

BHA loaned BHDC \$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, 2019 and 2018 were \$732,597 and \$778,549, 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 \$21,276 and \$21,202 for the years ended December 31, 2019 and 2018, respectively.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 8 - COMMITMENT

BHA has guaranteed several loans between BHDC and MaineHousing.

The loan balances as of December 31, 2019 and 2018 were as follows:

	2019	2018
806 Middle Street	\$ 117,247	\$ 119,373
49 Elm Street	75,713	77,044
28 Maple Street	146,343	148,668
470 Washington Street	165,749	168,342
Lincoln Street	300,000	300,000
Summer Street	500,000	-
BHDC Line of Credit	533,130	-
	\$1,838,182	\$ 813,427

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 BHDC 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 expires on December 31, 2020. Rental expense totaled \$28,800 during both 2019 and 2018.

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

2020	\$ 28,800
Total	\$ 28,800

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 both January 1, 2019 and 2018 (the measurement dates) the following employees were covered by the benefit terms:

Active employees: 6

As of the January 1, 2019 and 2018 measurement dates, BHA's OPEB liability totaled \$23,041 and \$21,889, respectively. The liability was determined by actuarial valuation as of the measurement dates.

Actuarial Assumptions and Other Inputs -The total OPEB liability in the January 1, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

(2019)

Salary Increase	2.75% per year
Discount Rate	4.10% per annum
Healthcare cost trend rates	8.20%, decreasing to an ultimate rate of 4%
Retirees' share of benefit-related costs	100%

(2018)

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 rates were 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.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The actuarial assumptions used in both the January 1, 2019 and 2018 valuations 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.

Changes in the Total OPEB Liability:

	Net OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balances at 1/01/2018 (Reporting December 31, 2018)	\$ 21,889	\$ -	\$ 21,889
Changes for the Year:			
Service Cost	2,982	-	2,982
Interest	856	-	856
Changes of Benefits	-	-	-
Differences between expected and actual experience	-	-	-
Changes of Assumptions	(2,686)	-	(2,686)
Contributions – Employer	-	-	-
Contributions - Member	-	-	-
Net Investment Income	-	-	-
Benefit Payments	-	-	-
Administrative Expense	-	-	-
Balances at 1/1/2019 (Reporting December 31, 2019)	<u>\$ 23,041</u>	<u>\$ -</u>	<u>\$ 23,041</u>

Changes in assumptions reflect a change in the discount rate from 3.44% in 2018 to 4.10% in 2019.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of BHA as of the January 1, 2019 and 2018 measurement dates, 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 or 1-percentage-point higher than the current discount rate:

(2019)	1% Decrease 3.10%	Discount Rate 4.10%	1% Increase 5.10%
Total OPEB Liability	\$ 27,267	\$ 23,041	\$ 19,627
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	<u>\$ 27,267</u>	<u>\$ 23,041</u>	<u>\$ 19,627</u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

(2018)	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	\$ 26,162	\$ 21,889	\$ 18,461

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:

(2019)	1% Decrease	Healthcare Trend Rates	1% Increase
Total OPEB Liability	\$ 18,976	\$ 23,041	\$ 28,241
Plan Fiduciary Net Position	-	-	-
Net OPEB Liability	\$ 18,976	\$ 23,041	\$ 28,241

(2018)	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 years ended December 31, 2019 and 2018, BHA recognized OPEB expense of \$1,152 and \$6,545, respectively. At December 31, 2019 and 2018, BHA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

(2019)	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 615	\$ -
Changes of Assumptions	1,885	2,388
Contributions subsequent to the measurement date	-	-
Total	\$ 2,500	\$ 2,388
	Deferred Outflows of Resources	Deferred Inflows of Resources
(2018)		
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:	
2020	\$ 59
2021	59
2022	59
2023	59
2024	59
Thereafter	(183)
	<u>\$ 112</u>

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.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 12 - ECONOMIC DEPENDENCY

BHA's federal programs are economically dependent on grants and annual contributions from HUD. These programs operate at a loss prior to receiving these grants and contributions.

NOTE 13 - SUBSEQUENT EVENT - CORONAVIRUS PANDEMIC

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) originated in Wuhan, China, and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized Covid-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. It is anticipated that these impacts will continue for some time. The current impact on operations include disruptions and restrictions on our employees' ability to work and the tenants' ability to pay the required monthly rent. Operating functions that have changed include, intake, recertifications and maintenance. These changes to the operating environment may increase operating costs. Additional ongoing impacts may include the ability of tenants to continue making rental payments as a result of job loss or other pandemic related issues. The future effects of these issues are unknown.

ADDITIONAL INFORMATION

BATH HOUSING AUTHORITY
Bath, Maine

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

December 31, 2019 and 2018

<u>Total OPEB Liability</u>	2019	2018
Service Cost	\$ 2,982	\$ 2,651
Interest	856	680
Changes in Benefit Terms	-	-
Differences Between Expected and Actual Experience	-	791
Changes of Assumptions	(2,686)	2,423
Benefit Payments	-	-
Net Change in Total OPEB Liability	1,152	6,545
Total OPEB Liability - Beginning	21,889	15,344
Total OPEB Liability - Ending	\$ 23,041	\$ 21,889
Covered Employee Payroll	\$ 271,914	\$ 271,914
Net OPEB Liability as a Percentage of its Covered Payroll	8.5%	8.0%

Notes to Schedule:

The amounts presented were determined as of 1/1.

Changes in benefit terms . None

Changes in assumptions: (\$2,686) and \$2,423 in 2019 and 2018, repectively.

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, 2019

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

Funds totaling \$191,260 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - UNCOMPLETED

December 31, 2019

	Project ME01P01950119
Funds Approved	\$ 214,679
Funds Expended	<u>198,233</u>
Excess of Funds Approved	<u>\$ 16,446</u>
Funds Advanced	\$ 198,233
Funds Expended	<u>198,233</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$198,233 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
December 31, 2019

	Low Rent Public Housing	Housing Choice Vouchers	Mainstream Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 34,755	\$ 826	\$ -	\$ -	\$ 254,410	\$ 289,991	\$ -	\$ 289,991
113 Cash - Other Restricted	-	-	66,380	-	-	66,380	-	66,380
114 Cash - Tenant Security Deposits	29,345	-	-	-	-	29,345	-	29,345
100 Total Cash	<u>64,100</u>	<u>826</u>	<u>66,380</u>	<u>-</u>	<u>254,410</u>	<u>385,716</u>	<u>-</u>	<u>385,716</u>
122 Accounts Receivable - HUD Other Projects	2,392	7,212	-	2,541	-	12,145	-	12,145
125 Accounts Receivable - Miscellaneous	6,056	-	-	-	53,638	59,694	-	59,694
126 Accounts Receivable - Tenants	9,571	-	-	-	-	9,571	-	9,571
126.1 Allowance for Doubtful Accounts -Tenants	(6,857)	-	-	-	-	(6,857)	-	(6,857)
127 Notes, Loan, and Mortgages Receivable - Current	-	-	-	-	44,219	44,219	-	44,219
129 Accrued Interest Receivable	-	-	-	-	171	171	-	171
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>11,162</u>	<u>7,212</u>	<u>-</u>	<u>2,541</u>	<u>98,028</u>	<u>118,943</u>	<u>-</u>	<u>118,943</u>
131 Investments - Unrestricted	-	-	-	-	1,492,917	1,492,917	-	1,492,917
142 Prepaid Expenses and Other Assets	119	-	-	-	-	119	-	119
143 Inventories	28,690	-	-	-	-	28,690	-	28,690
144 Inter Program Due From	2,541	-	3,270	-	-	5,811	(5,811)	-
150 Total Current Assets	<u>106,612</u>	<u>8,038</u>	<u>69,650</u>	<u>2,541</u>	<u>1,845,355</u>	<u>2,032,196</u>	<u>(5,811)</u>	<u>2,026,385</u>
161 Land	575,877	-	-	-	-	575,877	-	575,877
162 Buildings	4,433,466	-	-	-	-	4,433,466	-	4,433,466
163 Furniture, Equipment & Machinery - Dwellings	144,019	-	-	-	-	144,019	-	144,019
164 Furniture, Equipment & Machinery - Administration	241,207	-	-	-	-	241,207	-	241,207
165 Leasehold Improvements	21,892	-	-	-	-	21,892	-	21,892
166 Accumulated Depreciation	(4,437,191)	-	-	-	-	(4,437,191)	-	(4,437,191)
160 Total Capital Assets, Net of Accumulated Depreciation	<u>979,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>979,270</u>	<u>-</u>	<u>979,270</u>
171 Long-term Notes Receivable	-	-	-	-	688,378	688,378	-	688,378
180 Total Non-Current Assets	<u>979,270</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>688,378</u>	<u>1,667,648</u>	<u>-</u>	<u>1,667,648</u>
190 Total Assets	<u>1,085,882</u>	<u>8,038</u>	<u>69,650</u>	<u>2,541</u>	<u>2,533,733</u>	<u>3,699,844</u>	<u>(5,811)</u>	<u>3,694,033</u>
200 Deferred Outflows of Resources	868	155	-	-	1,477	2,500	-	2,500
290 Total Assets and Deferred Outflows of Resources	<u>\$ 1,086,750</u>	<u>\$ 8,193</u>	<u>\$ 69,650</u>	<u>\$ 2,541</u>	<u>\$ 2,535,210</u>	<u>\$ 3,702,344</u>	<u>\$ (5,811)</u>	<u>\$ 3,696,533</u>

BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
(Continued)
December 31, 2019

	Low Rent Public Housing	Housing Choice Vouchers	Mainstream Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$ 17,492	\$ 16,653	\$ -	\$ -	\$ 15,626	\$ 49,771	\$ -	\$ 49,771
321 Accrued Wages/Payroll Taxes Payable	9,648	803	-	-	9,564	20,015	-	20,015
322 Accrued Compensated Absences - Current Portion	8,882	785	-	-	7,453	17,120	-	17,120
331 Accounts Payable - HUD PHA Programs	-	-	3,857	-	-	3,857	-	3,857
333 Accounts Payable - Other Government	25,023	-	-	-	-	25,023	-	25,023
341 Tenant Security Deposits	29,345	-	-	-	-	29,345	-	29,345
342 Deferred Revenue	2,228	-	-	-	-	2,228	-	2,228
345 Other Current Liabilities	660	-	-	-	-	660	-	660
347 Inter Program - Due to	-	3,270	-	2,541	-	5,811	(5,811)	-
310 Total Current Liabilities	<u>93,278</u>	<u>21,511</u>	<u>3,857</u>	<u>2,541</u>	<u>32,643</u>	<u>153,830</u>	<u>(5,811)</u>	<u>148,019</u>
354 Accrued Compensated Absences - Non Current	4,255	376	-	-	3,571	8,202	-	8,202
357 Accrued OPEB Liabilities	9,584	1,987	-	-	11,470	23,041	-	23,041
350 Total Non-Current Liabilities	<u>13,839</u>	<u>2,363</u>	<u>-</u>	<u>-</u>	<u>15,041</u>	<u>31,243</u>	<u>-</u>	<u>31,243</u>
300 Total Liabilities	<u>107,117</u>	<u>23,874</u>	<u>3,857</u>	<u>2,541</u>	<u>47,684</u>	<u>185,073</u>	<u>(5,811)</u>	<u>179,262</u>
400 Deferred Inflows of Resources	<u>1,031</u>	<u>219</u>	<u>-</u>	<u>-</u>	<u>1,138</u>	<u>2,388</u>	<u>-</u>	<u>2,388</u>
508.4 Net Investment in Capital Assets	979,270	-	-	-	-	979,270	-	979,270
511.4 Restricted Net Position	-	-	66,380	-	-	66,380	-	66,380
512.4 Unrestricted Net Position	(668)	(15,900)	(587)	-	2,486,388	2,469,233	-	2,469,233
513 Total Equity - Position	<u>978,602</u>	<u>(15,900)</u>	<u>65,793</u>	<u>-</u>	<u>2,486,388</u>	<u>3,514,883</u>	<u>-</u>	<u>3,514,883</u>
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	<u>\$ 1,086,750</u>	<u>\$ 8,193</u>	<u>\$ 69,650</u>	<u>\$ 2,541</u>	<u>\$ 2,535,210</u>	<u>\$ 3,702,344</u>	<u>\$ (5,811)</u>	<u>\$ 3,696,533</u>

**BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
December 31, 2019**

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Mainstream Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 424,555	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 424,555	\$ -	\$ 424,555
70400 Tenant Revenue - Other	4,272	-	-	-	-	-	4,272	-	4,272
70500 Total Tenant Revenue	428,827	-	-	-	-	-	428,827	-	428,827
70600 HUD PHA Operating Grants	193,180	186,944	1,022,013	86,683	45,181	-	1,534,001	-	1,534,001
70610 Capital Grants	-	50,349	-	-	-	-	50,349	-	50,349
71100 Investment Income - Unrestricted	150	-	148	-	-	298,080	298,378	-	298,378
71200 Mortgage Interest Income	-	-	-	-	-	30,266	30,266	-	30,266
71400 Fraud Recovery	-	-	2,250	-	-	-	2,250	-	2,250
71500 Other Revenue	12,801	-	222	-	-	464,106	477,129	-	477,129
71600 Gain or loss on Sale of Capital Assets	(2,509)	-	-	-	-	-	(2,509)	-	(2,509)
70000 Total Revenue	632,449	237,293	1,024,633	86,683	45,181	792,452	2,818,691	-	2,818,691
91100 Administrative Salaries	153,967	-	54,437	1,423	-	94,913	304,740	-	304,740
91200 Auditing Fees	8,784	-	1,293	31	-	5,392	15,500	-	15,500
91500 Employee Benefit Contributions - Administrative	50,672	-	16,176	387	-	34,440	101,675	-	101,675
91600 Office Expenses	64,197	-	27,219	-	-	47,719	139,135	-	139,135
91700 Legal Expense	7,903	-	-	-	-	-	7,903	-	7,903
91800 Travel	6,277	-	394	9	-	576	7,256	-	7,256
91900 Other	33,573	-	5,648	970	1,314	19,214	60,719	-	60,719
91000 Total Operating - Administrative	325,373	-	105,167	2,820	1,314	202,254	636,928	-	636,928
92100 Tenant Services - Salaries	-	-	-	-	29,793	19,898	49,691	-	49,691
92300 Employee Benefit Contributions - Other	-	-	-	-	4,078	3,549	7,627	-	7,627
92400 Tenant Services - Other	358	-	-	-	-	1,486	1,844	-	1,844
92500 Total Tenant Services	358	-	-	-	33,871	24,933	59,162	-	59,162
93100 Water	12,245	-	-	-	-	-	12,245	-	12,245
93200 Electricity	111,869	-	-	-	-	-	111,869	-	111,869
93400 Fuel	35,286	-	-	-	-	-	35,286	-	35,286
93600 Sewer	19,200	-	-	-	-	-	19,200	-	19,200
93000 Total Utilities	178,600	-	-	-	-	-	178,600	-	178,600
94100 Ordinary Maintenance and Operations - Labor	98,821	-	-	-	-	155,796	254,617	-	254,617
94200 Ordinary Maintenance and Operations - Materials and Other	75,562	-	-	-	-	2,238	77,800	-	77,800
94300 Ordinary Maintenance and Operations Contracts	71,355	-	13,112	314	-	-	84,781	-	84,781
94500 Employee Benefit Contributions - Ordinary Maintenance	28,424	-	-	-	-	44,920	73,344	-	73,344
94000 Total Maintenance	274,162	-	13,112	314	-	202,954	490,542	-	490,542

BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
(Continued)
December 31, 2019

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Mainstream Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
96110 Property Insurance	\$ 34,700	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,700	\$ -	\$ 34,700
96120 Liability Insurance	3,555	-	535	-	-	2,184	6,274	-	6,274
96130 Workmen's Compensation	4,166	-	615	13	-	2,557	7,351	-	7,351
96140 All Other Insurance	1,451	-	-	-	-	1,677	3,128	-	3,128
96100 Total Insurance Premiums	43,872	-	1,150	13	-	6,418	51,453	-	51,453
96210 Compensated Absences	22,446	-	4,989	-	-	24,926	52,361	-	52,361
96300 Payments in Lieu of Taxes	25,023	-	-	-	-	-	25,023	-	25,023
96400 Bad Debt - Tenant Rents	4,712	-	-	-	-	-	4,712	-	4,712
96000 Total Other General Expenses	52,181	-	4,989	-	-	24,926	82,096	-	82,096
96900 Total Operating Expenses	874,546	-	124,418	3,147	35,185	461,485	1,498,781	-	1,498,781
97000 Excess (Deficiency) of Operating Revenue Over (Under) Operating Expenses	(242,097)	237,293	900,215	83,536	9,996	330,967	1,319,910	-	1,319,910
97300 Housing Assistance Payments	-	-	914,762	17,743	-	-	932,505	-	932,505
97350 HAP Portability-In	-	-	98	-	-	-	98	-	98
97400 Depreciation Expense	113,000	-	-	-	-	-	113,000	-	113,000
90000 Total Expenses	987,546	-	1,039,278	20,890	35,185	461,485	2,544,384	-	2,544,384
10010 Operating Transfer In	247,289	-	-	-	-	-	247,289	(247,289)	-
10020 Operating Transfer Out	-	(237,293)	-	-	(9,996)	-	(247,289)	247,289	-
10100 Total Other Financing Sources (Uses)	247,289	(237,293)	-	-	(9,996)	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (107,808)	\$ -	\$ (14,645)	\$ 65,793	\$ -	\$ 330,967	\$ 274,307	\$ -	\$ 274,307
11030 Beginning Equity	\$ 1,086,410	\$ -	\$ (1,255)	\$ -	\$ -	\$ 2,155,421	\$ 3,240,576	\$ -	\$ 3,240,576
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170 Administrative Fee Equity	\$ -	\$ -	\$ (15,900)	\$ -	\$ -	\$ -	\$ (15,900)	\$ -	\$ (15,900)
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11190 Unit Months Available	1,164	-	1,608	264	-	-	3,036	-	3,036
11210 Number of Unit Months Leased	1,122	-	1,587	38	-	-	2,747	-	2,747
11270 Excess Cash	\$ (88,353)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (88,353)	\$ -	\$ (88,353)
11610 Land Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11620 Building Purchases	\$ -	\$ 50,349	\$ -	\$ -	\$ -	\$ -	\$ 50,349	\$ -	\$ 50,349
11630 Furniture & Equipment - Dwelling Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11640 Furniture & Equipment - Administrative Purchases	\$ 5,857	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,857	\$ -	\$ 5,857
11650 Leasehold Improvement Purchases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Housing Choice Voucher Cluster		
Mainstream Vouchers	14.879	\$ 20,890
Housing Choice Vouchers	14.871	<u>1,022,013</u>
Total Housing Choice Voucher Cluster		1,042,903
Low Rent Public Housing	14.850	193,180
Resident Opportunity and Supportive Services	14.870	45,181
Public Housing Capital Fund Program	14.872	<u>237,293</u>
Total U.S. Department of Housing and Urban Development		<u>1,518,557</u>
Total Federal Awards		<u><u>\$ 1,518,557</u></u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2019

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, 2019

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 and 14.879	Housing Voucher Cluster

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, 2019, 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 July 22, 2020.

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

July 22, 2020
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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2019.

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

July 22, 2020
South Portland, Maine