

BATH HOUSING AUTHORITY

FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

BATH HOUSING AUTHORITY

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BATH HOUSING AUTHORITY

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Bath Housing Authority
Bath, Maine

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Bath Housing Authority, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Bath Housing Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Bath Housing Authority, as of December 31, 2022, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Bath Housing Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle – GASB 87

As described in Note 9 to the financial statements, in 2022, the Bath Housing Authority, adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bath Housing Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with *GAAS* and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with *GAAS* and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Bath Housing Authority's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bath Housing Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the required supplementary information presented on pages 40 through 41, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bath Housing Authority's basic financial statements. The supplementary information on pages 42 through 44, as listed in the table of contents, and the Schedule of Expenditures of Federal Awards, 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 (Uniform Guidance)*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 supplementary information on pages 42 through 44, as listed in the table of contents, 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 Government Auditing Standards

In accordance with *Government Auditing Standards*, we have issued our report dated June 2, 2023 on our consideration of the Bath Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the 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.

Marcum LLP

Providence, Rhode Island
June 2, 2023

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

OVERVIEW OF THE FINANCIAL STATEMENTS

The Bath Housing Authority (the Authority) is pleased to present its basic financial statements as of and for the year ended December 31, 2022, which have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). GAAP requires the inclusion of three basic financial statements: the statement of net position; the statement of revenues, expenses, and changes in net position; and the statement of cash flows. In addition, GAAP requires the inclusion of this management's discussion and analysis (MD&A) section as required supplementary information.

The basic financial statements provide both long-term and short-term information about the Authority's overall financial condition. The basic financial statements also include notes that provide additional information.

As provided for under GAAP, the Authority uses the accrual basis of accounting to prepare its basic financial statements. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses, including depreciation and amortization, are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of the Authority are included in the statement of net position.

This section of the Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the year ended December 31, 2022, with comparative data for the year ended December 31, 2021. Please read this section in conjunction with the Authority's basic financial statements, which immediately follow this section.

HIGHLIGHTS

- Assets and deferred outflows of resources of the Authority exceeded liabilities and deferred inflows of resources at December 31, 2022 by \$2,889,795 (net position), representing a decrease of \$134,241 from the prior year.
- Total revenues decreased by \$103,832 from the prior year, while total expenses increased by \$346,068.
- The Authority's current ratio that measures liquidity decreased during the year from 22.66 to 20.46.
- The Authority's total debt decreased from \$59,031 to \$30,142.

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

OVERVIEW OF THE AUTHORITY'S OPERATIONS

The Authority was established to provide decent and safe rental housing for eligible low-income families, the elderly, and persons with disabilities. These services are provided through the administration of the following programs:

Federal Programs

Section 8 Housing Choice Voucher Program
Mainstream Vouchers

State/Local and Other Programs

Property Management

For additional information on the Authority's programs, see the notes to financial statements.

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

FINANCIAL ANALYSIS

Summary of Net Position

Presented below is the Authority's condensed summary of net position at December 31, 2022 compared to December 31, 2021. The statement of net position presents the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the Authority at the end of the fiscal year. The purpose of the statement of net position is to give the financial statement readers a snapshot of the fiscal condition of the Authority as of a certain point in time. It presents end of year data for assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (assets and deferred outflows of resources, minus liabilities and deferred inflows of resources).

SUMMARY OF NET POSITION December 31, 2022 and 2021

	2022	2021, As Restated	Change	% Change
Current Assets	\$ 2,273,524	\$ 2,377,768	\$ (104,244)	-4.38%
Capital Assets	229,153	226,069	3,084	1.36%
Other Noncurrent Assets	<u>544,617</u>	<u>594,463</u>	<u>(49,846)</u>	-8.39%
Total Assets	<u>3,047,294</u>	<u>3,198,300</u>	<u>(151,006)</u>	-4.72%
Deferred Outflows of Resources	<u>10,508</u>	<u>6,277</u>	<u>4,231</u>	67.40%
Current Liabilities	111,129	104,941	6,188	5.90%
Noncurrent Liabilities	<u>47,307</u>	<u>66,112</u>	<u>(18,805)</u>	-28.44%
Total Liabilities	<u>158,436</u>	<u>171,053</u>	<u>(12,617)</u>	-7.38%
Deferred Inflows of Resources	<u>9,571</u>	<u>9,488</u>	<u>83</u>	0.87%
Net investment in capital assets	199,011	167,038	31,973	19.14%
Restricted	195,768	81,046	114,722	141.55%
Unrestricted	<u>2,495,016</u>	<u>2,775,952</u>	<u>(280,936)</u>	-10.12%
Total Net Position	<u>\$ 2,889,795</u>	<u>\$ 3,024,036</u>	<u>\$ (134,241)</u>	-4.44%

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

Total assets of the Authority at December 31, 2022 and 2021 were \$3,047,294 and \$3,198,300, respectively, a change of 4.72%. The significant components of current assets are cash and receivables. The significant components of noncurrent assets are capital assets and notes receivable. Capital assets include land, buildings and building improvements, construction in progress, right of use assets, and equipment. All capital assets except for land and construction in progress are shown net of accumulated depreciation.

Total liabilities of the Authority at December 31, 2022 and 2021 were \$158,436 and \$171,053, respectively, a change of 7.38%. Current liabilities include accounts payable, accrued liabilities and unearned revenue. Noncurrent liabilities are primarily made up of the OPEB liabilities.

Deferred inflows and outflows of resources relate to the Authority pension and OPEB liabilities. In 2022, the Authority's pension and OPEB related deferred outflows increased by \$4,231 and deferred inflows increased by \$83. These changes are the result of fluctuations in the actuarial valuations of the liability.

Net position represents the Authority's equity, which is accounted for in three major categories. The first category, net investment in capital assets, represents the Authority's equity in land, buildings and building improvements, construction in progress, and equipment, net of related capital debt outstanding. The next net position category is restricted net position; this shows the amounts subject to external restriction. The last category is unrestricted net position; these funds are available to use for any lawful and prudent purpose of the Authority. Unrestricted net position decreased by \$280,936, or 10.12%, for the fiscal year.

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

Summary of Revenues, Expenses and Changes in Net Position

Presented below is the condensed summary of revenues, expenses and changes in net position information for fiscal year ended December 31, 2022 compared to the year ended December 31, 2021. The information reflects the results of operations for the Authority and displays the sources of revenue, the nature of expenses for the year and the resulting change in net position. All revenues and expenses are accounted for on an accrual basis. See notes to financial statements.

	<u>2022</u>	<u>2021</u>	<u>Change</u>	<u>% Change</u>
Revenue				
Operating Revenues	\$ 3,501,427	\$ 3,092,819	\$ 408,608	13.21%
Investment income (loss)	(246,302)	266,138	(512,440)	-192.55%
Total Revenues	<u>3,255,125</u>	<u>3,358,957</u>	<u>(103,832)</u>	<u>-3.09%</u>
Expenses				
Housing assistance payments	1,928,139	1,394,395	533,744	38.28%
Administration	674,344	734,821	(60,477)	-8.23%
Repair and maintenance	455,960	428,782	27,178	6.34%
Tenant services	159,753	159,362	391	0.25%
Other general expenses	75,774	97,866	(22,092)	-22.57%
Depreciation expense	60,258	87,431	(27,173)	-31.08%
Insurance expense	26,812	46,922	(20,110)	-42.86%
Utilities	6,375	93,719	(87,344)	-93.20%
Interest expense	1,951	--	1,951	-
Total Expenses	<u>3,389,366</u>	<u>3,043,298</u>	<u>346,068</u>	<u>11.37%</u>
Special Items	--	(920,985)	920,985	-100.00%
Change in Net Position	<u>(134,241)</u>	<u>(605,326)</u>	<u>471,085</u>	<u>-77.82%</u>
Net Position - Beginning of Year	<u>3,024,036</u>	<u>3,629,362</u>	<u>(605,326)</u>	<u>-16.68%</u>
Net Position - End of Year	<u>\$ 2,889,795</u>	<u>\$ 3,024,036</u>	<u>\$ (134,241)</u>	<u>-4.44%</u>

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

Generally, operating revenues are amounts received for providing housing to the Authority's tenants as well as subsidies and grants received from the U.S. Department of Housing and Urban Development (HUD) that provide significant funding for the operations of the Authority's housing programs. Operating expenses are those incurred to operate, maintain, and repair the housing units and to provide supportive services to the tenants of the Authority. Nonoperating revenues are revenues earned for which goods and services are not provided, for example, interest income. Capital grants represent revenues earned for public housing capital repairs.

Significant changes in revenues and expenses from the fiscal year ended December 31, 2021 to December 31, 2022 include the following:

- Operating revenues increased by \$408,608, or 13.21%, due to an increase in income from management, administrative and maintenance service fees.
- Nonoperating revenues decreased by \$512,440, or 192.55%, due to a decrease in investment income compared to the prior year resulting from an overall decrease in the fair value of investments held by the Authority.
- Housing assistance payments increased by \$533,744, or 38.28%, due to an increase in the number of vouchers leased and overall increasing rents within the City of Bath. The increase in vouchers was attributable to the conversion of the Authority's former public housing to housing vouchers. During 2022, HUD approved a waiver allowing the Authority to increase its payment standards to 120% of the fair market rent.
- Repair and maintenance expenses increased by \$27,178, or 6.34%, due to a change in the classification between administrative and maintenance salary expense for the director of facilities.
- Administrative expenses decreased by \$60,477, or 8.23%, due to a change in the classification between administrative and maintenance salary expense for the director of facilities.
- Utilities decreased by \$87,344, or 93.20%, due to the disposal of the Authority's public housing properties in 2021.
- Depreciation expense decreased by \$27,173, or 31.08%, due to the disposal of the Authority's public housing properties in 2021.

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At December 31, 2022, capital assets, net of accumulated depreciation was \$229,153 which includes land, right of use assets, leasehold improvements, and equipment. The schedule below reflects the changes in capital assets, net of depreciation, from December 31, 2021 to December 31, 2022:

CAPITAL ASSET ANALYSIS December 31, 2022 and 2021

	2022	2021, As Restated	Change	% Change
Land	\$ 52,541	\$ 52,541	\$ --	0.00%
Right of Use Asset	59,031	59,031	--	0.00%
Furniture and equipment	289,036	240,225	48,811	20.32%
Leasehold improvements	<u>53,456</u>	<u>38,925</u>	<u>14,531</u>	37.33%
Total capital assets	<u>454,064</u>	<u>390,722</u>	<u>63,342</u>	16.21%
Accumulated depreciation	<u>(224,911)</u>	<u>(164,653)</u>	<u>(60,258)</u>	36.60%
Capital assets, net of accumulated depreciation	<u>\$ 229,153</u>	<u>\$ 167,038</u>	<u>\$ 62,115</u>	37.19%

The majority of the additions were attributable to a tractor purchase along with an increase leasehold improvements. Additional information on the Authority's capital assets can be found at Note 7 in the notes to financial statements.

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION & ANALYSIS

DECEMBER 31, 2022

Long-Term Debt

At December 31, 2022, the Authority had total long-term debt of \$30,142, a decrease of \$28,889 compared to the prior year. Additional information on the Authority's long-term debt can be found in the notes to financial statements.

LONG TERM DEBT ANALYSIS December 31, 2022 and 2021

	2022	2021, As Restated	Change	% Change
Lease Liabilities	<u>\$ 30,142</u>	<u>\$ 59,031</u>	<u>\$ (28,889)</u>	-48.94%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Significant economic factors affecting the Authority's budget in the next year are as follows:

- The Authority is primarily dependent upon HUD for the funding of its federal; therefore, the Authority is affected more by the federal budget than by local economic conditions.
- 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, housing costs, supplies and other costs
- Current trends in the housing market
- Local and national property rental markets that determine Housing Assistance Payments

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information presented in this report or requests for additional information should be addressed to Ms. Debora Keller, Executive Director, Bath Housing Authority, 80 Congress Ave, Bath, Maine 04530.

BATH HOUSING AUTHORITY

STATEMENT OF NET POSITION

DECEMBER 31, 2022

Assets

Current Assets

Cash and cash equivalents	\$	366,328
Restricted cash		195,768
Accounts receivable, net		97,341
Interest receivable		130
Current portion of notes receivable		49,846
Investments		1,556,500
Prepaid expenses and other current assets		7,611
Total Current Assets		<u>2,273,524</u>

Noncurrent Assets

Notes receivable, net of current portion		544,617
Capital assets, non-depreciable		52,541
Capital assets, net of accumulated depreciation		176,612
Total Noncurrent Assets		<u>773,770</u>

Total Assets		<u>3,047,294</u>
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Deferred Outflows of Resources		<u>10,508</u>
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The accompanying notes are an integral part of these financial statements.

BATH HOUSING AUTHORITY

STATEMENT OF NET POSITION (CONTINUED)

DECEMBER 31, 2022

Liabilities	
Current Liabilities	
Accounts payable	\$ 21,331
Current portion of lease liability	30,142
Accrued wages and current portion of compensated absences	59,656
Total Current Liabilities	<u>111,129</u>
Noncurrent Liabilities	
Accrued compensated absences, net of current portion	12,111
OPEB liability	35,196
Total Noncurrent Liabilities	<u>47,307</u>
Total Liabilities	<u>158,436</u>
Deferred Inflows of Resources	<u>9,571</u>
Net Position	
Net investment in capital assets	199,011
Restricted:	
Housing assistance payments	195,768
Unrestricted	<u>2,495,016</u>
Total Net Position	<u>\$ 2,889,795</u>

The accompanying notes are an integral part of these financial statements.

BATH HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2022

Operating Revenues	
HUD grants	\$ 2,310,514
Management fees	1,155,532
Other government grants	23,860
Other revenue	11,521
Total Operating Revenues	<u>3,501,427</u>
Operating Expenses	
Housing assistance payments	1,928,139
Administration	674,344
Repair and maintenance	455,960
Tenant services	159,753
Other general expenses	75,774
Depreciation expense	60,258
Insurance expense	26,812
Utilities	6,375
Total Operating Expenses	<u>3,387,415</u>
Operating Income	<u>114,012</u>
Nonoperating Revenues (Expenses)	
Interest expense	(1,951)
Interest and investment revenue	(246,302)
Total Nonoperating Revenues (Expenses)	<u>(248,253)</u>
Loss before Capital Grants	<u>(134,241)</u>
Change in Net Position	(134,241)
Net Position, Beginning of Year	<u>3,024,036</u>
Net Position, End of Year	<u>\$ 2,889,795</u>

The accompanying notes are an integral part of these financial statements.

BATH HOUSING AUTHORITY

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2022

Cash Flows from Operating Activities

HUD grants	\$ 2,387,164
Other government grants	23,860
Receipts from tenants	4,578
Other operating receipts	1,125,596
Payments to employees	(1,059,421)
Payments to suppliers	(323,769)
Payments to landlords	<u>(1,928,139)</u>
Net cash provided by operating activities	<u>229,869</u>

Cash Flows from Capital and Related Financing Activities

Interest expense	(1,951)
Payments on lease liabilities	(28,889)
Acquisitions of capital assets	<u>(63,342)</u>
Net cash used in capital and related financing activities	<u>(94,182)</u>

Cash Flows from Investing Activities

Interest and dividends received	62,932
Proceeds from the sale of investments	577,543
Purchase of investments	(549,394)
Proceeds from the collection on notes receivable	<u>47,895</u>
Net cash provided by investing activities	<u>138,976</u>

Net increase in cash, cash equivalents and restricted cash 274,663

Cash, cash equivalents and restricted cash, beginning of year 287,433

Cash, cash equivalents and restricted cash, end of year \$ 562,096

The accompanying notes are an integral part of these financial statements.

BATH HOUSING AUTHORITY

STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	\$ 114,012
Adjustments:	
Depreciation	60,258
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, other	(36,879)
(Increase) decrease in accounts receivable, HUD	76,650
(Increase) decrease in prepaid expenses and other current assets	3,704
(Decrease) increase in accounts payable	15,173
(Decrease) increase in compensated absences and accrued wages	(7,814)
deferred inflow/outflows of resources	<u>4,765</u>
Net cash provided by operating activities	<u>\$ 229,869</u>
Cash, cash equivalents and restricted cash per Statement of Net Position:	
Cash and cash equivalents	\$ 366,328
Restricted cash - current	<u>195,768</u>
Total cash, cash equivalents and restricted cash per Statement of Net Position	<u>\$ 562,096</u>
Supplemental Disclosure of Cash Flow Information:	
Change in fair value of investments	<u>\$ (409,668)</u>

The accompanying notes are an integral part of these financial statements.

BATH HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1 – ORGANIZATION

The Bath Housing Authority (the Authority) was incorporated under the laws of the State of Maine. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate-income families and elderly individuals. During 2021, the Authority completed the streamlined voluntary conversion of its 97 units of low rent public housing to Section 8 Housing Choice Voucher assistance. This marked the end of the of the Public Housing program managed by the Authority.

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

Federal Programs

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

Local Programs

Property Management – This program represents the activities of the Authority’s programs using non-HUD resources. Such activities include providing management and maintenance services to several housing projects.

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

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

- the organization is legally separate (can sue and be sued in their own name)
- the Authority holds the corporate powers of the organization
- the Authority appoints a voting majority of the organization's board
- the Authority is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Authority
- there is fiscal dependency by the organization on the Authority

Based on the aforementioned criteria, the Authority has no component units.

BASIS OF PRESENTATION AND ACCOUNTING

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund utilizing the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned and expenses when the related liability for goods and services is incurred, regardless of the timing of the related cash flows.

The Authority's financial statements are prepared in accordance with Governmental Accounting Standards Board (GASB). The Authority follows GASB as applied to governmental entities.

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

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NEW ACCOUNTING STANDARDS ADOPTED

In 2022, the Authority adopted the following GASB Statement No. 87 *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Authority has adopted GASB 87 as of July 1, 2021 (See Notes 10 and 17).

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

The Authority considers cash equivalents to be all highly liquid investments with a maturity of three months or less when purchased.

ACCOUNTS RECEIVABLE

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

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$5,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the time of acquisition. Major outlays for capital assets and improvements are capitalized as projects are constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Right of Use Assets	Lease term
Land and Building Improvements	10-20 years
Furniture, Equipment and Machinery	5-10 years

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 or recognition regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2022.

COMPENSATED ABSENCES

All regular full-time and part-time employees who are on active duty or paid leave of absence will accrue earned benefit time (EBT). EBT shall begin to accrue from the date of hire at the rate of 1/26th of the annual entitlement for each pay period worked and may be used once it is accrued. A day shall be equal to regularly scheduled hours per week divided by 5. Employees can earn between 20 and 30 days of EBT, based on years of service. Employees can carry over a maximum of 20 days from one calendar year to the next. EBT payout is capped at 120 hours per employee. Total accrued compensated absences at December 31, 2022 aggregated \$34,933.

OPERATING REVENUES AND EXPENSES

Operating revenue includes operating grants and subsidies, rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

NON-OPERATING REVENUES AND EXPENSE

The Authority's nonoperating revenues relate primarily to capital grants provided by HUD and interest/ investment income. 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 the Authority's primary housing operations and are reported as incurred.

ECONOMIC DEPENDENCY

The Authority's state and 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.

OTHER 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 the Authority 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)*.

LEASES (AS LESSEE)

The Authority recognizes a lease obligation and an intangible right-to-use lease asset (lease asset) for a noncancellable lease in the financial statements. The Authority recognizes lease obligations with an initial, individual value of \$5,000 or more.

Key estimates and judgments include how the Authority determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments. The Authority uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments due to the lessor. The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease liability and right of use asset if certain changes occur that are expected to significantly affect the amount of the right of use asset.

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE CLASSIFICATION

The Authority categorizes its fair value measurements within the fair value hierarchy established by U.S. GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset or liability. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs. The Authority's investments are reported at fair value.

GUARANTEES

To support the development of affordable housing, the Authority has made several loan guarantees for properties owned by the Bath Housing Development Corporation (BHDC). The Authority considered the likelihood that it will be required to make a payment related to a guarantee and has determined that the likelihood is not probable, as a result, the Authority has not recognized a liability for guarantees at December 31, 2022.

DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

Deferred outflows of resources represent a consumption of net assets that applies to future periods. Deferred inflows of resources represent an acquisition of net assets that applies to future periods. These consist of the deferral of the recognition of revenues and expenses until the future period to which the outflows and inflows are related. The Authority's deferred outflows and inflows of resources are related to the OPEB liability.

APPLICATION OF RESOURCES

The Authority would first apply restricted resources when an expense is incurred for which both restricted and unrestricted resources are available.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through June 2, 2023, which is the date these financial statements were available to be issued. There were no subsequent events requiring recognition or disclosure in these financial statements.

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 3 – NET POSITION

Net position is reported in three categories:

Net Investment in Capital Assets consists of all capital assets, reduced by accumulated depreciation, the outstanding balances of any bonds, mortgages, notes or other borrowing that are attributable to the acquisition, construction, or improvement of those assets. At December 31, 2022, the net investment in capital assets was \$199,011.

Restricted Net Position consists of restricted assets, when constraints are placed on the assets by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc. At December 31, 2022, restrictions of \$195,768 represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments.

Unrestricted Net Position consists of net position that does not meet the definition of “net investment in capital assets” or “restricted net position”. At December 31, 2022, unrestricted net position was \$2,495,016.

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS

Custodial Credit Risk – Cash Deposits

At times, the Authority’s balances may exceed the Federal insurance limits; however, the Authority has not experienced any losses with respect to its bank balance in excess of government provided insurance. In addition, balances are fully collateralized through agreements with the financial institutions. Management believes that no significant risk exists with respect to cash balances as of December 31, 2022.

Investments

The Authority has adopted an investment policy for its non-HUD funds with the following objectives: (1.) To preserve and conservatively grow the principal value and income of the Fund in real (inflation adjusted) terms. (2.) To ensure availability of funds to address contingent operating or development needs. (3.) To achieve a competitive relative investment return. (4.) To avoid risks that might reasonably impair the ability to meet Objectives 1, 2 and 3. The Investments will be diversified both by asset class and within asset classes. Within each asset class, securities will be diversified among economic sector, industry, quality and size. The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on total performance.

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

Credit risk is the credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Authority. The Authority tries to mitigate the risk through diversification.

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

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Authority has the following recurring fair value measurements as of December 31, 2022:

Investments by fair value level	12/31/2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity Securities:				
Communication Services	\$ 24,717	\$ 24,717	\$ --	\$ --
Consumer Discretionary	57,594	57,594	--	--
Consumer Staples	40,872	40,872	--	--
Energy	57,694	57,694	--	--
Financials	93,789	93,789	--	--
Health Care	84,618	84,618	--	--
Industrials	76,976	76,976	--	--
Information Technology	96,208	96,208	--	--
Materials	14,798	14,798	--	--
Real Estate Investment Trusts	16,964	16,964	--	--
Utilities	29,160	29,160	--	--
Total Equity Securities	593,392	593,392	--	--
Mutual Funds:				
Fixed Income	456,545	456,545	--	--
Real Assets	18,189	18,189	--	--
Equity Securities	488,374	488,374	--	--
Total Mutual Funds	963,108	963,108	--	--
Total Investments by Fair Value Level	\$ 1,556,500	\$ 1,556,500	\$ --	\$ --

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 4 – CASH, CASH EQUIVALENTS, AND INVESTMENTS (CONTINUED)

The following table summarizes interest and investment revenue related to the Authority’s investments for the year ended December 31, 2022:

Interest and Dividends	\$	37,819
Realized Gain on Investments		108,707
Unrealized Gain (loss) on investments		(409,668)
Account Fees		<u>(7,972)</u>
Total	\$	<u><u>(271,114)</u></u>

NOTE 5 – RESTRICTED CASH

The Authority’s restricted cash balance consists of \$195,768 funds restricted for future HAP payments. This amount supports a corresponding restricted net position.

NOTE 6 – ACCOUNTS RECEIVABLE

The following is a listing of receivables for the Authority at December 31, 2022. Management has determined that no allowance for uncollectible amounts is necessary.

Category of Receivable		Amount
Miscellaneous	\$	<u>97,341</u>
Gross Receivables		<u>97,341</u>
Net Receivables	\$	<u><u>97,341</u></u>

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 7 – CAPITAL ASSETS

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

	January 1, 2022, As Restated	Increases	Decreases	December 31, 2022
Capital assets - non-depreciable				
Land	\$ 52,541	\$ --	\$ --	\$ 52,541
Total capital assets - non-depreciable	<u>52,541</u>	<u>--</u>	<u>--</u>	<u>52,541</u>
Capital assets - depreciable				
Right of Use Assets	59,031	--	--	59,031
Leasehold improvements	38,925	14,531	--	53,456
Furniture & equipment	<u>240,225</u>	<u>48,811</u>	<u>--</u>	<u>289,036</u>
Total capital assets - depreciable	<u>338,181</u>	<u>63,342</u>	<u>--</u>	<u>401,523</u>
Less accumulated depreciation				
Right of Use Assets	--	29,516	--	29,516
Leasehold improvements	6,163	4,290	--	10,453
Furniture & equipment	<u>158,490</u>	<u>26,452</u>	<u>--</u>	<u>184,942</u>
Total accumulated depreciation	<u>164,653</u>	<u>60,258</u>	<u>--</u>	<u>224,911</u>
Capital Assets Net	<u>\$ 226,069</u>	<u>\$ 3,084</u>	<u>\$ --</u>	<u>\$ 229,153</u>
Depreciation expense was charged to:				
State/Local Programs		<u>\$ 60,258</u>		

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 8 – NOTES RECEIVABLE

In November 2012, the Authority loaned to Bath Housing Development Corporation, a related party, \$1,000,000 for the purchase of the property known as Seacliff Apartments. This loan is payable in monthly payments of \$6,008 and bears interest at 4% per annum. The loan is secured by a second mortgage on the property and is collateralized by the associated real estate. The mortgage matures in November 2032. At December 31, 2022, the outstanding principal on this loan was \$594,463. During 2022, the Authority earned interest on this loan in the amount of \$24,812.

NOTE 9 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended December 31, 2022 is as follows:

	January 1, 2022	Additions	Reductions	December 31, 2022	Amount due within one year
Compensated Absences	\$ 31,213	\$ 75,774	\$ (72,054)	\$ 34,933	\$ 22,822
OPEB Liability	<u>26,283</u>	<u>8,913</u>	<u>--</u>	<u>35,196</u>	<u>--</u>
Total	<u>\$ 57,496</u>	<u>\$ 84,687</u>	<u>\$ (72,054)</u>	<u>\$ 70,129</u>	<u>\$ 22,822</u>

NOTE 10 – LEASE OBLIGATIONS

In 2015, the Authority entered into a lease agreement for office space with Bath Housing Development Corporation for an initial term of 3 years expiring on December 31, 2017. This lease would automatically be renewed for 2 successive 3-year terms, provided that the Authority was not in default. The Authority is currently in the final 3-year term which expires on December 31, 2023. The rent for this term is \$2,570 per month. There are no additional extension terms in the original lease agreement. During the year ended December 31, 2022, amortization of right-of-use assets was \$29,516 and lease interest expense was \$1,951. Right-to-use assets classified as lease obligations consisted of:

Assets	
Office Space Leases	\$ 59,031
Less Accumulated Amortization	<u>(29,516)</u>
Total	<u>\$ 29,515</u>

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 10 – LEASE OBLIGATIONS (CONTINUED)

The future minimum lease obligations and the net present value of the minimum lease payments as of December 31, 2022 are as follows:

Year	Amount
2023	\$ 30,840
Total Minimum lease payments	30,840
Less: amount representing interest	(698)
Present value of net minimum lease payments	30,142
Less: Current maturities of lease liabilities	(30,142)
Long-term lease liabilities	\$ --

NOTE 11 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes.

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

PLAN DESCRIPTION

The Authority’s defined benefit OPEB plan provides OPEB for employees who meet specified criteria. The OPEB plan is a single employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for postretirement benefits. The retiree must enroll when first eligible and continue coverage without interruption thereafter. Any retiree who does not enroll when first eligible for coverage or who terminates for any reason shall not be eligible for subsequent enrollment.

BENEFITS PROVIDED

Medical/Prescription Drug: The non-Medicare retirees are offered the same plans that are available to the active employees, as described in the benefits summaries. Medicare retirees are assumed to be enrolled in Medicare Parts A and B which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage.

BATH HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Medicare - Medicare benefits will be taken into account for any member or dependent while they are eligible to apply for Medicare. The Fund will determine a family member's benefit allowance, if any, based upon the applicable Medicare statutes and regulations. The Fund does not participate in the Medicare Retiree Drug Subsidy program.

Duration of Coverage – Medical benefits are provided for the life of the retiree and surviving spouses.

Life Insurance - The \$2,000 life insurance benefit is provided automatically to all retirees participating in the retiree medical plan. Spouses are not covered for life insurance, but surviving spouses covered by the retiree medical plan are covered for a \$2,000 life insurance benefit as well.

Dental – Prior to January 1, 2017, retirees do not have access to dental benefits. Retirees who retire on and after January 1, 2017 have access to purchase dental coverage at the Plan COBRA rates. Since retirees pay for the coverage and rates are set to mirror plan experience costs, no additional obligation is anticipated. Program experience will be monitored with future valuations and updated as with all benefit provisions and assumptions.

PLAN MEMBERSHIP

At December 31, 2022, there are 8 active employees and no retired employees enrolled in the plan.

TOTAL OPEB LIABILITY

The Authority's total OPEB liability of \$35,196 was measured as of January 1, 2022 and was determined by an actuarial valuation as of January 1, 2022.

BATH HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

ACTUARIAL METHODS AND ASSUMPTIONS

The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Actuarial Cost Method	Individual Entry Age Normal
Municipal Bond Rate	2.06% as of December 31, 2021 (Source: Bond Buyer 20-Go Index)
Discount Rate	2.06%
Inflation	2.40%
Salary Increase	2.75%
Rate of Mortality - Healthy Annuitant	Rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95, and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale.
Rate of Mortality - Active Employees	Rates of mortality are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits- Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality.
Rationale for Demographic and Economic Assumptions	The actuarial assumptions are the assumptions that were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020.
Healthcare Trend	The Medicare blended rate is expected to increase at a decreasing reate from 8.60% in 2022 to 3.53% in 2040. The Non-Medicare blended rate is expected to increase at a decreasing rate from 7.67% in 2022 to 3.53% in 2040.
Withdrawal Rates	Plan participants are expected to withdraw from the plan at a decreasing rate, based on years of service franging from 28% with 0 years of service to 0% with 26+ years of service.

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(CONTINUED)

CHANGES IN THE TOTAL OPEB LIABILITY

Balance at beginning of year	\$	26,283
Changes for the year:		
Service cost		4,016
Interest		642
Difference between expected and actual experience		5,768
Changes of Assumptions		(1,512)
Benefit payments		(1)
Net changes		<u>8,913</u>
Balance at end of year	\$	<u>35,196</u>

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE DISCOUNT RATE

The following table presents the Plan's total OPEB liability, calculated using the discount rate of 2.06% as well as what the 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 rate.

	1% Decrease 1.06%	Current Discount 2.06%	1% Increase 3.06%
Total OPEB liability	<u>\$ 41,944</u>	<u>\$ 35,196</u>	<u>\$ 29,784</u>

SENSITIVITY OF THE TOTAL OPEB LIABILITY TO CHANGES IN THE HEALTHCARE TREND RATE

The following table presents the net other postemployment benefit liability, calculated the healthcare trend rate if it was 1 percentage-point lower or 1 percentage-point higher than the current rate.

	1% Decrease	Current Trend	1% Increase
Total OPEB liability	<u>\$ 28,969</u>	<u>\$ 35,196</u>	<u>\$ 43,303</u>

BATH HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

**NOTE 12 – OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)
(CONTINUED)**

OPEB EXPENSE AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended December 31, 2022, the Authority recognized OPEB expenses of \$4,767. The deferred outflows of resources resulting from contributions after the measurement date will be recognized as a reduction of the net pension liability in the subsequent year. At December 31, 2022, the Authority reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,478	\$ 6,734
Changes of assumptions	5,030	2,838
Total	\$ 10,508	\$ 9,572

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

Year	Deferred Outflows (Inflows of) Resources
2023	\$ 109
2024	109
2025	109
2026	110
2027	(252)
Thereafter	751
Total	\$ 936

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 13 – OTHER RETIREMENT PLANS

The Authority provides to employees a deferred compensation plan in accordance with IRC §457 and a defined contribution plan in accordance with IRC §401(a). The plan is open to all employees with at least 6 months of service with the Authority. The Authority will match the employee's contribution dollar for dollar by an amount determined annually by the Board of Commissioners. Effective May 1, 2022, the Authority will contribute 6% or 7.5% depending on tenure of the employee with no match requirement and employees are eligible after 30 days of service. Employee contributions for 2022 were \$24,855. There employer contributions for 2022 were \$38,068.

NOTE 14 – RISK MANAGEMENT

LITIGATION

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

GRANTS

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

NOTE 15 – RELATED PARTY TRANSACTIONS

The Bath Housing Development Corporation (BHDC) is considered a related party due to common board members. BHDC is fiscally independent of the Authority and is not a component unit.

The Authority acts as the management agent for properties owned by the Bath Housing Development Corporation (BHDC). The Authority receives a management fee from each of these entities for its services. The Authority is reimbursed administrative and maintenance services performed. The Authority charged \$285,539 of management fees and was reimbursed \$869,993 for administrative and maintenance services for the year ended December 31, 2022.

BATH HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 15 – RELATED PARTY TRANSACTIONS (CONTINUED)

At December 31, 2022, the Authority was owed \$94,178 for services provided to BHDC. For the year ended December 31, 2022, the Authority made housing assistance payments on behalf of residents living in properties owned by BHDC of \$840,983.

NOTE 16 – GUARANTEES

The Authority has guaranteed several loans between BHDC and MaineHousing as well as the line of credit between BHDC and M&T Bank (formerly People’s United Bank). The loans mature at various dates ranging from January 2022 to February 2050. The line of credit is due upon the lender’s demand. 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. The following table summarizes the loan balances at December 31, 2022 that have been guaranteed by the Authority.

	Loan Balance
806 Middle Street	\$ 110,185
49 Elm Street	71,294
28 Maple Street	138,643
470 Washington Street	157,146
Lincoln Street	286,863
Line of Credit	<u>148,999</u>
Total	<u>\$ 913,130</u>

BATH HOUSING AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022

NOTE 17 – RESTATEMENT OF BEGINNING NET POSITION

In fiscal year 2022, the Bath Housing Authority implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the Bath Housing Authority’s leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize lease liability and an intangible right to use lease asset. These changes were incorporated in the Bath Housing Authority’s fiscal year 2022 financial statements and had the following effect on beginning net position:

Beginning Net Position - As Previously Stated	\$	3,024,036
Increase in Right of Use Assets		59,031
Increase in lease liabilities		<u>(59,031)</u>
Total Restatement		<u>—</u>
Beginning Net Position - Restated	\$	<u><u>3,024,036</u></u>

BATH HOUSING AUTHORITY

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

LAST FIVE FISCAL YEARS

Year	Total OPEB Liability - Beginning	Service cost	Interest	Changes of benefit terms	Difference between expected and actual experience	Changes of Assumptions	Benefit payments	Net Change in Total OPEB Liability	Total OPEB Liability - Ending
2022	\$ 26,283	\$ 4,016	\$ 642	\$ --	\$ 5,768	\$ (1,512)	\$ (1)	\$ 8,913	\$ 35,196
2021	\$ 20,381	\$ 3,485	\$ 654	\$ --	\$ --	\$ 1,764	\$ (1)	\$ 5,902	\$ 26,283
2020	\$ 23,041	\$ 2,695	\$ 1,055	\$ (419)	\$ (9,620)	\$ 3,629	\$ --	\$ (2,660)	\$ 20,381
2019	\$ 21,889	\$ 2,982	\$ 856	\$ --	\$ --	\$ (2,686)	\$ --	\$ 1,152	\$ 23,041
2018	\$ 15,344	\$ 2,651	\$ 680	\$ --	\$ 791	\$ 2,423	\$ --	\$ 6,545	\$ 21,889

Year	Covered Payroll	OPEB Liability as a Percentage of Covered Payroll
2022	\$ 405,139	8.69%
2021	\$ 337,019	7.80%
2020	\$ 271,914	7.50%
2019	\$ 271,914	8.47%
2018	\$ 271,914	8.05%

The Schedule is intended to present information for 10 years, additional years will be displayed as they become available.

See Notes to Required Supplementary Information

BATH HOUSING AUTHORITY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022

NOTE 1 – OTHER POSTEMPLOYMENT BENEFIT PLANS OTHER THAN PENSIONS

DESCRIPTION OF REQUIRED SUPPLEMENTARY INFORMATION

The Schedule of Changes in the Total OPEB Liability and Related Ratios details the Plan's other postemployment benefit liability and the covered employee payroll. It demonstrates the Plan's total liability and the Plan's liability as a percentage of covered payroll.

10-YEAR TREND INFORMATION

The Schedule of Changes in the Total OPEB Liability and Related Ratios is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years in which information is available.

CHANGES IN BENEFIT TERMS

There were no changes in benefit terms from the prior measurement date.

CHANGES IN ASSUMPTIONS

Effective December 31, 2022;

- There was a change in the discount rate from 2.12% to 2.06% per GASB 75 discount rate selection. The ultimate trend assumption was reduced to reflect the reduction in the Bond Buyer 20-Bond GO Index.
- The following demographic assumptions were updated based on the June 30, 2021 experience study:
 - Mortality, termination, retirement and salary rates.
 - The enrollment participation for plans with no employer subsidy was update for ages 65-70.
 - Claim curves and trend assumptions were updated since the last valuation.

See Notes to Required Supplementary Information

BATH HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2022

FDS Line Item	Description	OTHER PROJ	Housing Choice Vouchers	Mainstream Vouchers	State/Local	Eliminations	Total
111	Cash - Unrestricted	-	50,117	10,416	305,795	-	366,328
113	Cash - Other Restricted	-	145,092	50,676	-	-	195,768
100	Total Cash	-	195,209	61,092	305,795	-	562,096
125	Accounts Receivable - Miscellaneous	-	-	-	97,341	-	97,341
127	Notes, Loans, & Mortgages Receivable - Current	-	-	-	49,846	-	49,846
129	Accrued Interest Receivable	-	-	-	130	-	130
120	Total Receivables, Net of Allowances for Doubtful Accounts	-	-	-	147,317	-	147,317
131	Investments - Unrestricted	-	-	-	1,556,500	-	1,556,500
142	Prepaid Expenses and Other Assets	-	-	-	49	-	49
143	Inventories	-	-	-	7,562	-	7,562
150	Total Current Assets	-	195,209	61,092	2,017,223	-	2,273,524
161	Land	-	-	-	52,541	-	52,541
162	Buildings	-	-	-	59,031	-	59,031
164	Furniture, Equipment & Machinery - Administration	-	-	-	289,036	-	289,036
165	Leasehold Improvements	-	-	-	53,456	-	53,456
166	Accumulated Depreciation	-	-	-	(224,911)	-	(224,911)
160	Total Capital Assets, Net of Accumulated Depreciation	-	-	-	229,153	-	229,153
171	Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	544,617	-	544,617
180	Total Non-Current Assets	-	-	-	773,770	-	773,770
200	Deferred Outflow of Resources	-	1,564	-	8,944	-	10,508
290	Total Assets and Deferred Outflow of Resources	-	196,773	61,092	2,799,937	-	3,057,802
312	Accounts Payable <= 90 Days	-	260	-	21,071	-	21,331
321	Accrued Wage/Payroll Taxes Payable	-	5,851	-	30,983	-	36,834
322	Accrued Compensated Absences - Current Portion	-	3,271	-	19,551	-	22,822
343	Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	30,142	-	30,142
310	Total Current Liabilities	-	9,382	-	101,747	-	111,129
354	Accrued Compensated Absences - Non Current	-	1,736	-	10,375	-	12,111
357	Accrued Pension and OPEB Liabilities	-	5,384	-	29,812	-	35,196
350	Total Non-Current Liabilities	-	7,120	-	40,187	-	47,307
300	Total Liabilities	-	16,502	-	141,934	-	158,436
400	Deferred Inflow of Resources	-	1,529	-	8,042	-	9,571
508.4	Net Investment in Capital Assets	-	-	-	199,011	-	199,011
511.4	Restricted Net Position	-	145,092	50,676	-	-	195,768
512.4	Unrestricted Net Position	-	33,650	10,416	2,450,950	-	2,495,016
513	Total Equity - Net Assets / Position	-	178,742	61,092	2,649,961	-	2,889,795
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	-	196,773	61,092	2,799,937	-	3,057,802

See Independent Auditors' Report

BATH HOUSING AUTHORITY

SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2022

FDS Line Item	Description	OTHER PROJ	Housing Choice Vouchers	Mainstream Vouchers	State/Local	Eliminations	Total
70500	Total Tenant Revenue	-	-	-	-	-	-
70600	HUD PHA Operating Grants	-	2,057,734	252,780	-	-	2,310,514
70700	Total Fee Revenue	-	-	-	-	-	-
70800	Other Government Grants	-	-	-	23,860	-	23,860
71100	Investment Income - Unrestricted	-	227	-	(271,341)	-	(271,114)
71200	Mortgage Interest Income	-	-	-	24,812	-	24,812
71400	Fraud Recovery	-	4,578	-	-	-	4,578
71500	Other Revenue	-	3,456	11,000	1,161,625	(13,606)	1,162,475
70000	Total Revenue	-	2,065,995	263,780	938,956	(13,606)	3,255,125
91100	Administrative Salaries	-	97,767	10,046	244,410	-	352,223
91200	Auditing Fees	10,420	4,603	451	1,031	-	16,505
91500	Employee Benefit contributions - Administrative	-	24,894	2,439	78,444	-	105,777
91600	Office Expenses	-	20,976	2,102	117,194	-	140,272
91700	Legal Expense	-	2	-	4,807	-	4,809
91800	Travel	-	10	1	2,521	-	2,532
91900	Other	-	3,741	376	48,109	-	52,226
91000	Total Operating - Administrative	10,420	151,993	15,415	496,516	-	674,344
92100	Tenant Services - Salaries	-	-	-	82,739	-	82,739
92300	Employee Benefit Contributions - Tenant Services	-	-	-	37,641	-	37,641
92400	Tenant Services - Other	-	136	-	39,237	-	39,373
92500	Total Tenant Services	-	136	-	159,617	-	159,753
93100	Water	-	-	-	66	-	66
93200	Electricity	-	77	-	2,977	-	3,054
93300	Gas	-	-	2	-	-	2
93400	Fuel	-	92	-	3,109	-	3,201
93600	Sewer	-	-	-	52	-	52
93000	Total Utilities	-	169	2	6,204	-	6,375
94100	Ordinary Maintenance and Operations - Labor	-	-	-	304,407	-	304,407
94200	Ordinary Maintenance and Operations - Materials and Other	-	100	-	4,450	-	4,550
94300	Ordinary Maintenance and Operations Contracts	-	15,276	1,497	32,419	-	49,192
94500	Employee Benefit Contributions - Ordinary Maintenance	-	-	-	97,811	-	97,811
94000	Total Maintenance	-	15,376	1,497	439,087	-	455,960
95000	Total Protective Services	-	-	-	-	-	-
96120	Liability Insurance	-	183	-	9,239	-	9,422
96130	Workmen's Compensation	-	269	18	8,530	-	8,817
96140	All Other Insurance	-	-	-	8,573	-	8,573
96100	Total insurance Premiums	-	452	18	26,342	-	26,812
96210	Compensated Absences	-	12,504	-	63,270	-	75,774
96000	Total Other General Expenses	-	12,504	-	63,270	-	75,774
96710	Interest of Mortgage (or Bonds) Payable	-	-	-	1,951	-	1,951

See Independent Auditors' Report

BATH HOUSING AUTHORITY
SUPPLEMENTARY FINANCIAL DATA SCHEDULE

DECEMBER 31, 2022

FDS Line Item	Description	OTHER PROJ	Housing Choice Vouchers	Mainstream Vouchers	State/Local	Eliminations	Total
96700	Total Interest Expense and Amortization Cost	-	-	-	1,951	-	1,951
96900	Total Operating Expenses	10,420	180,630	16,932	1,192,987	-	1,400,969
97000	Excess of Operating Revenue over Operating Expenses	(10,420)	1,885,365	246,848	(254,031)	(13,606)	1,854,156
97300	Housing Assistance Payments	-	1,746,612	181,527	-	-	1,928,139
97350	HAP Portability-In	-	3,192	10,414	-	(13,606)	-
97400	Depreciation Expense	-	-	-	60,258	-	60,258
90000	Total Expenses	10,420	1,930,434	208,873	1,253,245	(13,606)	3,389,366
10100	Total Other financing Sources (Uses)	-	-	-	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(10,420)	135,561	54,907	(314,289)	-	(134,241)
11030	Beginning Equity	10,420	43,181	6,185	2,964,250	-	3,024,036
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-	-
11170	Administrative Fee Equity	-	33,650	-	-	-	33,650
11180	Housing Assistance Payments Equity	-	145,092	-	-	-	145,092
11190	Unit Months Available	-	2,784	348	-	-	3,132
11210	Number of Unit Months Leased	-	2,589	274	-	-	2,863

See Independent Auditors' Report

BATH HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

<u>Federal Grantor / Pass-Through Grantor / Program or Cluster Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Provided to Sub-recipients</u>	<u>Total Federal Expenditures</u>
Department of Housing & Urban Development (HUD)				
Housing Voucher Cluster				
Section 8 Housing Choice Vouchers	14.871	--	\$ --	\$ 1,927,242
Mainstream Vouchers	14.879	--	--	198,459
Total Housing Voucher Cluster			--	<u>2,125,701</u>
Total Department of Housing & Urban Development			--	<u>2,125,701</u>
Total Expenditures of Federal Awards			\$ --	<u><u>\$ 2,125,701</u></u>

See Notes to the Schedule of Expenditures of Federal Awards

BATH HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Bath Housing Authority, under programs of the federal government for the year ended December 31, 2022. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Bath Housing Authority, it is not intended to and does not present the financial position, changes in net position or cash flows of Bath Housing Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. For cost-reimbursement awards, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. For performance-based awards, expenditures reported represent amounts earned.

NOTE 3 – INDIRECT COST RATE

The Bath Housing Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**INDEPENDENT AUDITORS' 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bath Housing Authority as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Bath Housing Authority's basic financial statements, and have issued our report thereon dated June 2, 2023.

Report on 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) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 Bath Housing Authority'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Bath Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Bath Housing Authority'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 Bath Housing Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Providence, Rhode Island
June 2, 2023

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To The Board of Commissioners
Bath Housing Authority
Bath, Maine

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Bath Housing Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the Bath Housing Authority's major federal program for the year ended December 31, 2022. The 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.

In our opinion, the 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, 2022.

Basis for Opinion on Each Major Federal Program

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)*. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Bath Housing Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Bath Housing Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Bath Housing Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Bath Housing Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Bath Housing Authority's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Bath Housing Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Bath Housing Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Bath Housing Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Marcum LLP

Providence, Rhode Island
June 2, 2023

BATH HOUSING AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over the major federal program:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None Reported

Type of auditors' report issued on compliance for the major federal program: *Unmodified Opinion*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of the major federal program:

Assistance Listing Number **Name of Federal Program or Cluster**

14.871/14.879 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

BATH HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No prior audit findings.

**INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING
AGREED-UPON PROCEDURES**

To The Board of Commissioners
Bath Housing Authority
Bath, Maine

We have performed the procedure described in the second paragraph of this report, which was agreed to by the Bath Housing Authority (the Authority) and the U.S. Department of Housing and Urban Development, Real Estate Assessment Center (REAC), on whether the electronic submission of certain information agrees with related hard copy documents included within the audit reporting package. The Authority is responsible for the accuracy and completeness of the electronic submission. The sufficiency of the procedure is solely the responsibility of the Authority and REAC. Consequently, we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

We compared the electronic submission of the items listed in the chart below under the "UFRS Rule Information" column with the corresponding printed documents listed in the chart under the "Hard Copy Documents" column. The associated findings from the performance of our agreed-upon procedure indicate agreement or non-agreement of electronically submitted information and hard copy documents as shown in the chart below.

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENTS</u>	<u>FINDINGS</u>
1	Balance Sheet and Revenue and Expense (data line items 111 to 13901)	Financial Data Schedule, all CFDA's	Agrees
2	Footnotes (data element G5000-010)	Footnotes to audited basic financial statements	Agrees
3	Type of opinion on FDS (data element G3100-040)	Auditor's supplemental report on FDS	Agrees
4	Audit findings narrative (data element G5200-010)	Schedule of Findings and Questioned costs	Agrees
5	General information (data element series G2000, G2100, G2200, G9000, G9100)	OMB Data Collection Form	Agrees

<u>PROCEDURE</u>	<u>UFRS RULE INFORMATION</u>	<u>HARD COPY DOCUMENTS</u>	<u>FINDINGS</u>
6	Financial statement report information (data element G3000-010 to G3000-050)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	Agrees
7	Federal program report information (data element G4000-020 to G4000-040)	Schedule of Findings and Questioned costs, Part 1 and OMB Data Collection Form	Agrees
8	Type of Compliance Requirement (G4200-020 & G4000-030)	OMB Data Collection Form	Agrees
9	Basic financial statements and auditor reports required to be submitted electronically	Basic financial statements (inclusive of auditor reports)	Agrees

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on whether the electronic submission of the items listed in the "UFRS Rule Information" column in the agrees with the related hard copy documents within the audit reporting package. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We were engaged to perform an audit in accordance with the *OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (OMB Uniform Guidance)*, by the Authority as of and for the year ended December 31, 2022 and have issued our reports thereon dated June 2, 2023. The information in the "Hard Copy Documents" column was included within the scope, or was a by-product, of that audit. Further, our opinion on the fair presentation of the Authority's supplementary information dated June 2, 2023, was expressed in relation to the basic financial statements of the Authority taken as a whole.

A copy of the reporting package required by the OMB Uniform Guidance, which includes the auditors' reports, is available in its entirety from the Authority. We have not performed any additional auditing procedures since the date of the aforementioned audit reports. Further, we take no responsibility for the security of the information transmitted electronically to the U.S. Department of Housing and Urban Development, REAC.

The purpose of this report on applying the agreed-upon procedures is solely to describe the procedure performed on the electronic submission of the items listed in the "UFRS Rule Information" column and associated findings, and not to provide an opinion or conclusion. Accordingly, this report is not suitable for any other purpose.

Marcum LLP

Providence, Rhode Island
June 2, 2023