

BATH HOUSING AUTHORITY
Bath, Maine
FINANCIAL STATEMENTS
and Additional Information
December 31, 2014
with
Report of Independent Auditors

BATH HOUSING AUTHORITY
Bath, Maine

For the Year Ended December 31, 2014

CONTENTS

	PAGE
Report of Independent Auditors	1 and 2
Management's Discussion and Analysis	3 through 11
FINANCIAL STATEMENTS	
Combined Statements of Net Position	12 and 13
Combined Statements of Revenues, Expenses and Changes in Net Position	14
Combined Statements of Cash Flows	15 and 16
Notes to the Financial Statements	17 through 21
ADDITIONAL INFORMATION	
Financial Data Schedule	22 through 25
Schedule of Modernization Costs - Completed	26 through 29
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	31
Schedule of Findings and Questioned Costs	32
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 <i>Government Auditing Standards</i>	33 and 34
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	35 and 36



REPORT OF INDEPENDENT AUDITORS

Board of Commissioners
Bath Housing Authority
Bath, Maine

We have audited the accompanying financial statements of the Bath Housing Authority, as of and for the year ended December 31, 2014, as listed in the table of contents. The prior year summarized comparative information has been derived from Bath Housing Authority's 2013 financial statements and, in our report dated May 14, 2014, we expressed an unqualified opinion on the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bath Housing Authority as of December 31, 2014, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Bath Housing Authority's financial statements as a whole. The accompanying additional information, including the Financial Data Schedule and Schedules of Modernization Costs - Completed, 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 the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The Financial Data Schedule and Schedules of Modernization Costs - Completed and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2015 on our consideration of Bath Housing Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bath Housing Authority's internal control over financial reporting and compliance.



Certified Public Accountants

May 13, 2015
South Portland, Maine

BATH HOUSING AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

This Management Discussion and Analysis is presented at the front of each year's financial statements. Since the Management's Discussion and Analysis (M D & 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 was decreased by \$76,613 or 2.1% during 2014. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net Position was \$3,577,251 and \$3,653,864 at December 31, 2014 and 2013, respectively.
- The business-type activities operating revenue increased by \$63,017 or 3.47% during 2014, and were \$1,877,118 and \$1,814,101 for 2014 and 2013, respectively.
- The total expenses of all Authority programs decreased by \$151,578 or 6.83% during 2014. Total expenses were \$2,069,288 and \$2,220,866 for 2014 and 2013, respectively.

USING THIS ANNUAL REPORT

The following graphic outlines the financial statement presentation:

M D & A

~ Management Discussion
and Analysis ~

Basic Financial Statements

~ Authority-wide Financial Statements - pages 12 - 16 ~
~ Notes to Financial Statements - pages 17 - 21 ~

Other Required Supplementary Information

~ Required Supplementary Information pages 22 - 32 ~

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 columns which add to a total for the entire Authority.

These statements include a Statement of Net Position. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where assets, minus liabilities equals "Net Position". Assets and liabilities are presented in order of liquidity, and are classified as "Current" (convertible into cash within one year), and "Non-current".

The focus of the Statement of Net Position is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position is 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 Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position. This Statement includes Operating Revenues, such as rental income, Operating Expenses, such as administrative, utilities, and maintenance, and depreciation, and Non-Operating Revenues and Expenses, such as investment income and interest expense.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the "Increase (Decrease) 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, investing activities, and from capital and related financing activities.

The Authority's Funds

Low Rent Public Housing - Under the Low Rent Public Housing Program, the Authority rents units that it owns to low-income households. The Low Rent Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy funding to enable the Authority to provide the housing at a rent that is based upon 30% of household income.

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.

Public Housing Capital Fund - The Low Rent 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.

Local Programs – A program for non federal activities. The proceeds from the sale of Seacliff Apartments in 2012 reside in this program.

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.

AUTHORITY-WIDE STATEMENT

Balance Sheet

The following table reflects the condensed Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1

STATEMENT OF NET POSITION

	2014	2013
Current and Other Assets	\$ 1,472,338	\$ 1,450,009
Long-term Note Receivable	895,899	929,041
Capital Assets	1,322,113	1,406,948
Total Assets	\$ 3,690,350	\$ 3,785,998
Current Liabilities	\$ 95,561	\$ 114,224
Noncurrent Liabilities	17,538	17,910
Total Liabilities	\$ 113,099	\$ 132,134
Net Position:		
Net Investment in		
Capital Assets	\$ 1,322,113	\$ 1,406,948
Restricted	(372)	132,993
Unrestricted	2,255,510	2,113,923
Total Net Position	\$ 3,577,251	\$ 3,653,864

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

Major Factors Affecting the Statement of Net Position:

During 2014, Bath Housing Authority's Restricted Net Position decreased by \$133,365. Total Restricted Net Position were \$(372) and \$132,993 for 2014 and 2013, respectively. This reduction is a result of the Department of Housing and Urban Development's (HUD) new practice of keeping these reserves at HUD and only leaving the Housing Authority enough money to pay each month's housing assistance payments to local landlords. Although these funds are no longer on the books of the Authority, the funds are available for future housing assistance payments to local landlords and are considered off the books restricted reserves. The balance of HUD Held Reserves at December 31, 2014 was \$118,557.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2
CHANGE OF UNRESTRICTED NET POSITION

Unrestricted Net Position 12/31/13	<u>\$ 2,113,923</u>
Results of Operations	(76,613)
Adjustments:	
Depreciation (1)	<u>160,418</u>
Adjusted Results from Operations	2,197,728
Capital Additions	(75,583)
Transferred from Restricted Net Position (HCV – HAP Equity)	<u>133,365</u>
Unrestricted Net Position 12/31/14	<u><u>\$ 2,255,510</u></u>

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

While a result of operations is 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. Unrestricted Net Position increased by \$141,587 in 2014.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

	<u>2014</u>	<u>2013</u>
Revenues		
Tenant Revenue - Rents and Other	\$ 391,234	\$ 385,504
Operating Subsidies and Grants	1,310,032	1,242,768
Capital Grants	47,113	27,384
Other Revenues	175,852	185,829
Investment Income	68,444	43,572
Total Revenue	<u>\$ 1,992,675</u>	<u>\$ 1,885,057</u>
Expenses		
Administrative	\$ 328,408	\$ 320,751
Tenant Services	45,593	62,826
Utilities	198,417	179,857
Maintenance	335,510	228,778
General	102,187	340,863
Housing Assistance Payments	898,755	925,482
Depreciation	160,418	162,309
Total Expenses	<u>2,069,288</u>	<u>2,220,866</u>
Net Decrease	<u>\$ (76,613)</u>	<u>\$ (335,809)</u>

MAJOR FACTORS AFFECTING THE STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION

General expenses decreased significantly during 2014 as a result of Bath Housing Authority donating \$250,000 in 2013 to the Bath Housing Development Corporation, an entity related by common management to assist in the acquisition of a 5-unit rental property.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of year end, the Authority had \$1.32 million invested in a variety of capital assets as reflected in the following schedule, which represents a net decrease (additions, disposals and depreciation) of \$84,835 or 6% from the end of last year.

TABLE 4

CAPITAL ASSETS AT YEAR-END

	Business-type Activities	
	2014	2013
Land	\$ 582,130	\$ 582,130
Buildings	4,212,484	4,162,006
Equipment - Dwelling	227,127	220,248
Equipment - Administrative	280,665	262,439
Accumulated Depreciation	(3,980,293)	(3,819,875)
Total	\$ 1,322,113	\$ 1,406,948

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 19.

TABLE 5

CHANGE IN CAPITAL ASSETS

	Business Type Activities
Beginning Balance	\$ 1,406,948
Additions	75,583
Depreciation	(160,418)
Ending Balance	\$ 1,322,113

This year's major additions are:

Roofing	\$ 6,343
ADA – Unit Upgrades	\$ 44,135
Office Furniture	\$ 5,642
Technology Upgrades	\$ 12,584
Maintenance Equipment	\$ 6,879

Debt Outstanding

As of year-end, the Authority had \$0 in debt outstanding compared to \$0 last year.

TABLE 6
OUTSTANDING DEBT, AT YEAR-END

2014	2013
\$ -	\$ -

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development
- 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

CURRENT KNOWN FACTS AFFECTING FUTURE YEARS

In 2012, the Housing Authority sold Seacliff Apartments to the Bath Housing Development Corporation, an entity related by common management. This sale has brought in funds to provide for additional capital for future affordable housing initiatives.

FINANCIAL CONTACT

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

BATH HOUSING AUTHORITY
 COMBINED STATEMENTS OF NET POSITION
 December 31, 2014
 (With Comparative Totals for December 31, 2013)

ASSETS

	2014	2013
Current Assets		
Cash and Cash Equivalents (Note 2)		
Cash - Unrestricted	\$ 308,967	\$ 970,687
Cash - Restricted	-	132,993
Cash - Tenant Security Deposits	19,964	31,483
Total Cash	328,931	1,135,163
Receivables		
Accounts Receivable - PHA Projects	2,671	393
Accounts Receivable - Other Government	1,859	858
Accounts Receivable - Miscellaneous	30,453	13,770
Accounts Receivable - Tenants	1,305	1,731
Note Receivable - Current	33,142	34,797
Accrued Interest Receivable	204	211
Total Receivables	69,634	51,760
Investments - Unrestricted (Notes 2 and 5)	1,053,889	247,323
Prepaid Expenses and Other Assets	11,449	7,328
Inventories	8,435	8,435
Total Current Assets	1,472,338	1,450,009
Noncurrent Assets		
Capital Assets (Notes 3 and 4)		
Land	582,130	582,130
Buildings	4,220,157	4,162,006
Furniture, Equipment and Machinery - Dwellings	226,557	220,248
Furniture, Equipment and Machinery - Administration	273,562	262,439
Accumulated Depreciation	(3,980,293)	(3,819,875)
Total Capital Assets, Net of Accumulated Depreciation	1,322,113	1,406,948
Long-term Note Receivable (Note 7)	895,899	929,041
Total Noncurrent Assets	2,218,012	2,335,989
Total Assets	\$ 3,690,350	\$ 3,785,998

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY

COMBINED STATEMENTS OF NET POSITION
(Continued)

December 31, 2014
(With Comparative Totals for December 31, 2013)

LIABILITIES

	<u>2014</u>	<u>2013</u>
Current Liabilities		
Accounts Payable <= 90 Days	\$ 29,525	\$ 25,308
Accrued Wages/Payroll Taxes Payable	23,367	27,899
Accrued Compensated Absences - Current Portion	1,879	17,139
Accounts Payable - HUD PHA Programs	4,688	-
Accounts Payable - Other Government	19,282	21,117
Tenant Security Deposits	<u>16,820</u>	<u>22,761</u>
Total Current Liabilities	<u>95,561</u>	<u>114,224</u>
Noncurrent Liabilities		
Accrued Compensated Absences - Noncurrent Portion	<u>17,538</u>	<u>17,910</u>
Total Noncurrent Liabilities	<u>17,538</u>	<u>17,910</u>
Total Liabilities	<u>113,099</u>	<u>132,134</u>
NET POSITION		
Net Investment in Capital Assets	1,322,113	1,406,948
Restricted	(372)	132,993
Unrestricted	<u>2,255,510</u>	<u>2,113,923</u>
Total Net Position	<u>3,577,251</u>	<u>3,653,864</u>
Total Liabilities and Net Position	<u>\$ 3,690,350</u>	<u>\$ 3,785,998</u>

See accompanying notes to the financial statements.

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

For the Year Ended December 31, 2014
 (With Comparative Totals for December 31, 2013)

	2014	2013
OPERATING REVENUES		
Net Tenant Rental Revenue	\$ 386,235	\$ 381,038
Tenant Revenue - Other	4,999	4,466
HUD PHA Operating Grants	1,310,032	1,242,768
Other Revenue	175,852	185,829
Total Operating Revenues	1,877,118	1,814,101
OPERATING EXPENSES		
Administrative	328,408	320,751
Tenant Services	45,593	62,826
Utilities	198,417	179,857
Maintenance	335,510	228,778
General (Note 4)	102,187	340,863
Housing Assistance Payments	898,755	925,482
Depreciation	160,418	162,309
Total Operating Expenses	2,069,288	2,220,866
OPERATING LOSS	(192,170)	(406,765)
NON-OPERATING REVENUES		
Investment and Interest Income	68,444	43,572
Total Non-Operating Revenues	68,444	43,572
DECREASE IN NET POSITION BEFORE CAPITAL GRANTS	(123,726)	(363,193)
CAPITAL GRANTS	47,113	27,384
DECREASE IN NET POSITION	(76,613)	(335,809)
NET POSITION - BEGINNING	3,653,864	3,989,673
NET POSITION - ENDING	\$ 3,577,251	\$ 3,653,864

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS

For the Year Ended December 31, 2014
(With Comparative Totals for December 31, 2013)

	2014	2013
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 391,660	\$ 385,077
Receipts from Grants	1,307,754	1,234,501
Other Receipts	147,161	251,840
Payments to Landlords	(895,497)	(926,872)
Payments to Employees	(393,944)	(334,544)
Payments for Administrative Expenses	(169,724)	(169,938)
Payments for Tenant Services Expenses	(2,829)	(5,167)
Payments for Utilities Expenses	(197,347)	(180,702)
Payments for Maintenance Expenses	(192,253)	(124,634)
Payments for Insurance	(48,308)	(40,333)
Payments for Taxes and PILOT	(21,117)	(15,429)
Other Payments	-	(250,000)
	(74,444)	(176,201)
Net Cash Used by Operating Activities		
Cash Flows from Investing Activities:		
Purchases and Sales of Investment Securities	(806,566)	(247,323)
Transfer Receipts from Note Receivable	34,797	33,435
Investment and Interest Income	68,451	43,361
	(703,318)	(170,527)
Net Cash Used by Investing Activities		
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(75,583)	(48,084)
Capital Grant Proceeds	47,113	27,384
	(28,470)	(20,700)
Net Cash Used by Capital and Related Financing Activities		
Financing Activities		
	(28,470)	(20,700)
Decrease in Cash	(806,232)	(367,428)
Cash at Beginning of Year	1,135,163	1,502,591
Cash at End of Year	\$ 328,931	\$ 1,135,163

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
 COMBINED STATEMENTS OF CASH FLOWS
 (Continued)

For the Year Ended December 31, 2014
 (With Comparative Totals for December 31, 2013)

	2014	2013
Reconciliation of Operating Loss to Net Cash Provided by by Operating Activities:		
Operating Loss	\$ (192,170)	\$ (406,765)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation	160,418	162,309
Changes in Operating Assets and Liabilities		
Accounts Receivable	(19,536)	61,914
Prepaid Expenses and Other Assets	(4,121)	8,155
Accounts Payable	4,217	(17,633)
Accrued Wages and Payroll Taxes Payable	(4,532)	7,626
Accrued Compensated Absences	(15,632)	9,893
Accounts Payable - HUD PHA Programs	4,688	-
Accounts Payable - Other Government	(1,835)	5,688
Tenant Security Deposits	(5,941)	688
Deferred Revenue	-	(8,076)
Net Cash Used by Operating Activities	\$ (74,444)	\$ (176,201)

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

Comparative Data - Comparative data for the prior year has been presented in the accompanying financial statements to provide an understanding of changes in the Authority's financial position and operations.

Subsequent Events - Subsequent events have been evaluated through May 13, 2015, the date the financial statements were available to be issued.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 2 - CASH AND INVESTMENTS

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2014 and 2013, cash was held at banks either insured or collateralized by government securities in the name of the Authority. At December 31, 2014 the Local Programs fund held cash equivalents comprised of money market funds backed by US Treasuries totaling \$27,594 and investments in government bonds, corporate bonds, and securities totaling \$1,053,889. These funds were not insured or collateralized at December 31, 2014.

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

NOTE 3 - CAPITAL ASSETS

	Balance at January 1, 2014	Additions	Reductions	Transfers	Balance at December 31, 2014
Land	\$ 582,130	\$ -	\$ -	\$ -	\$ 582,130
Buildings	4,162,006	50,478	-	-	4,212,484
Furniture, Equipment and Machinery - Dwellings	220,248	6,879	-	-	227,127
Furniture, Equipment and Machinery - Administration	262,439	18,226	-	-	280,665
Accumulated Depreciation	<u>(3,819,875)</u>	<u>(160,418)</u>	<u>-</u>	<u>-</u>	<u>(3,980,293)</u>
Total Capital Assets, net of Accumulated Depreciation	<u>\$1,406,948</u>	<u>\$ (84,835)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,322,113</u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 4 - RELATED PARTY TRANSACTIONS

During 2014 and 2013, the Authority paid rent of \$22,080 and \$22,803, respectively, to the Development Corporation.

The Authority received management fees of \$32,298 and \$31,656 during the years ended December 31, 2014 and 2013, respectively, from Seacliff Apartments, a related party wholly owned by Bath Housing Development Corporation.

During 2014 and 2013, the Authority received administrative and maintenance reimbursements of \$163,516 and \$151,537, respectively, from housing projects owned by the Bath Housing Development Corporation, a related party through common management. Bath Housing Development Corporation owed the Authority \$30,453 at December 31, 2014. The Authority owed Bath Housing Development Corporation \$34,306 at December 31, 2013.

The Authority donated \$250,000 to Bath Housing Development Corporation during 2013 towards the purchase of new property. The expense is recorded under General Expenses.

NOTE 5 - INVESTMENTS

During 2013, the Authority deposited \$1,000,000 in an investment account. The market values of Bath Housing Authority's investments at December 31, 2014 and 2013 were comprised of the following:

	<u>2014</u>	<u>2013</u>
Money Market	\$ 27,594	\$ 755,280
Mutual Funds	462,264	114,172
Government Bonds	141,846	41,019
Corporate Bonds	177,531	29,702
Common Stock	229,454	52,417
Exchange-Traded Funds	42,794	10,013
	<u>\$1,081,483</u>	<u>\$1,002,603</u>

Money market funds held through the investment account, totaling \$27,594 and \$755,280 at December 31, 2014 and 2013, respectively, are included in cash and cash equivalents.

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS
(Continued)

NOTE 5 - INVESTMENTS (Continued)

The credit quality ratings, as rated by Standard & Poor's, are required to be disclosed for the investments in debt securities, money market funds, and bond mutual funds. As of December 31, 2014 and 2013, the values and credit quality ratings were as follows:

	2014	2013
Money Market (AAAm)	\$ 27,594	\$ 755,280
Mutual Funds (Not Rated)	261,308	114,172
Corporate Bonds (AA)	30,322	9,996
Corporate Bonds (A)	147,209	19,706

NOTE 6 - COMPENSATED ABSENCES

The following is a summary of the changes in accrued compensated absences for the year ended December 31, 2014:

	Balance January 1, 2014	Additions	Reductions	Balance December 31, 2014	Due Within One Year
Compensated Absences	\$ 35,049	\$ 33,652	\$ 49,284	\$ 19,417	\$ 1,879

NOTE 7 - NOTE RECEIVABLE

The Authority loaned Bath Housing Development Corporation, a related party through common management, \$1,000,000 to assist in the purchase of Seacliff Apartments. The note bears interest at 4% per annum and requires monthly payments of principal and interest of \$6,060. The note is due in full on November 29, 2032. The balances at December 31, 2014 and 2013 were \$929,041 and \$963,838, respectively.

NOTE 8 - RETIREMENT PLAN

The Authority provides a 457(b) deferred compensation plan and 401(a) defined contribution plan for eligible employees. The plans are administered by VOYA. All regular employees with more than 60 days of service are eligible to participate. The Authority provides a match of up to 3.5% of an employee's compensation to the 401(a) plan. Deferred compensation contributions totaled \$12,507 and \$11,571 for the years ended December 31, 2014 and 2013, respectively.

ADDITIONAL INFORMATION

BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
December 31, 2014

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 244,903	\$ 13,043	\$ -	\$ 51,021	\$ 308,967	\$ -	\$ 308,967
114 Cash - Tenant Security Deposits	19,964	-	-	-	19,964	-	19,964
100 Total Cash	<u>264,867</u>	<u>13,043</u>	<u>-</u>	<u>51,021</u>	<u>328,931</u>	<u>-</u>	<u>328,931</u>
122 Accounts Receivable - HUD Other Projects	-	1,519	1,152	-	2,671	-	2,671
124 Accounts Receivable - Other Government	-	1,859	-	-	1,859	-	1,859
125 Accounts Receivable - Miscellaneous	18,555	-	-	11,898	30,453	-	30,453
126 Accounts Receivable - Tenants	2,573	-	-	-	2,573	-	2,573
126.1 Allowance for Doubtful Accounts -Tenants	(1,268)	-	-	-	(1,268)	-	(1,268)
127 Notes, Loan, and Mortgages Receivable - Current	-	-	-	33,142	33,142	-	33,142
129 Accrued Interest Receivable	-	-	-	204	204	-	204
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>19,860</u>	<u>3,378</u>	<u>1,152</u>	<u>45,244</u>	<u>69,634</u>	<u>-</u>	<u>69,634</u>
131 Investments - Unrestricted	-	-	-	1,053,889	1,053,889	-	1,053,889
142 Prepaid Expenses and Other Assets	11,449	-	-	-	11,449	-	11,449
143 Inventories	8,435	-	-	-	8,435	-	8,435
144 Inter Program Due From	1,152	-	-	-	1,152	(1,152)	-
150 Total Current Assets	<u>305,763</u>	<u>16,421</u>	<u>1,152</u>	<u>1,150,154</u>	<u>1,473,490</u>	<u>(1,152)</u>	<u>1,472,338</u>
161 Land	582,130	-	-	-	582,130	-	582,130
162 Buildings	4,212,484	-	-	-	4,212,484	-	4,212,484
163 Furniture, Equipment & Machinery - Dwellings	227,127	-	-	-	227,127	-	227,127
164 Furniture, Equipment & Machinery - Administration	280,665	-	-	-	280,665	-	280,665
166 Accumulated Depreciation	(3,980,293)	-	-	-	(3,980,293)	-	(3,980,293)
160 Total Capital Assets, Net of Accumulated Depreciation	<u>1,322,113</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,322,113</u>	<u>-</u>	<u>1,322,113</u>
171 Long-term Notes Receivable	-	-	-	895,899	895,899	-	895,899
180 Total Non-Current Assets	<u>1,322,113</u>	<u>-</u>	<u>-</u>	<u>895,899</u>	<u>2,218,012</u>	<u>-</u>	<u>2,218,012</u>
190 Total Assets	<u>\$ 1,627,876</u>	<u>\$ 16,421</u>	<u>\$ 1,152</u>	<u>\$ 2,046,053</u>	<u>\$ 3,691,502</u>	<u>\$ (1,152)</u>	<u>\$ 3,690,350</u>

BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
(Continued)
December 31, 2014

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$ 26,699	\$ 2,826	\$ -	\$ -	\$ 29,525	\$ -	\$ 29,525
321 Accrued Wages/Payroll Taxes Payable	17,412	4,158	-	1,797	23,367	-	23,367
322 Accrued Compensated Absences - Current Portion	1,230	512	-	137	1,879	-	1,879
331 Accounts Payable - HUD PHA Programs	-	4,688	-	-	4,688	-	4,688
333 Accounts Payable - Other Government	19,282	-	-	-	19,282	-	19,282
341 Tenant Security Deposits	16,820	-	-	-	16,820	-	16,820
347 Inter Program - Due to	-	-	1,152	-	1,152	(1,152)	-
310 Total Current Liabilities	<u>81,443</u>	<u>12,184</u>	<u>1,152</u>	<u>1,934</u>	<u>96,713</u>	<u>(1,152)</u>	<u>95,561</u>
354 Accrued Compensated Absences - Non Current	11,699	4,609	-	1,230	17,538	-	17,538
350 Total Non-Current Liabilities	<u>11,699</u>	<u>4,609</u>	<u>-</u>	<u>1,230</u>	<u>17,538</u>	<u>-</u>	<u>17,538</u>
300 Total Liabilities	<u>93,142</u>	<u>16,793</u>	<u>1,152</u>	<u>3,164</u>	<u>114,251</u>	<u>(1,152)</u>	<u>113,099</u>
508.4 Net Investment in Capital Assets	1,322,113	-	-	-	1,322,113	-	1,322,113
511.4 Restricted Net Position	-	(372)	-	-	(372)	-	(372)
512.4 Unrestricted Net Position	212,621	-	-	2,042,889	2,255,510	-	2,255,510
513 Total Equity - Net Assets/Position	<u>1,534,734</u>	<u>(372)</u>	<u>-</u>	<u>2,042,889</u>	<u>3,577,251</u>	<u>-</u>	<u>3,577,251</u>
600 Total Liabilities and Equity - Net Assets/Position	<u>\$ 1,627,876</u>	<u>\$ 16,421</u>	<u>\$ 1,152</u>	<u>\$ 2,046,053</u>	<u>\$ 3,691,502</u>	<u>\$ (1,152)</u>	<u>\$ 3,690,350</u>

**BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
December 31, 2014**

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 386,235	\$ -	\$ -	\$ -	\$ -	\$ 386,235	\$ -	\$ 386,235
70400 Tenant Revenue - Other	4,999	-	-	-	-	4,999	-	4,999
70500 Total Tenant Revenue	<u>391,234</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>391,234</u>	<u>-</u>	<u>391,234</u>
70600 HUD PHA Operating Grants	230,521	296,272	730,738	52,501	-	1,310,032	-	1,310,032
70610 Capital Grants	-	47,113	-	-	-	47,113	-	47,113
71100 Investment Income - Unrestricted	28	-	38	-	30,465	30,531	-	30,531
71200 Mortgage Interest Income	-	-	-	-	37,913	37,913	-	37,913
71400 Fraud Recovery	-	-	134	-	-	134	-	134
71500 Other Revenue	5,847	-	137,573	-	32,298	175,718	-	175,718
70000 Total Revenue	<u>627,630</u>	<u>343,385</u>	<u>868,483</u>	<u>52,501</u>	<u>100,676</u>	<u>1,992,675</u>	<u>-</u>	<u>1,992,675</u>
91100 Administrative Salaries	115,353	-	46,912	-	26,994	189,259	-	189,259
91200 Auditing Fees	10,000	-	4,500	-	-	14,500	-	14,500
91500 Employee Benefit Contributions - Administrative	22,759	-	14,235	-	5,709	42,703	-	42,703
91700 Legal Expense	6,522	-	275	-	-	6,797	-	6,797
91800 Travel	2,571	-	445	748	-	3,764	-	3,764
91900 Other	42,554	-	20,841	1,855	6,135	71,385	-	71,385
91000 Total Operating - Administrative	<u>199,759</u>	<u>-</u>	<u>87,208</u>	<u>2,603</u>	<u>38,838</u>	<u>328,408</u>	<u>-</u>	<u>328,408</u>
92100 Tenant Services - Salaries	-	-	-	35,157	-	35,157	-	35,157
92300 Employee Benefit Contributions - Other	-	-	-	7,607	-	7,607	-	7,607
92400 Tenant Services - Other	2,829	-	-	-	-	2,829	-	2,829
92500 Total Tenant Services	<u>2,829</u>	<u>-</u>	<u>-</u>	<u>42,764</u>	<u>-</u>	<u>45,593</u>	<u>-</u>	<u>45,593</u>
93100 Water	12,810	-	-	-	-	12,810	-	12,810
93200 Electricity	106,421	-	-	-	-	106,421	-	106,421
93400 Fuel	57,166	-	-	-	-	57,166	-	57,166
93600 Sewer	22,020	-	-	-	-	22,020	-	22,020
93000 Total Utilities	<u>198,417</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>198,417</u>	<u>-</u>	<u>198,417</u>
94100 Ordinary Maintenance and Operations - Labor	104,826	-	10,886	-	-	115,712	-	115,712
94200 Ordinary Maintenance and Operations - Materials and Other	77,118	-	-	-	-	77,118	-	77,118
94300 Ordinary Maintenance and Operations Contracts	73,030	-	-	-	-	73,030	-	73,030
94500 Employee Benefit Contributions - Ordinary Maintenance	21,376	-	979	-	-	22,355	-	22,355
94000 Total Maintenance	<u>276,350</u>	<u>-</u>	<u>11,865</u>	<u>-</u>	<u>-</u>	<u>288,215</u>	<u>-</u>	<u>288,215</u>

BATH HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
(Continued)
December 31, 2014

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
96110 Property Insurance	\$ 33,432	\$ -	-	\$ -	\$ -	\$ 33,432	\$ -	\$ 33,432
96120 Liability Insurance	5,239	-	1,250	-	-	6,489	-	6,489
96130 Workmen's Compensation	5,365	-	1,583	-	664	7,612	-	7,612
96100 Total Insurance Premiums	<u>44,036</u>	<u>-</u>	<u>2,833</u>	<u>-</u>	<u>664</u>	<u>47,533</u>	<u>-</u>	<u>47,533</u>
96210 Compensated Absences	24,064	-	6,485	-	3,103	33,652	-	33,652
96300 Payments in Lieu of Taxes	19,282	-	-	-	-	19,282	-	19,282
96400 Bad Debt - Tenant Rents	1,720	-	-	-	-	1,720	-	1,720
96000 Total Other General Expenses	<u>45,066</u>	<u>-</u>	<u>6,485</u>	<u>-</u>	<u>3,103</u>	<u>54,654</u>	<u>-</u>	<u>54,654</u>
96900 Total Operating Expenses	<u>766,457</u>	<u>-</u>	<u>108,391</u>	<u>45,367</u>	<u>42,605</u>	<u>962,820</u>	<u>-</u>	<u>962,820</u>
97000 Excess of Operating Revenue over Operating Expenses	<u>(138,827)</u>	<u>343,385</u>	<u>760,092</u>	<u>7,134</u>	<u>58,071</u>	<u>1,029,855</u>	<u>-</u>	<u>1,029,855</u>
97100 Extraordinary Maintenance	47,295	-	-	-	-	47,295	-	47,295
97300 Housing Assistance Payments	-	-	772,018	-	-	772,018	-	772,018
97350 HAP Portability-In	-	-	126,737	-	-	126,737	-	126,737
97400 Depreciation Expense	160,418	-	-	-	-	160,418	-	160,418
90000 Total Expenses	<u>974,170</u>	<u>-</u>	<u>1,007,146</u>	<u>45,367</u>	<u>42,605</u>	<u>2,069,288</u>	<u>-</u>	<u>2,069,288</u>
10010 Operating Transfer In	303,406	-	5,298	-	-	308,704	(308,704)	-
10020 Operating Transfer Out	-	(296,272)	-	(7,134)	(5,298)	(308,704)	308,704	-
10100 Total Other Financing Sources (Uses)	<u>303,406</u>	<u>(296,272)</u>	<u>5,298</u>	<u>(7,134)</u>	<u>(5,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ (43,134)</u>	<u>\$ 47,113</u>	<u>\$ (133,365)</u>	<u>\$ -</u>	<u>\$ 52,773</u>	<u>\$ (76,613)</u>	<u>\$ -</u>	<u>\$ (76,613)</u>
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11030 Beginning Equity	1,530,755	-	132,993	-	1,990,116	3,653,864	-	3,653,864
11040 Prior Period Adjustments, Equity								
Transfers and Correction of Errors	47,113	(47,113)	-	-	-	-	-	-
11170 Administrative Fee Equity	-	-	-	-	-	-	-	-
11180 Housing Assistance Payments Equity	-	-	(372)	-	-	(372)	-	(372)
11190 Unit Months Available	1,164	-	1,608	-	-	2,772	-	2,772
11210 Number of Unit Months Leased	1,145	-	1,576	-	-	2,721	-	2,721
11270 Excess Cash	140,565	-	-	-	-	140,565	-	140,565
11620 Building Purchases	50,478	-	-	-	-	50,478	-	50,478
11630 Furniture & Equipment - Dwelling Purchases	6,879	-	-	-	-	6,879	-	6,879
11640 Furniture & Equipment - Administrative Purchases	18,226	-	-	-	-	18,226	-	18,226

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - COMPLETED

December 31, 2014

	<u>Project ME36-P019-501-10</u>
Funds Approved	\$ 156,929
Funds Expended	<u>156,929</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 156,929
Funds Expended	<u>156,929</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$156,929 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - COMPLETED

December 31, 2014

	<u>Project ME36-P019-501-12</u>
Funds Approved	\$ 122,118
Funds Expended	<u>122,118</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 122,118
Funds Expended	<u>122,118</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$122,118 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - COMPLETED

December 31, 2014

	<u>Project ME36-P019-501-13</u>
Funds Approved	\$ 126,208
Funds Expended	<u>126,208</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 126,208
Funds Expended	<u>126,208</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$126,208 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF MODERNIZATION COSTS - COMPLETED

December 31, 2014

	<u>Project ME36-P019-501-14</u>
Funds Approved	\$ 117,564
Funds Expended	<u>117,564</u>
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 117,564
Funds Expended	<u>117,564</u>
Excess of Funds Expended	<u>\$ -</u>

Funds totaling \$117,564 were expended, and accordingly, were audited.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

<u>Federal Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>		
Low Rent Public Housing	14.850	\$ 230,521
Resident Opportunity and Supportive Services	14.870	52,501
Housing Choice Vouchers	14.871	868,077
Public Housing Capital Fund Program	14.872	<u>343,385</u>
Total U.S. Department of Housing and Urban Development		<u>1,494,484</u>
Total Federal Awards		<u><u>\$ 1,494,484</u></u>

BATH HOUSING AUTHORITY
Bath, Maine

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2014

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the financial statements.

BATH HOUSING AUTHORITY
Bath, Maine

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unqualified
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: unqualified
Any audit findings disclosed that are required to be
reported in accordance with Circular A-133,
Section .510(a)? yes no

Identification of major program:

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

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 300,000
Auditee qualified as low-risk auditee? yes no

Section II - Financial Statement Findings

None

Section III - Federal Award Findings and Questioned Costs

None



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

To the Board of Commissioners
Bath Housing Authority
Bath, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bath Housing Authority, which comprise the combined statement of net position as of December 31, 2014, and the related combined statements of revenues, expenses and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2015.

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.

A handwritten signature in black ink that reads "Otis Atwell". The signature is written in a cursive, flowing style.

Certified Public Accountants

May 13, 2015
South Portland, Maine



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of Commissioners
Bath Housing Authority
Bath, Maine

Report on Compliance for Each Major Federal Program

We have audited Bath Housing Authority's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Bath Housing Authority's major federal programs for the year ended December 31, 2014. Bath Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bath Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 each major federal program. However, our audit does not provide a legal determination of Bath Housing Authority's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2014.

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 each 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

May 13, 2015
South Portland, Maine