

BATH HOUSING AUTHORITY  
Bath, Maine

FINANCIAL STATEMENTS  
and Additional Information

December 31, 2016  
with  
Report of Independent Auditors

BATH HOUSING AUTHORITY  
Bath, Maine

For the Year Ended December 31, 2016

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## REPORT OF INDEPENDENT AUDITORS

Board of Commissioners  
Bath Housing Authority  
Bath, Maine

We have audited the accompanying financial statements of the Bath Housing Authority, as of and for the year ended December 31, 2016, as listed in the table of contents. The prior year summarized comparative information has been derived from Bath Housing Authority's 2015 financial statements and, in our report dated May 3, 2016, 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, 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2017 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, 2017  
South Portland, Maine

**Bath Housing Authority**  
**Bath, Maine**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2016

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

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

**FINANCIAL HIGHLIGHTS**

- The Authority's net position increased \$38,762 (1.09%) during 2016. Since the Authority engages only in business-type activities, the increase is all in the category of business-type net position. Net position was \$3,590,246 and \$3,551,484 for 2016 and 2015, respectively.
- Operating revenues decreased by \$24,243 (-1.25%) during 2016, and were \$1,908,893 and \$1,933,136 for 2016 and 2015, respectively.
- Operating expenses decreased by \$555 (-0.03%). Operating expenses were \$2,038,922 and \$2,039,477 for 2016 and 2015, respectively.
- Non-operating revenues (expenses) netted to \$138,909 and \$37,633 for 2016 and 2015 respectively.
- Government capital grants decreased \$13,059 (-30.41%) during 2016.
- The Authority's total long-term liabilities decreased \$5,571 during the fiscal year to \$4,259.

## **AUTHORITY-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

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

The financial statements also include a Statement of Revenues, Expenses and Changes in Fund Net Position (similar to an Income Statement). This statement includes Operating Revenues, such as rental income, operating expenses, such as administrative, utilities, maintenance, and depreciation, and non-operating revenue and expenses, such as grant revenue, investment income and interest expense.

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

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

## **THE AUTHORITY'S PROGRAMS**

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

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

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

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

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

## AUTHORITY-WIDE STATEMENTS

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

	2016	2015	Change	% Change
Current Assets	\$ 1,755,586	\$ 1,492,407	\$ 263,179	17.63%
Capital Assets	1,202,682	1,310,553	(107,871)	-8.23%
Other Non-current Assets	815,909	855,135	(39,226)	-4.59%
<b>Total Assets</b>	<b>3,774,177</b>	<b>3,658,095</b>	<b>116,082</b>	<b>3.17%</b>
Current Liabilities	111,571	96,781	14,790	15.28%
Non-current Liabilities	4,259	9,830	(5,571)	-56.67%
<b>Total Liabilities</b>	<b>115,830</b>	<b>106,611</b>	<b>9,219</b>	<b>8.65%</b>
Deferred inflow of resources	68,101	-	68,101	100.00%
Net Position:				
Net investment in				
capital assets	1,202,682	1,310,553	(107,871)	-8.23%
Restricted	2,921	8,274	(5,353)	-64.70%
Unrestricted	2,384,643	2,232,657	151,986	6.81%
<b>Total Net Position</b>	<b>\$ 3,590,246</b>	<b>\$ 3,551,484</b>	<b>\$ 38,762</b>	<b>1.09%</b>

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

### Major Factors Affecting the Statement of Net Position

Current assets increased mostly from increases in the Local Program investment account which benefited from dividends earned as well as capital appreciation and additions to the account as note receivable payments were collected from Seacliff. Cash in the Section 8 program also reflected a higher balance due to January 2017 HAP and Admin fees being deposited in December. This also resulted in a deferred inflow of resources related to the HAP portion of the pre-payment. Capital assets decreased as depreciation expense for the period exceeded fixed asset additions. Current liabilities increased in part due to the HUD prepayment of Admin fees, as well as slightly higher accrued wages and PILOT.



**TABLE 2**

**CHANGES IN UNRESTRICTED NET POSITION**

Unrestricted Net Position Beginning	<u>\$ 2,232,657</u>
Results of Operations	38,762
Adjustments:	
Depreciation (1)	<u>141,918</u>
Adjusted Results of Operations	<u>180,680</u>
Change in Restricted Assets	5,353
Capital Expenditures ( <i>Net of construction in progress capitalized</i> )	<u>(34,047)</u>
Total other adjustments	<u>(28,694)</u>
Unrestricted Net Position Ending	<u><u>\$ 2,384,643</u></u>

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

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

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

**TABLE 3**

**STATEMENTS OF CHANGES IN NET POSITION**  
For the years ended December 31, 2016 and 2015

	2016	2015	Change	% Change
Operating revenues				
Dwelling rental	\$ 424,168	\$ 408,989	\$ 15,179	3.71%
Tenant revenue other	4,162	4,770	(608)	-12.75%
HUD operating grants	1,214,190	1,300,982	(86,792)	-6.67%
Section 8 fraud recovery	315	-	315	0.00%
Other	266,058	218,395	47,663	21.82%
<b>Total operating revenues</b>	<b><u>1,908,893</u></b>	<b><u>1,933,136</u></b>	<b><u>(24,243)</u></b>	-1.25%
Operating expenses				
Administrative	412,046	373,185	38,861	10.41%
Tenant services	47,472	44,994	2,478	5.51%
Utilities	145,109	170,692	(25,583)	-14.99%
Maintenance	225,979	220,592	5,387	2.44%
General	122,236	123,411	(1,175)	-0.95%
Housing assistance payments	944,162	953,271	(9,109)	-0.96%
Depreciation and amortization	141,918	153,332	(11,414)	-7.44%
<b>Total operating expenses</b>	<b><u>2,038,922</u></b>	<b><u>2,039,477</u></b>	<b><u>(555)</u></b>	-0.03%
Operating income (loss)	<u>(130,029)</u>	<u>(106,341)</u>	<u>(23,688)</u>	22.28%
Nonoperating revenues (expenses)				
Investment income	138,909	37,633	101,276	269.11%
<b>Total nonoperating revenues (expenses), net</b>	<b><u>138,909</u></b>	<b><u>37,633</u></b>	<b><u>101,276</u></b>	269.11%
Income/(loss) before capital grants	8,880	(68,708)	77,588	-112.92%
Governmental capital grants	29,882	42,941	(13,059)	-30.41%
Change in net position	<b><u>\$ 38,762</u></b>	<b><u>\$ (25,767)</u></b>	<b><u>\$ 64,529</u></b>	-250.43%

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

An increase in other revenue and administrative expenses is a result of a bookkeeping change whereby employee wages & benefits for labor used by the Seacliff property are charged to the Local Program account rather than allocated to the Seacliff project. These costs are then offset by management fee revenue received from Seacliff. This is a better reflection of financial activity as the employees utilized by the Seacliff property are employees of the PHA and therefore are more accurately presented as part of the total labor cost of the entity. Utilities decreased due to electricity and propane cost savings due to both a mild winter as compared to the prior year, as well as increased efficiency realized from energy efficiency upgrades. Investment income rose as a result of dividends, interest, and capital appreciation of the Local Program investment account.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### CAPITAL ASSETS

As of year-end, the Authority had \$1,202,682 (net of depreciation) invested in a variety of capital assets, as reflected in the following schedule, which represents a net change (addition, deduction and depreciation) of \$107,871 or 8.23% from the end of last year.

**TABLE 4**

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

	2016	2015
Land	\$ 582,130	\$ 582,130
Buildings and Improvements	4,336,090	4,302,043
Dwelling Equipment	268,551	268,551
Non-dwelling Equipment	291,454	291,454
	5,478,225	5,444,178
Accumulated Depreciation	(4,275,543)	(4,133,625)
	\$ 1,202,682	\$ 1,310,553

**TABLE 5**

**CHANGE IN CAPITAL ASSETS**

	<u>Business-Type Activities</u>
Beginning Balance	\$ 1,310,553
Fixed asset additions (net of construction in progress)	34,047
Depreciation	<u>(141,918)</u>
Ending Balance	<u>\$ 1,202,682</u>
This year's major additions include <i>(but are not limited to)</i> :	
Lighting upgrades	<u>\$ 29,882</u>
	<u>\$ 29,882</u>

**DEBT OUTSTANDING**

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

## **ECONOMIC FACTORS**

Significant economic factors affecting the Authority are as follows:

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

## **FINANCIAL CONTACT**

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

BATH HOUSING AUTHORITY  
 COMBINED STATEMENTS OF NET POSITION  
 December 31, 2016  
 (With Comparative Totals for December 31, 2015)

ASSETS

	2016	2015
Current Assets		
Cash and Cash Equivalents (Note 4)		
Cash - Unrestricted	\$ 339,154	\$ 289,772
Cash - Restricted	2,921	8,274
Cash - Tenant Security Deposits	22,801	18,866
Total Cash	364,876	316,912
Receivables		
Accounts Receivable - PHA Projects	3,566	4,181
Accounts Receivable - HUD Other Projects	3,013	2,740
Accounts Receivable - Miscellaneous	55,376	17,400
Accounts Receivable - Tenants	1,723	1,761
Note Receivable - Current	39,226	37,691
Accrued Interest Receivable (Note 6)	187	196
Total Receivables	103,091	63,969
Investments - Unrestricted (Note 4)	1,270,831	1,090,199
Prepaid Expenses and Other Assets	8,353	12,892
Inventories	8,435	8,435
Total Current Assets	1,755,586	1,492,407
Noncurrent Assets		
Capital Assets (Note 2)		
Land	582,130	582,130
Buildings	4,336,090	4,302,043
Furniture, Equipment and Machinery - Dwellings	268,551	268,551
Furniture, Equipment and Machinery - Administration	291,454	291,454
Accumulated Depreciation	(4,275,543)	(4,133,625)
Total Capital Assets, Net of Accumulated Depreciation	1,202,682	1,310,553
Long-term Note Receivable (Note 6)	815,909	855,135
Total Noncurrent Assets	2,018,591	2,165,688
Total Assets	\$ 3,774,177	\$ 3,658,095

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY  
 COMBINED STATEMENTS OF NET POSITION  
 (Continued)  
 December 31, 2016  
 (With Comparative Totals for December 31, 2015)

LIABILITIES

	2016	2015
Current Liabilities		
Accounts Payable <= 90 Days	\$ 23,365	\$ 27,851
Accrued Wages/Payroll Taxes Payable	10,870	7,034
Accrued Compensated Absences - Current Portion	11,481	12,554
Accounts Payable - Other Government	28,322	24,307
Tenant Security Deposits	22,800	18,865
Deferred Revenue	76,167	-
Other Current Liabilities	6,667	6,170
Total Current Liabilities	179,672	96,781
Noncurrent Liabilities		
Accrued Compensated Absences - Noncurrent Portion	4,259	9,830
Total Noncurrent Liabilities	4,259	9,830
Total Liabilities	183,931	106,611
NET POSITION		
Net Investment in Capital Assets	1,202,682	1,310,553
Restricted	2,921	8,274
Unrestricted	2,384,643	2,232,657
Total Net Position	3,590,246	3,551,484
Total Liabilities and Net Position	\$ 3,774,177	\$ 3,658,095

See accompanying notes to the financial statements.

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

For the Years Ended December 31, 2016 and 2015

	2016	2015
OPERATING REVENUES		
Net Tenant Rental Revenue	\$ 424,168	\$ 408,989
Tenant Revenue - Other	4,162	4,770
HUD PHA Operating Grants	1,214,190	1,300,982
Fraud Recovery	315	-
Other Revenue	266,058	218,395
Total Operating Revenues	1,908,893	1,933,136
OPERATING EXPENSES		
Administrative	412,046	373,185
Tenant Services	47,472	44,994
Utilities	145,109	170,692
Maintenance	225,979	220,592
General	122,236	123,411
Housing Assistance Payments	944,162	953,271
Depreciation	141,918	153,332
Total Operating Expenses	2,038,922	2,039,477
OPERATING LOSS	(130,029)	(106,341)
NON-OPERATING REVENUES		
Investment and Interest Income	138,909	37,633
Total Non-Operating Revenues	138,909	37,633
INCREASE (DECREASE) IN NET POSITION BEFORE CAPITAL GRANTS	8,880	(68,708)
CAPITAL GRANTS	29,882	42,941
INCREASE (DECREASE) IN NET POSITION	38,762	(25,767)
NET POSITION - BEGINNING	3,551,484	3,577,251
NET POSITION - ENDING	\$ 3,590,246	\$ 3,551,484

See accompanying notes to the financial statements.



BATH HOUSING AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities:		
Receipts from Tenants	\$ 428,368	\$ 413,303
Receipts from Grants	1,290,084	1,300,913
Other Receipts	230,077	224,555
Payments to Landlords	(943,451)	(960,785)
Payments to Employees	(384,905)	(373,494)
Payments for Administrative Expenses	(228,609)	(211,191)
Payments for Tenant Services Expenses	(1,480)	(2,366)
Payments for Utilities Expenses	(153,228)	(168,097)
Payments for Maintenance Expenses	(102,846)	(104,605)
Payments for Insurance	(53,551)	(49,685)
Payments for Taxes and PILOT	(24,307)	(19,282)
Net Cash Provided by Operating Activities	<u>56,152</u>	<u>49,266</u>
Cash Flows from Investing Activities:		
Purchases and Sales of Investment Securities	(88,313)	(36,310)
Receipts from Note Receivable	37,691	36,215
Investment and Interest Income	46,599	37,641
Net Cash Provided (Used) by Investing Activities	<u>(4,023)</u>	<u>37,546</u>
Cash Flows from Capital and Related Financing Activities:		
Purchases of Capital Assets	(34,047)	(141,772)
Capital Grant Proceeds	29,882	42,941
Net Cash Used by Capital and Related Financing Activities	<u>(4,165)</u>	<u>(98,831)</u>
Increase (Decrease) in Cash	47,964	(12,019)
Cash at Beginning of Year	<u>316,912</u>	<u>328,931</u>
Cash at End of Year	<u>\$ 364,876</u>	<u>\$ 316,912</u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY

COMBINED STATEMENTS OF CASH FLOWS  
(Continued)

For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Reconciliation of Operating Loss to Net Cash Provided by by Operating Activities:		
Operating Loss	\$ (130,029)	\$ (106,341)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	141,918	153,332
Changes in Operating Assets and Liabilities		
Accounts Receivable	(37,596)	10,206
Prepaid Expenses and Other Assets	4,539	(1,443)
Accounts Payable	(4,486)	(1,674)
Accrued Wages and Payroll Taxes Payable	3,836	(16,333)
Accrued Compensated Absences	(6,644)	2,967
Accounts Payable - HUD PHA Programs	-	(4,688)
Accounts Payable - Other Government	4,015	5,025
Tenant Security Deposits	3,935	2,045
Deferred Revenue	76,167	-
Other Current Liabilities	497	6,170
Net Cash Provided by Operating Activities	<u>\$ 56,152</u>	<u>\$ 49,266</u>

See accompanying notes to the financial statements.

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 1 - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Subsequent Events - Subsequent events have been evaluated through May 13, 2017, the date the financial statements were available to be issued.

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 2 - CAPITAL ASSETS

	Balance at January 1, 2016	Additions	Reductions	Transfers	Balance at December 31, 2016
Land	\$ 582,130	\$ -	\$ -	\$ -	\$ 582,130
Buildings	4,302,043	34,047	-	-	4,336,090
Furniture, Equipment and Machinery - Dwellings	268,551	-	-	-	268,551
Furniture, Equipment and Machinery - Administration	291,454	-	-	-	291,454
Accumulated Depreciation	(4,133,625)	(141,918)	-	-	(4,275,543)
Total Capital Assets, net of Accumulated Depreciation	<u>\$1,310,553</u>	<u>\$(107,871)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$1,202,682</u>

NOTE 3 - RELATED PARTY TRANSACTIONS

During both 2016 and 2015, the Authority paid rent of \$28,800 to Bath Housing Development Corporation, an affiliate of the Authority.

The Authority received management fees of \$88,653 and \$32,926 during the years ended December 31, 2016 and 2015, respectively, from Seacliff Apartments, a related party wholly owned by Bath Housing Development Corporation.

During 2016 and 2015, the Authority received administrative and maintenance reimbursements of \$185,579 and \$155,705, respectively, from housing projects owned by the Bath Housing Development Corporation, a related party through common management. At December 31, 2016 and 2015, Bath Housing Development Corporation owed the Authority \$55,341 and \$17,400, respectively.

NOTE 4 - INVESTMENTS

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

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

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS (Continued)

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

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

	<u>2016</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual Funds	\$ 488,803	\$ 488,803	\$ -
Government Bonds	156,488	-	156,488
Corporate Bonds	155,972	-	155,972
Common Stock	454,548	454,548	-
Exchange-Traded Funds	15,020	15,020	-
	<u>\$1,270,831</u>	<u>\$ 958,371</u>	<u>\$ 312,460</u>
	<u>2015</u>	<u>Level 1</u>	<u>Level 2</u>
Mutual Funds	348,511	\$ 348,511	\$ -
Government Bonds	192,149	-	192,149
Corporate Bonds	302,630	-	302,630
Common Stock	232,398	232,398	-
Exchange-Traded Funds	14,511	14,511	-
	<u>\$1,090,199</u>	<u>\$ 595,420</u>	<u>\$ 494,779</u>

The Authority makes monthly deposits to the investment account. Deposits totaling \$72,718 and \$73,675 were made during 2016 and 2015, respectively.

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

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS (Continued)

The credit quality ratings, as rated by Standard & Poor's, are required to be disclosed for the investments in debt securities, money market funds, and bond mutual funds. As of December 31, 2016 and 2015, the values and credit quality ratings were as follows:

Investment Type	2016	Quality Rating
Money Market	\$ 60,314	AAAm
Corporate Bonds	\$ 30,313	A
Corporate Bonds	\$125,659	BBB
Mutual Funds	\$ 75,145	Not Rated

Investment Type	2015	Quality Rating
Money Market	\$ 64,870	AAAm
Corporate Bonds	\$ 50,937	AA
Corporate Bonds	\$156,191	A
Corporate Bonds	\$ 95,502	BBB
Mutual Funds	\$139,973	Not Rated

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. At December 31, 2016 and 2015, cash was held at banks either insured or collateralized by government securities in the name of the Authority. At December 31, 2016 the Local Programs investment account held cash equivalents comprised of money market funds backed by US Treasuries totaling \$60,314 and investments in government bonds, corporate bonds, and securities totaling \$1,270,831. These funds were not insured or collateralized at December 31, 2016.

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

As of December 31, 2016, Bath Housing Authority's investments had the following maturities:

Investment Type	Fair Value	Less than 1 year	1-5 Years
Government Bonds	\$156,488	\$ -	\$156,488
Corporate Bonds	155,972	-	155,972
Totals	<u>\$312,460</u>	<u>\$ -</u>	<u>\$312,460</u>

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 4 - INVESTMENTS (Continued)

The return on the investment account for the years ended December 31, 2016 and 2015 consisted of the following:

	2016	2015
Interest and Dividends	\$ 28,218	\$ 25,928
Realized Gain (Loss) on Investments	(11,024)	3,441
Unrealized Gain (Loss) on Investments	92,320	(24,012)
Account Fees	(6,155)	(5,448)
	\$ 103,359	\$ (91)

NOTE 5 - COMPENSATED ABSENCES

The following is a summary of the changes in accrued compensated absences for the year ended December 31, 2016:

	Balance January 1, 2016	Additions	Reductions	Balance December 31, 2016	Due Within One Year
Compensated Absences	\$ 22,384	\$ 37,128	\$ 43,772	\$ 15,740	\$ 11,481

NOTE 6 - 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, 2016 and 2015 were \$855,135 and \$892,826, respectively.

NOTE 7 - RETIREMENT PLAN

The Authority provides a 457(b) deferred compensation plan and 401(a) defined contribution plan for eligible employees. The plans are administered by VOYA. All regular employees with more than 30 days of service are eligible to participate. The Authority provides a match of up to 3.5% of an employee's compensation to the 401(a) plan. Deferred compensation contributions totaled \$13,882 and \$14,332 for the years ended December 31, 2016 and 2015, respectively.



BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO THE FINANCIAL STATEMENTS  
(Continued)

NOTE 8 - COMMITMENT

During 2016, the Authority guaranteed three loans between Bath Housing Development Corporation and MaineHousing in the original amounts of \$125,000, \$80,000 and \$32,902. The balances at December 31, 2016 were \$123,313, \$79,515 and \$32,702, respectively. 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.

## ADDITIONAL INFORMATION

**BATH HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
December 31, 2016**

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 178,150	\$ 81,314	\$ -	\$ 79,690	\$ 339,154	\$ -	\$ 339,154
113 Cash - Other Restricted	-	2,921	-	-	2,921	-	2,921
114 Cash - Tenant Security Deposits	22,801	-	-	-	22,801	-	22,801
100 Total Cash	<u>200,951</u>	<u>84,235</u>	<u>-</u>	<u>79,690</u>	<u>364,876</u>	<u>-</u>	<u>364,876</u>
121 Accounts Receivable - PHA Projects	-	3,566	-	-	3,566	-	3,566
122 Accounts Receivable - HUD Other Projects	-	1,594	1,419	-	3,013	-	3,013
125 Accounts Receivable - Miscellaneous	50,622	-	-	4,754	55,376	-	55,376
126 Accounts Receivable - Tenants	6,074	-	-	-	6,074	-	6,074
126.1 Allowance for Doubtful Accounts - Tenants	(4,351)	-	-	-	(4,351)	-	(4,351)
127 Notes, Loan, and Mortgages Receivable - Current	-	-	-	39,226	39,226	-	39,226
129 Accrued Interest Receivable	-	-	-	187	187	-	187
120 Total Receivables, Net of Allowances for Doubtful Accounts	<u>52,345</u>	<u>5,160</u>	<u>1,419</u>	<u>44,167</u>	<u>103,091</u>	<u>-</u>	<u>103,091</u>
131 Investments - Unrestricted	-	-	-	1,270,831	1,270,831	-	1,270,831
142 Prepaid Expenses and Other Assets	8,353	-	-	-	8,353	-	8,353
143 Inventories	8,435	-	-	-	8,435	-	8,435
144 Inter Program Due From	1,419	-	-	-	1,419	(1,419)	-
150 Total Current Assets	<u>271,503</u>	<u>89,395</u>	<u>1,419</u>	<u>1,394,688</u>	<u>1,757,005</u>	<u>(1,419)</u>	<u>1,755,586</u>
161 Land	582,130	-	-	-	582,130	-	582,130
162 Buildings	4,336,090	-	-	-	4,336,090	-	4,336,090
163 Furniture, Equipment & Machinery - Dwellings	268,551	-	-	-	268,551	-	268,551
164 Furniture, Equipment & Machinery - Administration	291,454	-	-	-	291,454	-	291,454
166 Accumulated Depreciation	(4,275,543)	-	-	-	(4,275,543)	-	(4,275,543)
160 Total Capital Assets, Net of Accumulated Depreciation	<u>1,202,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,202,682</u>	<u>-</u>	<u>1,202,682</u>
171 Long-term Notes Receivable	-	-	-	815,909	815,909	-	815,909
180 Total Non-Current Assets	<u>1,202,682</u>	<u>-</u>	<u>-</u>	<u>815,909</u>	<u>2,018,591</u>	<u>-</u>	<u>2,018,591</u>
190 Total Assets	<u>\$ 1,474,185</u>	<u>\$ 89,395</u>	<u>\$ 1,419</u>	<u>\$ 2,210,597</u>	<u>\$ 3,775,596</u>	<u>\$ (1,419)</u>	<u>\$ 3,774,177</u>

**BATH HOUSING AUTHORITY**  
**FINANCIAL DATA SCHEDULE**  
(Continued)  
**December 31, 2016**

	Low Rent Public Housing	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	\$ 22,654	\$ 711	\$ -	\$ -	\$ 23,365	\$ -	\$ 23,365
321 Accrued Wages/Payroll Taxes Payable	5,474	1,558	-	3,838	10,870	-	10,870
322 Accrued Compensated Absences - Current Portion	8,564	2,023	-	894	11,481	-	11,481
333 Accounts Payable - Other Government	28,322	-	-	-	28,322	-	28,322
341 Tenant Security Deposits	22,800	-	-	-	22,800	-	22,800
342 Deferred Revenue	-	76,167	-	-	76,167	-	76,167
345 Other Current Liabilities	6,632	35	-	-	6,667	-	6,667
347 Inter Program - Due to	-	-	1,419	-	1,419	(1,419)	-
310 Total Current Liabilities	<u>94,446</u>	<u>80,494</u>	<u>1,419</u>	<u>4,732</u>	<u>181,091</u>	<u>(1,419)</u>	<u>179,672</u>
354 Accrued Compensated Absences - Non Current	3,177	750	-	332	4,259	-	4,259
350 Total Non-Current Liabilities	<u>3,177</u>	<u>750</u>	<u>-</u>	<u>332</u>	<u>4,259</u>	<u>-</u>	<u>4,259</u>
300 Total Liabilities	<u>97,623</u>	<u>81,244</u>	<u>1,419</u>	<u>5,064</u>	<u>185,350</u>	<u>(1,419)</u>	<u>183,931</u>
508.4 Net Investment in Capital Assets	1,202,682	-	-	-	1,202,682	-	1,202,682
511.4 Restricted Net Position	-	2,921	-	-	2,921	-	2,921
512.4 Unrestricted Net Position	173,880	5,230	-	2,205,533	2,384,643	-	2,384,643
513 Total Equity - Position	<u>1,376,562</u>	<u>8,151</u>	<u>-</u>	<u>2,205,533</u>	<u>3,590,246</u>	<u>-</u>	<u>3,590,246</u>
600 Total Liabilities and Equity - Net Position	<u>\$ 1,474,185</u>	<u>\$ 89,395</u>	<u>\$ 1,419</u>	<u>\$ 2,210,597</u>	<u>\$ 3,775,596</u>	<u>\$ (1,419)</u>	<u>\$ 3,774,177</u>

**BATH HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
December 31, 2016**

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 424,168	\$ -	\$ -	\$ -	\$ -	\$ 424,168	\$ -	\$ 424,168
70400 Tenant Revenue - Other	4,162	-	-	-	-	4,162	-	4,162
70500 Total Tenant Revenue	428,330	-	-	-	-	428,330	-	428,330
70600 HUD PHA Operating Grants	192,512	71,433	893,420	56,825	-	1,214,190	-	1,214,190
70610 Capital Grants	-	29,882	-	-	-	29,882	-	29,882
71100 Investment Income - Unrestricted	346	-	98	-	103,447	103,891	-	103,891
71200 Mortgage Interest Income	-	-	-	-	35,018	35,018	-	35,018
71400 Fraud Recovery	-	-	315	-	-	315	-	315
71500 Other Revenue	10,765	-	166,640	-	88,653	266,058	-	266,058
70000 Total Revenue	631,953	101,315	1,060,473	56,825	227,118	2,077,684	-	2,077,684
91100 Administrative Salaries	114,893	-	40,098	-	58,127	213,118	-	213,118
91200 Auditing Fees	10,850	-	3,875	-	775	15,500	-	15,500
91500 Employee Benefit Contributions - Administrative	27,881	-	16,483	-	11,485	55,849	-	55,849
91600 Office Expenses	50,586	-	29,322	-	10,827	90,735	-	90,735
91700 Legal Expense	3,109	-	-	-	-	3,109	-	3,109
91800 Travel	4,764	-	1,532	-	828	7,124	-	7,124
91900 Other	13,073	-	4,750	999	7,789	26,611	-	26,611
91000 Total Operating - Administrative	225,156	-	96,060	999	89,831	412,046	-	412,046
92100 Tenant Services - Salaries	-	-	-	32,808	162	32,970	-	32,970
92300 Employee Benefit Contributions - Other	-	-	-	13,022	-	13,022	-	13,022
92400 Tenant Services - Other	1,305	-	-	-	175	1,480	-	1,480
92500 Total Tenant Services	1,305	-	-	45,830	337	47,472	-	47,472
93100 Water	12,610	-	-	-	-	12,610	-	12,610
93200 Electricity	85,881	-	-	-	-	85,881	-	85,881
93400 Fuel	27,934	-	-	-	-	27,934	-	27,934
93600 Sewer	18,684	-	-	-	-	18,684	-	18,684
93000 Total Utilities	145,109	-	-	-	-	145,109	-	145,109
94100 Ordinary Maintenance and Operations - Labor	87,159	-	10,873	-	1,322	99,354	-	99,354
94200 Ordinary Maintenance and Operations - Materials and Other	61,918	-	-	-	-	61,918	-	61,918
94300 Ordinary Maintenance and Operations Contracts	38,602	-	-	-	-	38,602	-	38,602
94500 Employee Benefit Contributions - Ordinary Maintenance	22,982	-	3,123	-	-	26,105	-	26,105
94000 Total Maintenance	210,661	-	13,996	-	1,322	225,979	-	225,979

**BATH HOUSING AUTHORITY  
FINANCIAL DATA SCHEDULE  
(Continued)  
December 31, 2016**

	Low Rent Public Housing	Capital Fund	Housing Choice Vouchers	Resident Opportunity and Support Services	Local Programs	Subtotal	ELIM	Total
96110 Property Insurance	\$ 41,397	\$ -	\$ -	\$ -	\$ -	\$ 41,397	\$ -	\$ 41,397
96130 Workmen's Compensation	7,164	-	1,402	-	1,570	10,136	-	10,136
96140 All Other Insurance	-	-	2,020	-	-	2,020	-	2,020
96100 Total Insurance Premiums	<u>48,561</u>	<u>-</u>	<u>3,422</u>	<u>-</u>	<u>1,570</u>	<u>53,553</u>	<u>-</u>	<u>53,553</u>
96200 Other General Expenses	-	-	-	-	363	363	-	363
96210 Compensated Absences	25,576	-	5,978	-	5,574	37,128	-	37,128
96300 Payments in Lieu of Taxes	28,322	-	-	-	-	28,322	-	28,322
96400 Bad Debt - Tenant Rents	2,870	-	-	-	-	2,870	-	2,870
96000 Total Other General Expenses	<u>56,768</u>	<u>-</u>	<u>5,978</u>	<u>-</u>	<u>5,937</u>	<u>68,683</u>	<u>-</u>	<u>68,683</u>
96900 Total Operating Expenses	<u>687,560</u>	<u>-</u>	<u>119,456</u>	<u>46,829</u>	<u>98,997</u>	<u>952,842</u>	<u>-</u>	<u>952,842</u>
97000 Excess of Operating Revenue over Operating Expenses	<u>(55,607)</u>	<u>101,315</u>	<u>941,017</u>	<u>9,996</u>	<u>128,121</u>	<u>1,124,842</u>	<u>-</u>	<u>1,124,842</u>
97300 Housing Assistance Payments	-	-	794,443	-	-	794,443	-	794,443
97350 HAP Portability-In	-	-	149,719	-	-	149,719	-	149,719
97400 Depreciation Expense	141,918	-	-	-	-	141,918	-	141,918
90000 Total Expenses	<u>829,478</u>	<u>-</u>	<u>1,063,618</u>	<u>46,829</u>	<u>98,997</u>	<u>2,038,922</u>	<u>-</u>	<u>2,038,922</u>
10010 Operating Transfer In	81,429	-	-	-	-	81,429	(81,429)	-
10020 Operating Transfer Out	-	(71,433)	-	(9,996)	-	(81,429)	81,429	-
10100 Total Other Financing Sources (Uses)	<u>81,429</u>	<u>(71,433)</u>	<u>-</u>	<u>(9,996)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	<u>\$ (116,096)</u>	<u>\$ 29,882</u>	<u>\$ (3,145)</u>	<u>\$ -</u>	<u>\$ 128,121</u>	<u>\$ 38,762</u>	<u>\$ -</u>	<u>\$ 38,762</u>
11030 Beginning Equity	\$ 1,462,776	\$ -	\$ 11,296	\$ -	\$ 2,077,412	\$ 3,551,484	\$ -	\$ 3,551,484
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	\$ 29,882	\$ (29,882)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
11170 Administrative Fee Equity	\$ -	\$ -	\$ 5,230	\$ -	\$ -	\$ 5,230	\$ -	\$ 5,230
11180 Housing Assistance Payments Equity	\$ -	\$ -	\$ 2,921	\$ -	\$ -	\$ 2,921	\$ -	\$ 2,921
11190 Unit Months Available	1,164	-	1,608	-	-	2,772	-	2,772
11210 Number of Unit Months Leased	1,152	-	1,536	-	-	2,688	-	2,688
11620 Building Purchases	\$ 4,165	\$ 29,882	\$ -	\$ -	\$ -	\$ 34,047	\$ -	\$ 34,047

BATH HOUSING AUTHORITY  
Bath, Maine

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2016

<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	\$ 192,512
Resident Opportunity and Supportive Services	14.870	56,825
Housing Choice Vouchers	14.871	893,420
Public Housing Capital Fund Program	14.872	<u>101,315</u>
Total U.S. Department of Housing and Urban Development		<u>1,244,072</u>
Total Federal Awards		<u><u>\$ 1,244,072</u></u>

BATH HOUSING AUTHORITY  
Bath, Maine

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2016

NOTE 1 - BASIS OF ACCOUNTING

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

NOTE 2 - RELATIONSHIP TO FINANCIAL STATEMENTS

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

NOTE 3 - DE MINIMIS INDIRECT COST RATE

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



BATH HOUSING AUTHORITY  
Bath, Maine

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2016

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

Financial Statements

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

Federal Awards

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

Identification of major programs:

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

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

**Section II - Financial Statement Findings**

None

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

None



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

To the Board of Commissioners  
Bath Housing Authority  
Bath, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Bath Housing Authority, which comprise the combined statement of net position as of December 31, 2016, 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, 2017.

**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 cursive script that reads "Otis Atwell".

Certified Public Accountants

May 13, 2017  
South Portland, Maine



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

To the Board of Commissioners  
Bath Housing Authority  
Bath, Maine

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

We have audited Bath Housing Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Bath Housing Authority's major federal program for the year ended December 31, 2016. Bath Housing Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Bath Housing Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bath Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Bath Housing Authority's compliance.

**Opinion on the Major Federal Program**

In our opinion, Bath Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

## Report on Internal Control Over Compliance

Management of Bath Housing Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bath Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bath Housing Authority's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants

May 13, 2017  
South Portland, Maine