

GUYDER HURLEY



TOWN OF TREMONT HOUSING AUTHORITY Bar Harbor, Maine

FINANCIAL STATEMENTS

September 30, 2018



ASSURANCE // ACCOUNTING // TAX // ADVISORY

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INDEPENDENT AUDITORS' REPORT

To The Board of Commissioners
Town of Tremont Housing Authority
Bar Harbor, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the Town of Tremont Housing Authority, Bar Harbor, ME, as of September 30, 2018, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town of Tremont Housing Authority's basic financial statements as listed in the table of contents.

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.

Auditors' Responsibility

Our responsibility is to express opinions 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 auditors' 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Town of Tremont Housing Authority, as of September 30, 2018, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Tremont Housing Authority's basic financial statements. The supplemental information presented on pages 28 through 31, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information presented on pages 28 through 31 are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information presented on pages 28 through 31 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have issued our report dated February 27, 2019 on our consideration of the Town of Tremont Housing Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town of Tremont Housing Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Tremont Housing Authority's internal control over financial reporting and compliance.



Braintree, Massachusetts
February 27, 2019

MANAGEMENT'S DISCUSSION & ANALYSIS

TOWN OF TREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

The Town of Tremont 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 14).

FINANCIAL HIGHLIGHTS

- The Authority's net position decreased by \$49,551 (-7.88%) during 2018. Since the Authority engages only in business-type activities, the decrease is all in the category of business-type net position. Net position was \$579,316 and \$626,768 for 2018 and 2017, respectively.
- Operating revenues decreased by \$6,214 (-4.04%) during 2018, and were \$147,564 and \$153,778 for 2018 and 2017, respectively.
- Operating expenses decreased by \$5,613 (-2.7%). Operating expenses were \$206,115 and \$211,728 for 2018 and 2017, respectively.
- Nonoperating revenues (expenses) netted to \$248 and \$71 for 2018 and 2017 respectively.
- Government capital grants decreased by \$8,639 (-49.7%) during 2018.

TOWN OF TREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

AUTHORITY-WIDE FINANCIAL STATEMENTS

The authority-wide financial statements (see pages 14-16) 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, minus liabilities, equal "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 (the "Unrestricted 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: This component of net position consists of net position that do 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 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.

TOWN OF TREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

AUTHORITY-WIDE STATEMENT

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

TABLE 1
STATEMENTS OF NET POSITION

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Current Assets	\$ 93,098	\$ 100,994	\$ (7,896)	-7.8%
Capital Assets	<u>510,605</u>	<u>548,668</u>	<u>(38,063)</u>	-6.9%
Total Assets	<u>603,703</u>	<u>649,662</u>	<u>(45,959)</u>	-7.1%
Current Liabilities	23,200	18,690	4,510	24.1%
Non-current Liabilities	<u>1,187</u>	<u>2,105</u>	<u>(918)</u>	-43.6%
Total Liabilities	<u>24,387</u>	<u>20,795</u>	<u>3,592</u>	17.3%
Net Position:				
Net Investment in Capital Assets	510,603	548,668	(38,065)	-6.9%
Unrestricted	<u>68,713</u>	<u>80,199</u>	<u>(11,486)</u>	-14.3%
Total Net Position	<u>579,316</u>	<u>628,867</u>	<u>(49,551)</u>	-7.9%

For more detailed information see page 14 for the Statement of Net Position.

TOWN OF TREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

Major Factors Affecting the Statement of Net Position

Capital assets decreased from \$548,668 to \$510,605. The decrease is attributed to a combination of acquisitions, net of retirements, less current year depreciation. For more detail see "Capital Assets and Debt Administration".

Table 2 presents details on the change in Unrestricted Net Position.

TABLE 2

CHANGE IN UNRESTRICTED NET POSITION

Unrestricted Net Position, Beginning	\$ 80,199
Results of Operations	(49,551)
Adjustments:	
Depreciation	<u>46,815</u>
Adjusted Results of Operations	(2,736)
Capital Expenditures	(8,752)
Rounding	<u>2</u>
Unrestricted Net Position Ending	<u>\$ 68,713</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.

TOWN OF TREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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 REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>
Operating revenues				
Dwelling rental	\$ 80,392	\$ 82,553	\$ (2,161)	-2.62%
Tenant revenue other	6,614	9,896	(3,282)	-33.16%
HUD grants	60,558	61,237	(679)	-1.11%
Other	<u>-</u>	<u>92</u>	<u>(92)</u>	-100.00%
Total Operating revenues	<u>147,564</u>	<u>153,778</u>	<u>(6,214)</u>	-4.04%
Operating expenses				
Administrative	44,724	46,688	(1,964)	-4.21%
Tenant Services	905	531	374	70.43%
Utilities	29,337	27,622	1,715	6.21%
Maintenance	64,544	69,134	(4,590)	-6.64%
General	19,790	18,256	1,534	8.40%
Extraordinary Maintenance	-	998	(998)	-100.00%
Depreciation & Amortization	<u>46,815</u>	<u>48,499</u>	<u>(1,684)</u>	-3.47%
Total Operating expenses	<u>206,115</u>	<u>211,728</u>	<u>(5,613)</u>	-2.65%
Operating Loss	(58,551)	(57,950)	(601)	1.04%
Nonoperating revenues (expenses)				
Investment Income (loss)	<u>248</u>	<u>71</u>	<u>177</u>	249.30%
Total nonoperating revenues (expenses), net	<u>248</u>	<u>71</u>	<u>177</u>	-91.61%
Loss before capital grants	(58,303)	(57,879)	(424)	0.73%
Government capital grants	<u>8,752</u>	<u>17,391</u>	<u>(8,639)</u>	-49.68%
Change in Net Position	<u>\$ (49,551)</u>	<u>\$ (40,488)</u>	<u>\$ (9,063)</u>	22.38%

TOWN OF TREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

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

Miscellaneous tenant charges decreased over the prior year resulting in a decrease in tenant revenue other. Capital fund activity decreased resulting in less capital asset additions than in prior year, causing the balance of capital grant revenue to decrease. Maintenance expense decreased as a result of less extraordinary type maintenance repairs.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

As of year-end, the Authority had \$510,605 invested in a variety of capital assets as reflected in the following schedule, which represents a net change of \$38,603 from the end of last year.

TABLE 4

**CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>Business- Type Assets</u>	
	<u>2018</u>	<u>2017</u>
Land	\$ 119,066	\$ 119,066
Land Improvements	374,935	374,935
Buildings & Improvements	1,339,415	1,330,663
Dwelling Equipment	40,433	38,933
Non-dwelling equipment	<u>74,441</u>	<u>74,441</u>
	1,948,290	1,938,038
Accumulated Depreciation	<u>(1,437,685)</u>	<u>(1,389,370)</u>
Capital Assets, Net	<u>\$ 510,605</u>	<u>\$ 548,668</u>

The following reconciliation summarizes the change in Capital Assets, which is presented in detail on page 24.

TABLE 5

CHANGE IN CAPITAL ASSETS

Beginning Balance	\$ 548,668
Fixed asset additions (including construction in progress)	8,752
Depreciation	<u>(46,815)</u>
Ending Balance	<u>\$ 510,605</u>
This year major additions include (but not limited to):	
Boiler	<u>\$ 8,752</u>

TOWN OF TREMONT HOUSING AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
September 30, 2018

DEBT OUTSTANDING

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

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.

FINANCIAL CONTACT

The individual to be contacted regarding this report is Henry D. Bartlett, Executive Director, at (207) 288 - 4770. Specific requests may be submitted to Henry D. Bartlett, Executive Director, Town of Tremont Housing Authority, P.O. Box 28, Bar Harbor, Maine, 04609-0028.

BASIC FINANCIAL STATEMENTS

TOWN OF TREMONT HOUSING AUTHORITY

STATEMENT OF NET POSITION
September 30, 2018

ASSETS

Current Assets:

Cash and cash equivalents	\$ 56,193
Restricted cash and cash equivalents	7,837
Accounts receivable, net	4,519
Investments	19,636
Prepaid expenses and other current assets	4,913
Total Current Assets	<u>93,098</u>

Noncurrent Assets:

Capital assets, net of accumulated depreciation	<u>510,605</u>
Total Noncurrent Assets	<u>510,605</u>

Total Assets	<u>603,703</u>
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LIABILITIES

Current Liabilities:

Accounts payable	4,835
Accounts payable, other government	5,105
Accrued wages and current portion of compensated absences	4,079
Other accrued expenses	510
Unearned revenue	834
Tenant security deposits	7,837
Total Current Liabilities	<u>23,200</u>

Noncurrent Liabilities:

Accrued compensated absences, net of current portion	<u>1,187</u>
Total Noncurrent Liabilities	<u>1,187</u>

Total Liabilities	<u>24,387</u>
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NET POSITION

Net investment in capital assets	510,603
Unrestricted (deficit)	<u>68,713</u>

Total Net Position	<u>\$ 579,316</u>
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TOWN OF TREMONT HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended September 30, 2018

OPERATING REVENUES	
Tenant rental income	\$ 87,006
HUD grants and contributions	<u>60,558</u>
Total Operating Revenues	<u>147,564</u>
OPERATING EXPENSES	
Repair and maintenance	64,544
Depreciation expense	46,815
Administration	44,724
Utilities	29,337
Other general expenses	10,704
Insurance expense	9,086
Tenant services	<u>905</u>
Total Operating Expenses	<u>206,115</u>
Operating Loss	<u>(58,551)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	<u>248</u>
Total Nonoperating Revenues (Expenses)	<u>248</u>
Loss before Capital Contributions and Transfers	<u>(58,303)</u>
CAPITAL CONTRIBUTIONS & TRANSFERS	
HUD capital grants and contributions	<u>8,752</u>
Total Capital Contributions and Transfers	<u>8,752</u>
Change in Net Position	(49,551)
Net Position - Beginning of Year	<u>628,867</u>
Net Position - End of Year	<u>\$ 579,316</u>

TOWN OF TREMONT HOUSING AUTHORITY

STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	
HUD grants	\$ 60,719
Receipts from tenants	86,119
Payments to employees	(78,647)
Payments to suppliers	<u>(78,755)</u>
Net cash used in operating activities	<u>(10,564)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
HUD capital grants	5,715
Acquisitions of capital assets	<u>(8,752)</u>
Net cash used in capital and related financing activities	<u>(3,037)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends received	248
Proceeds from the sale of investments	10,731
Purchase of investments	<u>(4,968)</u>
Net cash provided by investing activities	<u>6,011</u>
Net decrease in cash and cash equivalents	(7,590)
Cash and cash equivalents at beginning of year	<u>71,620</u>
Cash and cash equivalents at end of year	<u><u>\$ 64,030</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating Loss	\$ (58,551)
Adjustments:	
Depreciation	46,815
Change in assets and liabilities:	
(Increase) decrease in accounts receivable, tenants	(647)
(Increase) decrease in prepaid expenses and other current assets	(1,773)
(Decrease) increase in accounts payable	2,656
(Decrease) increase in accounts payable, other government	(28)
(Decrease) increase in compensated absences and accrued wages	635
(Decrease) increase in accrued expenses and other current liabilities	(416)
(Decrease) increase in tenant security deposits	267
(Decrease) increase in unearned operating revenue	<u>478</u>
Net cash used in operating activities	<u><u>\$ (10,564)</u></u>

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

TOWN OF TREMONT HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS For the Year Ended September 30, 2018

NOTE 1 – ORGANIZATION

The Town of Tremont Housing Authority (the Authority) was incorporated under the laws of the State of Maine. The Authority operates under a board of commissioner form of government to provide safe and decent housing to low and moderate-income families and elderly individuals.

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

Low Rent Public Housing – This program accounts for all activities relating to the leasing and operation of apartments in buildings that were constructed and are owned by the Authority. These units are rented to low income families and low-income elderly, disabled, and special needs individuals. The properties were constructed with grants and or loans provided by the U.S. Department of Housing and Urban Development (HUD). The Authority receives grants from HUD to subsidize operating deficits. Tenants are charged rents based on a percentage of their income.

Public Housing Capital Fund – HUD provides grant funds to authorities with Low Rent Public Housing units on a formula basis. The funds are predominantly used to make physical improvements to buildings and dwelling units owned by the Authority under the Low Rent Public Housing Program. A portion of these funds may also be used to support operations and to make improvements in the management and operation of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Financial Reporting Entity

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

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

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

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation and Accounting

The Authority is a special-purpose government entity engaged only in business-type activities and, as such, the financial statements are presented as a single enterprise fund.

The Authority’s financial statements are prepared in accordance with GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments* (“GASB 34”) and GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (“GASB 63”). GASB 34 and GASB 63 require the basic financial statements to be prepared using the economic resources measurement focus and the accrual basis of accounting and requires the presentation of a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows. GASB 34 requires the Authority to include Management’s Discussion and Analysis as part of the Required Supplementary Information. GASB 63 requires the Authority to report deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.

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

New Accounting Standards Adopted

During 2018, the Authority adopted the following accounting standards, there was no impact on the Authority’s financial statements as a result of these standards.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, addresses accounting and financial reporting for OPEB that is provided to employees of state and local governmental employers. The provisions of this Statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, which is required to be implemented in 2018.

GASB Statement No. 82, *Pension Issues*, will address certain issues that have been raised regarding GASB Statements No. 67, No. 68, and No. 73. The requirements of this statement are effective for periods beginning after June 15, 2017.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, which is required to be implemented in 2018.

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

B. Basis of Presentation and Accounting – (Continued)

New Accounting Standards to be Adopted in Future Years

GASB Statement No. 83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.

GASB Statement No. 84, *Fiduciary Activities*, which is required to be implemented in 2020.

GASB Statement No. 87, *Leases*, which is required to be implemented in 2021.

The Authority's management is currently evaluating these new standards to determine what impact they will have on the Authority.

C. Use of Estimates

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

D. Cash and Cash Equivalents

Cash and cash equivalents consist of cash on deposit with financial institutions and other debt securities that are readily convertible into cash and purchased with original maturities of three months or less. Also included in cash equivalents are non-negotiable certificates of deposits, recorded at cost in accordance with GASB 31.

E. Accounts Receivable

Accounts receivable from tenants are carried at the original amount billed less an estimate made for doubtful accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by using historical experience applied to an aging of accounts receivable. Accounts receivable from tenants are written off with board approval when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. Allowances for other non-tenant receivables are reviewed annually. See Note 5 for details of accounts receivable and allowances at year end.

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

F. Capital Assets

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$2,000 and estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-40 years
Land and Building Improvements	10-40 years
Furniture, Equipment and Machinery	3-10 years

G. Compensated Absences

The Authority's policy allows employees to accumulate up to 20 days of benefit time, which may be used for any reason. Benefit time accrues at 16 days to 37 days per year depending on employee years of service. Upon retirement or separation from service, employees shall be paid in a lump sum for any accumulated benefit days. Total accrued compensated absences at September 30, 2018 aggregated \$3,292.

H. Operating Revenues and Expenses

GASB 34 paragraph 102 requires governments to establish a policy that defines operating revenues and expenses. The Authority uses the criteria prescribed in GASB 9 paragraphs 17 and 18 for cash flows to determine operating revenues and expenses. Operating revenue includes operating grants and subsidies, rental income, management services provided and all other revenue relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities. Operating expenses include wages, housing assistance payments, utilities, maintenance, depreciation of capital assets, administrative expenses and all other expenses relating to the provision of safe, decent and affordable housing services that do not result from transactions defined as capital and related financing, non-capital and related financing or investing activities.

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

I. Fair Value Measurements

GASB 72 established clarified the definition of fair value, provided guidance on the principles of measuring fair value and enhanced disclosure requirements regarding fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 established a three-tier hierarchy to measure fair value. The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Level 1: quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2: inputs are inputs—other than quoted prices included within Level 1—that are observable for an asset or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for an asset or liability.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques noted in GAAP. The three valuation techniques are as follows: a) market approach – prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities; b) cost approach - amounts that would be required to replace the service capacity of an asset (i.e., replacement cost); and c) income approach - techniques to convert future amounts to a single present amount based on market expectations (including present value techniques). The Authority used the market technique to value their assets requiring fair value measurement.

All of the Authority's investments are considered to be Level 1 investments and are measured using the market approach for identical securities in an active market.

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 3 – CASH AND INVESTMENT DEPOSITS

The Authority has adopted HUD’s Investment Regulation PIH 1996-33 as its investment policy. HUD regulations require that all HUD deposits in financial institutions and investments be fully insured or collateralized, by U.S. Government obligations that have a market value of not less than the principal amount of the deposits. The policy also requires that investments not have a maturity period longer than three years.

Custodial Credit Risk – Cash Deposits

In the case of cash deposits, this is the risk that in the event of a bank failure, the Authority’s deposits may not be returned to it. The Authority does not have a formal policy for custodial credit risk, except ensuring that it follows the HUD regulations for federal deposits as detailed in a prior paragraph. At September 30, 2018, the Authority’s cash deposits of \$64,030 were fully insured or collateralized.

Investments - Credit Risk

Pursuant to HUD’s Cash Management and Investment Policies and Procedures, the Authority is authorized to invest in various investment instruments including, but not limited to, U.S. Treasury Bills, Notes and Bonds, obligations of federal government agencies, demand and savings deposits, Municipal Depository Fund accounts, repurchase agreements, and certificates of deposit. The objectives of the policy are: safety of principal, yield on investments, liquidity of investments, and maintaining scheduled maturities that are consistent with cash needs.

The Authority’s investment policy generally limits the maturities of investments to not more than three years. However, the Authority may invest in securities with maturities in excess of three years if they can be traded in the secondary market. Eligible investments shall be consistent with those permitted by HUD’s Cash Management and Investment Policies and Procedures.

The Authority’s investments, along with their investment maturities and credit quality ratings as of September 30, 2018 are as follows:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Average Rating</u>	<u>Investment Maturity (in Years)</u>		
			<u>1</u>	<u>1-2</u>	<u>2-3</u>
Government Obligations	14,661	AAA	4,986	9,676	-
Certificates of Deposit	<u>4,975</u>	N/A	<u>-</u>	<u>4,974</u>	<u>-</u>
	<u>\$ 19,636</u>		<u>\$ 4,986</u>	<u>\$ 14,650</u>	<u>\$ -</u>

Investments - Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The Authority’s investment policy generally limits the maturities of investments to not more than three years to reduce the risk of impact on the fair value of investments. However, the Authority may invest in securities with maturities in excess of three years if they can be traded in the secondary market.

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 3 – CASH AND INVESTMENT DEPOSITS – (Continued)

Investments – Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority follows HUD’s Cash Management and Investment Policies and Procedures. As of September 30, 2018, the certificates of deposit held by the Authority were fully insured and therefore not exposed to custodial credit risk.

Investments – Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority’s investment in a single issuer. The Authority does not have a policy for concentration of credit risk. At September 30, 2018, the Authority’s investment in bank certificates of deposit did not exceed FDIC limits per issuer.

NOTE 4 – RESTRICTIONS ON CASH, CASH EQUIVALENTS AND INVESTMENTS

The Authority’s restricted cash and cash equivalents balance consists of funds designated for tenant security deposits. This amount supports a corresponding liability. At September 30, 2018, restricted cash was \$7,837.

NOTE 5 – ACCOUNTS RECEIVABLE

The following is a detail listing of receivables for the Authority including the applicable allowances for uncollectible accounts at September 30, 2018.

<u>Category of Receivable</u>	<u>Amount</u>
HUD	\$ 3,037
Tenants	<u>1,694</u>
Gross Receivables	4,731
Allowance - Tenants	<u>(212)</u>
Net Receivables	<u>\$ 4,519</u>

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 6 – CAPITAL ASSETS

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

	<u>9/30/2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>9/30/2018</u>
Capital assets not being depreciated				
Land	\$ 119,066	\$ -	\$ -	\$ 119,066
Total capital assets not being depreciated	<u>119,066</u>	<u>-</u>	<u>-</u>	<u>119,066</u>
Other Capital Assets				
Buildings	1,330,663	8,752	-	1,339,415
Land Improvements	374,935	-	-	374,935
Furniture, equipment & machinery	<u>113,374</u>	<u>-</u>	<u>(1,500)</u>	<u>111,874</u>
Total other capital assets	<u>1,818,972</u>	<u>8,752</u>	<u>(1,500)</u>	<u>1,826,224</u>
Less accumulated depreciation				
Buildings	977,583	37,305	-	1,014,888
Land Improvements	307,878	6,153	-	314,031
Furniture, equipment & machinery	<u>103,909</u>	<u>3,357</u>	<u>(1,500)</u>	<u>105,766</u>
Total accumulated depreciation	<u>1,389,370</u>	<u>46,815</u>	<u>(1,500)</u>	<u>1,434,685</u>
Capital Assets Net	<u>\$ 548,668</u>	<u>\$ (38,063)</u>	<u>\$ -</u>	<u>\$ 510,605</u>
Depreciation expense was charged to:				
AMPs		<u>\$ 46,815</u>		

NOTE 7 – NONCURRENT LIABILITIES

Noncurrent liability activity for the year ended September 30, 2018 is as follows:

	<u>9/30/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount due within one year</u>	<u>9/30/2018</u>
Compensated Absences	\$ 3,245	\$ 4,775	\$ (4,728)	\$ (2,105)	\$ 1,187
Other	<u>926</u>	<u>-</u>	<u>(463)</u>	<u>(463)</u>	<u>-</u>
Total	<u>\$ 4,171</u>	<u>\$ 4,775</u>	<u>\$ (5,191)</u>	<u>\$ (2,568)</u>	<u>\$ 1,187</u>

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 8 – REAL ESTATE TAXES

Property owned by the Authority is exempt from local real estate taxes. The Authority makes a payment in lieu of taxes equal to 10% of rental income charged less utility expenses annually for all of its properties constructed with and funded by HUD. The payment in lieu of taxes for the year ended September 30, 2018 aggregated \$5,105.

NOTE 9 – RETIREMENT PLANS

The Authority has a defined contribution pension plan developed under the provisions of the Internal Revenue Code. All full-time employees are eligible to participate in the Authority's Pension Trust after completing one full year of service. All participants in the Plan can contribute up to 8% of their earnings, which is made via salary reduction. The average rate of contribution for the Authority is 7.00% of covered payroll. The Authority's required and actual contributions to the pension plan for the years ended September 30, 2018 were \$3,484. The employee contributions to the plan for the year ended September 30, 2018 were \$8,173.

NOTE 10 – OTHER EMPLOYMENT BENEFITS

In addition to the benefits described in Note 9, the Authority sponsors a Health Savings Account for employees who participate in the Authority sponsored health insurance plan. The Authority contributes \$500 for each employee who is in the health insurance plan for calendar years 2017 and 2018. Total employer contributions to the health savings accounts were \$6,510 for the year ended September 30, 2018.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Authority is a related party of the Bar Harbor Housing Authority. This entity is considered to be a related party because of common management with the Authority. In addition, all payables of the Authority are paid out of a revolving fund under the Bar Harbor Housing Authority. At September 30, 2018, the Authority has a payable to this related party of \$2,662.

The Authority is also a related party of the Acadia Communities Association (ACA) through certain common board members. The non-profit agency was developed to prepare meals for the town's elderly. At September 30, 2018, the Authority had no financial transactions with ACA.

NOTE 12 – RISK MANAGEMENT

Litigation

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

TOWN OF TREMONT HOUSING AUTHORITY

**NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2018**

NOTE 12 – RISK MANAGEMENT – (Continued)

Grants

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

NOTE 13 – IMPAIRMENT OF CAPITAL ASSETS

Government Accounting Standards Board's, Statement No. 42, "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" requires certain note disclosures regarding impairments of capital assets. The Authority did not recognize any impairments of capital assets in fiscal year 2018.

NOTE 14 – ECONOMIC DEPENDENCY

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

NOTE 15 – SUBSEQUENT EVENTS

Events that occur after the balance sheet date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the balance sheet date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the balance sheet date require disclosure in the accompanying notes. Management evaluated the activity of the Authority through February 27, 2019 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

SUPPLEMENTAL INFORMATION

TOWN OF TREMONT HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2018

FDS Line Item	Description	ME026000001	Eliminations	Total
111	Cash - Unrestricted	56,193	-	56,193
114	Cash - Tenant Security Deposits	7,837	-	7,837
100	Total Cash	64,030	-	64,030
122	Accounts Receivable - HUD Other Projects	3,037	-	3,037
126	Accounts Receivable - Tenants	1,694	-	1,694
126.1	Allowance for Doubtful Accounts - Tenants	(212)	-	(212)
120	Total Receivables, Net of Allowances for Doubtful Accounts	4,519	-	4,519
131	Investments - Unrestricted	19,636	-	19,636
142	Prepaid Expenses and Other Assets	166	-	166
143	Inventories	4,747	-	4,747
150	Total Current Assets	93,098	-	93,098
161	Land	494,001	-	494,001
162	Buildings	1,339,415	-	1,339,415
163	Furniture, Equipment & Machinery - Dwellings	38,933	-	38,933
164	Furniture, Equipment & Machinery - Administration	72,941	-	72,941
166	Accumulated Depreciation	(1,434,685)	-	(1,434,685)
160	Total Capital Assets, Net of Accumulated Depreciation	510,605	-	510,605
180	Total Non-Current Assets	510,605	-	510,605
200	Deferred Outflow of Resources	-	-	-
290	Total Assets and Deferred Outflow of Resources	603,703	-	603,703
312	Accounts Payable <= 90 Days	4,835	-	4,835
321	Accrued Wage/Payroll Taxes Payable	1,974	-	1,974
322	Accrued Compensated Absences - Current Portion	2,105	-	2,105
333	Accounts Payable - Other Government	5,105	-	5,105
341	Tenant Security Deposits	7,837	-	7,837
342	Unearned Revenue	834	-	834
346	Accrued Liabilities - Other	510	-	510
310	Total Current Liabilities	23,200	-	23,200
354	Accrued Compensated Absences - Non Current	1,187	-	1,187
350	Total Non-Current Liabilities	1,187	-	1,187
300	Total Liabilities	24,387	-	24,387
400	Deferred Inflow of Resources	-	-	-
508.4	Net Investment in Capital Assets	510,603	-	510,603
512.4	Unrestricted Net Position	68,713	-	68,713
513	Total Equity - Net Assets / Position	579,316	-	579,316
600	Total Liab., Def. Inflow of Res., and Equity - Net Assets / Position	603,703	-	603,703
70300	Net Tenant Rental Revenue	80,392	-	80,392
70400	Tenant Revenue - Other	6,614	-	6,614
70500	Total Tenant Revenue	87,006	-	87,006
70600	HUD PHA Operating Grants	60,558	-	60,558
70610	Capital Grants	8,752	-	8,752
70700	Total Fee Revenue	-	-	-
71100	Investment Income - Unrestricted	248	-	248

TOWN OF TREMONT HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
September 30, 2018

FDS Line Item	Description	ME026000001	Eliminations	Total
70000	Total Revenue	156,564	-	156,564
91100	Administrative Salaries	25,270	-	25,270
91200	Auditing Fees	720	-	720
91400	Advertising and Marketing	87	-	87
91500	Employee Benefit contributions - Administrative	10,678	-	10,678
91600	Office Expenses	2,140	-	2,140
91700	Legal Expense	518	-	518
91800	Travel	730	-	730
91900	Other	4,581	-	4,581
91000	Total Operating - Administrative	44,724	-	44,724
92400	Tenant Services - Other	905	-	905
92500	Total Tenant Services	905	-	905
93200	Electricity	14,905	-	14,905
93300	Gas	592	-	592
93400	Fuel	13,840	-	13,840
93000	Total Utilities	29,337	-	29,337
94100	Ordinary Maintenance and Operations - Labor	28,481	-	28,481
94200	Ordinary Maintenance and Operations - Materials and Other	13,418	-	13,418
94300	Ordinary Maintenance and Operations Contracts	12,567	-	12,567
94500	Employee Benefit Contributions - Ordinary Maintenance	10,078	-	10,078
94000	Total Maintenance	64,544	-	64,544
95000	Total Protective Services	-	-	-
96110	Property Insurance	7,524	-	7,524
96120	Liability Insurance	682	-	682
96130	Workmen's Compensation	844	-	844
96140	All Other Insurance	36	-	36
96100	Total insurance Premiums	9,086	-	9,086
96210	Compensated Absences	4,775	-	4,775
96300	Payments in Lieu of Taxes	5,105	-	5,105
96400	Bad debt - Tenant Rents	824	-	824
96000	Total Other General Expenses	10,704	-	10,704
96700	Total Interest Expense and Amortization Cost	-	-	-
96900	Total Operating Expenses	159,300	-	159,300
97000	Excess of Operating Revenue over Operating Expenses	(2,736)	-	(2,736)
97400	Depreciation Expense	46,815	-	46,815
90000	Total Expenses	206,115	-	206,115
10010	Operating Transfer In	16,480	(16,480)	-
10020	Operating transfer Out	(16,480)	16,480	-
10100	Total Other financing Sources (Uses)	-	-	-
10000	Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	(49,551)	-	(49,551)
11030	Beginning Equity	628,867	-	628,867
11040	Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-
11190	Unit Months Available	264	-	264
11210	Number of Unit Months Leased	256	-	256
11620	Building Purchases	8,752	-	8,752

TOWN OF TREMONT HOUSING AUTHORITY

**STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COSTS
September 30, 2018**

Project:	ME36P026-50115
Modernization Funds Approved	\$ 25,751
Modernization Funds Expended	<u>25,751</u>
Excess of Modernization Funds Approved	<u>\$ -</u>
Modernization Funds Advanced	\$ 25,751
Modernization Funds Expended	<u>25,751</u>
Excess of Modernization Funds Advanced	<u>\$ -</u>

Based on our review of the completed projects:

- 1) All work in connection with the projects is complete.
- 2) All liabilities have been incurred and discharged through payment.

TOWN OF TREMONT HOUSING AUTHORITY

**STATEMENT OF ACTUAL MODERNIZATION COSTS – UNCOMPLETED
September 30, 2018**

Project:	ME36P026-50116	ME01P026-50117	ME01P026-50118
Modernization Funds Approved	\$ 27,047	\$ 26,918	\$ 41,521
Modernization Funds Expended	<u>24,337</u>	<u>23,323</u>	<u>307</u>
Excess of Modernization Funds Approved	<u>\$ 2,710</u>	<u>\$ 3,595</u>	<u>\$ 41,214</u>
Modernization Funds Advanced	\$ 24,337	\$ 20,593	\$ -
Modernization Funds Expended	<u>24,337</u>	<u>23,323</u>	<u>307</u>
Excess of Modernization Funds Advanced	<u>\$ -</u>	<u>\$ (2,730)</u>	<u>\$ (307)</u>

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

To The Board of Commissioners
Town of Tremont Housing Authority
Bar Harbor, Maine

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the Town of Tremont Housing Authority as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Town of Tremont Housing Authority's basic financial statements, and have issued our report thereon dated February 27, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Tremont 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Tremont Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Tremont 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 the Town of Tremont Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 "Guyden Herby" followed by "PC" in a smaller font.

Braintree, Massachusetts
February 27, 2019

TOWN OF TREMONT HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
September 30, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness(es) identified?
- Significant deficiency(ies) identified?

_____ Yes X No
_____ Yes X None Reported

Noncompliance material to financial statements noted?

_____ Yes X No

SECTION II - FINANCIAL STATEMENTS FINDINGS

No matters were reported.

SECTION III – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

No matters were reported.