

Federal Compliance Audit

Fort Fairfield Housing Authority

June 30, 2018



Proven Expertise & Integrity

FORT FAIRFIELD HOUSING AUTHORITY

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JUNE 30, 2018

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Proven Expertise and Integrity
INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Fort Fairfield Housing Authority
Fort Fairfield, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Fort Fairfield Housing Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Fort Fairfield 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 the 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 of 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Fort Fairfield Housing Authority as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof 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 and pension and OPEB information on pages 3 through 6 and 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Fort Fairfield Housing Authority's basic financial statements. The supplemental financial data schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplemental financial data schedule and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related 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 financial data schedule and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 18, 2019, on our consideration of the Fort Fairfield Housing Authority internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 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 the Fort Fairfield Housing Authority's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
January 18, 2019

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

(UNAUDITED)

Fort Fairfield 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, and (c) identify changes in the Authority's financial position (its ability to address the next and subsequent years' challenges).

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 with Exhibit A).

Financial Highlights

- The Authority's net position decreased by \$123,846 (or 2.80%) during 2018. Since the Authority engages only in business-type activities, the decrease is entirely in the category of business-type activities. Net Position was \$4,291,680 and \$4,415,526 for 2018 and 2017, respectively.
- The business-type activities' revenues increased by \$63,040 (or 3.79%) during 2018, and were \$1,662,849 and \$1,599,809 for 2018 and 2017, respectively.
- The total expenses of all Authority programs decreased by \$57,417 (or 3.11%) during 2018. Total expenses were \$1,786,695 and \$1,844,112 for 2018 and 2017, respectively.

Required Financial Statements

The financial statements of the Authority report information using the full accrual method of accounting. The accounting principles used are generally accepted in the United States of America. The Statement of Net Position includes information on the Authority's assets and liabilities. The focus is on "Net Position" which 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 position, 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 Assets Investment in Capital Assets", or "Restricted Net Position".

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

The **Statement of Revenues, Expenses, and Changes in Net Position** identifies the Authority's revenues and expenses. This statement provides information on the Authority's operations over the past fiscal year and can be used to determine if the Authority has recovered all of its actual and projected costs through user fees and charges.

Finally, a **Statement of Cash Flows** is included, which discloses net cash provided by, or used in operating activities, non-capital financing activities, and from capital and related financing activities. From the Statement of Cash Flows, the reader can obtain comparative information on the sources, and uses of cash, and change in cash balance for the last fiscal year.

Condensed Statement of Net Assets

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

Table 1
Fort Fairfield Housing Authority
Net Position
June 30,

	Business-type Activities			
	2018	2017	\$ Change	% Change
Assets:				
Current and Other Assets	\$ 457,405	\$ 927,154	\$ (469,749)	-50.67%
Noncurrent Assets	4,899,679	4,430,157	469,522	10.60%
Total Assets	\$ 5,357,084	\$ 5,357,311	\$ (227)	100.00%
 Deferred Outflows of Resources	 \$ 112,707	 \$ 157,565	 \$ (44,858)	 -28.47%
 Liabilities:				
Current Liabilities	\$ 140,511	\$ 125,083	\$ 15,428	12.33%
Noncurrent Liabilities	955,925	917,688	38,237	4.17%
Total Liabilities	\$ 1,096,436	\$ 1,042,771	\$ 53,665	5.15%
 Deferred Inflows of Resources	 \$ 81,675	 \$ 56,579	 \$ 25,096	 44.36%
 Net Position:				
Net Investment in Capital Assets	\$ 2,638,043	\$ 2,257,696	\$ 380,347	16.85%
Restricted	9,472	155,866	(146,394)	-93.92%
Unrestricted	1,644,165	2,001,964	(357,799)	-17.87%
Total Net Position	\$ 4,291,680	\$ 4,415,526	\$ (123,846)	-2.80%

Major Factors Affecting the Statement of Net Position

During the year ended June 30, 2018, current assets decreased by \$457,405 and current liabilities increased by \$215,428. Contributing to these changes is an decrease in cash partially offset by the other minor changes in current assets and liabilities. The net book value of capital assets increased by \$351,806, which is discussed in the following pages in more detail.

Condensed Statement of Revenue, Expenses and Changes in Net Assets

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

Table 2
Fort Fairfield Housing Authority
Changes in Net Position
For the Years Ended June 30,

	Business-type Activities		\$ Change	% Change
	2018	2017		
Revenues				
Rental revenues	\$ 346,512	\$ 317,779	\$ 28,733	8.29%
Intergovernmental	1,167,504	1,120,015	47,489	4.07%
Interest	10,931	11,630	(699)	-6.39%
Miscellaneous	137,902	150,385	(12,483)	-9.05%
Total Revenues	<u>1,662,849</u>	<u>1,599,809</u>	<u>63,040</u>	<u>3.79%</u>
Expenses				
Housing assistance payments	590,363	577,464	12,899	2.18%
Administration	409,512	415,024	(5,512)	-1.35%
Tenant services	489	1,500	(1,011)	-206.75%
Utilities	117,134	129,766	(12,632)	-10.78%
Repairs and maintenance	355,753	384,180	(28,427)	-7.99%
Insurance expense	31,193	45,817	(14,624)	-46.88%
Depreciation and amortization expense	206,813	218,150	(11,337)	-5.48%
Interest expense	33,270	21,983	11,287	33.93%
Other general expenses	42,168	50,228	(8,060)	-19.11%
Total Expenses	<u>1,786,695</u>	<u>1,844,112</u>	<u>(57,417)</u>	<u>-3.11%</u>
Change in Net Position	(123,846)	(244,303)	120,457	
Net Position - July 1	<u>4,415,526</u>	<u>4,659,829</u>	<u>(244,303)</u>	
Net Position - June 30	<u>\$ 4,291,680</u>	<u>\$ 4,415,526</u>	<u>(123,846)</u>	

Major Factors Affecting the Revenues and Expenses

For the year ended June 30, 2018, operating revenue remained fairly constant in 2018. However, grant revenues increased by approximately \$47,489 and tenant rent income increased by approximately \$28,733. Expenses were down \$57,417 during the June 30, 2018 year primarily due to decreases in administrative expenses, repairs and maintenance, interest and insurance, which were partially offset by a decrease in depreciation expense.

Capital Assets

As of June 30, 2018, the Authority had \$2,638,043 invested in net capital assets. Net capital assets increased by \$380,347 resulting from purchases of fixed assets which were partially offset by charges for depreciation of \$206,813. Included in these purchases were improvements to the buildings, appliances and the costs of construction to date for the Cherry Lane project. Refer to the accompanying notes to the financial statements for more information relative to capital assets.

Long-Term Debt

As of the 2018 year-end, the Authority had \$860,417 in long-term debt outstanding compared to \$948,196 in 2017. Refer to the accompanying notes to the financial statements for more information relative to debt.

Economic Factors

Significant economic factors affecting the Authority are as follows:

- Federal funding of the Department of Housing and Urban Development is subject to availability of funds
- 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 the Executive Director of the Fort Fairfield Housing Authority, at (207) 476-5771. Specific requests may be submitted to the Executive Director, Fort Fairfield Housing Authority, 18 Fields Lane, Fort Fairfield, ME 04742.

STATEMENT A

FORT FAIRFIELD HOUSING AUTHORITY

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2018

ASSETS

Current assets:

Cash and cash equivalents - unrestricted	\$ 201,376
Cash and cash equivalents - restricted	45,146
Investments - unrestricted	184,191
Accounts receivable (net of allowance for uncollectibles)	7,366
Prepaid items	13,709
Current portion of notes receivable	5,617

Total current assets	<u>457,405</u>
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Noncurrent assets:

Capital assets:

Land, infrastructure, and other assets not being depreciated	34,959
Buildings and equipment, net of accumulated depreciation	<u>3,238,447</u>
Total capital assets	<u>3,273,406</u>

Notes and mortgages receivable	1,456,447
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Other assets	<u>169,826</u>
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Total noncurrent assets	<u>4,899,679</u>
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TOTAL ASSETS	<u>5,357,084</u>
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	112,664
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Deferred outflows related to OPEB	<u>43</u>
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TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>112,707</u>
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TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,469,791</u>
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STATEMENT A (CONTINUED)
FORT FAIRFIELD HOUSING AUTHORITY

STATEMENT OF NET POSITION – PROPRIETARY FUNDS
JUNE 30, 2018

LIABILITIES

Current liabilities:

Accounts payable	\$ 36,504
Due to other governments	17,079
Accrued wages	15,944
Interest payable	1,681
Unearned revenue	2,200
Tenant security deposits	35,441
Current portion of long-term obligations	31,662

Total current liabilities	140,511
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Noncurrent liabilities:

Noncurrent portion of long-term obligations:

Accrued compensated absences	32,180
Notes payable	607,276
Net pension liability	180,386
Net OPEB liability	8,913
Other	127,170

Total noncurrent liabilities	955,925
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TOTAL LIABILITIES	1,096,436
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	78,765
Deferred inflows related to OPEB	2,910

TOTAL DEFERRED INFLOWS OF RESOURCES	81,675
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NET POSITION

Net investment in capital assets	2,638,043
Restricted	9,472
Unrestricted	1,644,165

TOTAL NET POSITION	4,291,680
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TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES
AND NET POSITION

	\$ 5,469,791
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See accompanying independent auditors' report and notes to financial statements.

STATEMENT B

FORT FAIRFIELD HOUSING AUTHORITY

STATEMENT OF CHANGES IN REVENUES, EXPENSES AND FUND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Tenant rental income	\$ 346,512
HUD grants and contributions	951,633
Other government grants	183,731
Other revenue	137,902
TOTAL OPERATING REVENUES	<u>1,619,778</u>
OPERATING EXPENSES	
Housing assistance payments	590,363
Administration	409,512
Tenant services	489
Utilities	117,134
Repairs and maintenance	355,753
Insurance expense	31,193
Depreciation and amortization expense	206,813
Other general expenses	42,168
TOTAL OPERATING EXPENSES	<u>1,753,425</u>
OPERATING INCOME (LOSS)	<u>(133,647)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest and investment revenue	10,931
Interest expense	(33,270)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(22,339)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(155,986)</u>
CAPITAL CONTRIBUTIONS	
HUD capital grants and contributions	32,140
TOTAL CAPITAL CONTRIBUTIONS	<u>32,140</u>
CHANGE IN NET POSITION	<u>(123,846)</u>
NET POSITION - JULY 1, RESTATED	<u>4,415,526</u>
NET POSITION - JUNE 30	<u>\$ 4,291,680</u>

See accompanying independent auditors' report and notes to financial statements.

STATEMENT C

FORT FAIRFIELD HOUSING AUTHORITY

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants	\$ 356,553
HUD grants and contributions	951,633
Other operating receipts	203,526
Payments to employee and vendors	(1,536,448)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(24,736)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of land, buildings and equipment	(556,745)
HUD capital grants	32,140
Interest paid	(33,355)
Payments on long-term debt	(28,541)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(459,331)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	10,931
(Increase) decrease in investments	34,363
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>45,294</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (438,773)

CASH AND CASH EQUIVALENTS - JULY 1, 2017 685,295

CASH AND CASH EQUIVALENTS - JUNE 30, 2018 \$ 246,522

STATEMENT C (CONTINUED)
FORT FAIRFIELD HOUSING AUTHORITY

STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ (133,647)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	204,939
Amortization expense	1,874
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	2,238
(Increase) decrease in prepaid items	(7,108)
(Increase) decrease in notes and mortgages receivable	9,062
(Increase) decrease in other assets	(127,169)
(Increase) decrease in deferred outflows of resources	44,901
(Decrease) increase in accounts payable	(12,661)
(Decrease) increase in due to other governments	17,079
(Decrease) increase in accrued wages	2,285
(Decrease) increase in unearned revenue	1,973
(Decrease) increase in tenant security deposits	5,830
(Decrease) increase in other liability	(147)
(Decrease) increase in accrued compensated absences	(4,064)
(Decrease) increase in net pension liability	(52,307)
(Decrease) increase in deferred inflows of resources	22,186
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (24,736)</u>

See accompanying independent auditors' report and notes to financial statements.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Fort Fairfield 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.

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

State and Local Programs - The Authority accounts for leasing and management activities of property that is owned by the Authority as well as the income and related expenses for the management of property that is not owned by the Authority. Additionally, the Maine State Housing Authority (MSHA) provides a direct mortgage to the Authority as owners of a residential rental building, Fields Lane II. As a condition of the mortgage, the Authority has entered into a long-term contract to rent the dwelling units to low income individuals or families and receives project-based Section 8 rental assistance from MSHA through a contract between MSHA and HUD. Under the contract the Authority receives a subsidy equal to the difference between an approved contract rent and the tenant's share of the rent determined under HUD Section 8 regulations.

The Authority's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations).

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Standards

During the year ended June 30, 2018, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*." The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 81, "*Irrevocable Split-Interest Agreements*". The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries, including governments. Split-interest agreements can be created through trusts or other legally enforceable agreements with characteristics that are equivalent to split-interest agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. As such, this Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 85, "Omnibus 2017." The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 86, "Certain Debt Extinguishment Issues." The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. Management has determined the impact of this Statement is not material to the financial statements.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The Authority's basic financial statements include government-wide (reporting the Authority as a whole) financial statements.

The government-wide financial statements categorize primary activities as business-type. All funds of the Authority are categorized as business-type activities.

In the government-wide Statement of Net Position, the business-type activities column is (a) presented on a consolidated basis by column, and (b) is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Authority's net position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The Authority first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Authority's functions and business-type activities (personnel salaries, utilities, maintenance, etc.). The functions are also supported by general government revenues (certain intergovernmental revenues, miscellaneous revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the most part, the interfund activity has been eliminated from these government-wide financial statements.

The net costs (by function) are normally covered by general revenue (certain intergovernmental revenues and charges for services, etc.).

The Authority allocates indirect costs such as travel and administration to individual programs within the Authority.

The government-wide focus is more on the sustainability of the Authority as an entity and the change in the Authority's net position resulting from the current year's activities.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus - Basic Financial Statements & Fund Financial Statements

The financial transactions of the Authority are reported in the individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund type is used by the Authority:

1. Proprietary Funds

The focus of proprietary fund measurement is upon determination of operating income, changes in net position, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Operating revenues include charges for services, intergovernmental reimbursements and other miscellaneous fees which are a direct result of the proprietary activity. Non-operating revenues are any revenues which are generated outside of the general proprietary activity, i.e. interest income. The following is a description of the proprietary funds of the Authority:

- a. Enterprise Funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) established fees and charges based on a pricing policy designed to recover similar costs.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

1. Accrual

Governmental activities in the government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Deposits and Investments

The Authority's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

It is the Authority's policy to value investments at fair value. None of the Authority's investments are reported at amortized cost. For purposes of the statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. The Authority is authorized by State Statutes to invest all excess funds in the following:

- Obligations of the U.S. Government, its agencies and instrumentalities
- Certificates of deposits and other evidences of deposits at banks, savings and loan associations, and credit unions
- Repurchase agreements
- Money market mutual funds

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Receivables

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. Allowances for uncollectible accounts netted with accounts receivable was \$7,366 for the year ended June 30, 2018. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2018.

Capital Assets

Capital assets include property, furniture, equipment and machinery with initial, individual costs that equal or exceed \$1,000 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 estimated fair market 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	40 years
Land Improvements	40 years
Building Improvements	15 years
Furniture, Equipment and Machinery	5-10 years

Long-term Obligations

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in government-wide statements. The long-term debt consists primarily of notes payable, net pension liability, and accrued compensated absences.

Compensated Absences

The Authority's policy allows employees to accumulate up to 60 days of earned leave. Earned leave may be used for vacation, sick, personal time or any other excused absences. Earned leave accrues at 12 days to 30 days per year depending on employee years of service. Upon retirement or separation from service in good standing, employees shall be paid 100% of their accrued leave not to exceed 30 days. Total accrued compensated absences at June 30, 2018 aggregated \$35,755.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Participating Local District (PLD) Consolidated Plan and additions to/deductions from the PLD Consolidated Plan's fiduciary net position have been determined on the same basis as they are reported by the PLD Consolidated Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Postemployment Benefits (OPEB)

For purposes of measuring the District's OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Maine Public Employees Retirement System OPEB Plan (the Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will at times report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has only one type of item, deferred outflows related to pensions. This item is reported in the statement of net position.

In addition to liabilities, the statement of net position will at times report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows related to pensions qualifies for reporting in this category. This item is reported in the statement of net position. All items in this category are deferred and recognized as an inflow of resources in the period that the amounts become available.

Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position. At June 30, 2018, restrictions of \$9,472, represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

Program revenues include all directly related income items applicable to a particular program (charges to customers or applicants for goods, services, or privileges provided; operating or capital grants and contributions, including special assessments).

Operating/Nonoperating Proprietary Fund Revenues

Operating revenues consist mainly of direct revenue sources and/or charges for services applicable to that fund's ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Use of Estimates

During the preparation of the Authority's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent items as of the date of the financial statements and the reported amounts of revenues and expenses / expenditures during the reporting period. Actual results may differ from these estimates.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Authority's investment policies, which follow state statutes, require that all investments be made considering the safe and sound investment of principal and preservation of capital in the overall portfolio, maintenance of sufficient liquidity to meet day-to-day operations and other cash requirements and maximization of income, within established investment risk guidelines, with consistent cash flows throughout the budgetary cycle. These investment policies apply to all Authority funds.

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority does not have a policy covering custodial credit risk for deposits. However, the Authority maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes. At June 30, 2018, the Authority's cash balances amounting to \$246,522 were comprised of deposits of \$255,131. Of these bank deposits, \$255,131 was insured by federal depository insurance and consequently was not exposed to custodial credit risk.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 176,529
Savings accounts	78,602
	<u>\$ 255,131</u>

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments:

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

At June 30, 2018, the Authority's investments of \$184,191 which were comprised of certificates of deposit. All of this amount was insured by federal depository insurance and consequently was not exposed to custodial credit risk

At June 30, 2018, the Authority had the following investments and maturities:

Investment Type	Fair Value	Not Applicable	Less than 1 Year	1 - 5 Years	Greater than 5 Years
Certificates of Deposit	\$ 184,191	\$ -	\$ -	\$ 184,191	\$ -
	<u>\$ 184,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 184,191</u>	<u>\$ -</u>

NOTE 3 - RESTRICTIONS ON CASH AND CASH EQUIVALENTS

The Authority's restricted cash and cash equivalents balance consists of funds restricted for future HAP payments as well as funds designated for tenant security deposits. These amounts support either a corresponding liability or restricted net asset. At June 30, 2018, restricted cash was \$9,472.

NOTE 4 - NOTES RECEIVABLE

The Authority has a mortgage note receivable from a third party; Morningview, LLC. The note requires monthly installments of \$784 on an original loan balance of \$185,900. The note accrues interest at a rate of 3% per annum over 30 years, with the final payment due on March 1, 2036. The note is collateralized by a second mortgage in a Morningview, LLC property. For the year ended June 30, 2018, the Authority recorded, the outstanding principal balance was \$128,862.

During the fiscal year ending June 30, 2014, the Authority made loans of \$1,300,000 and \$80,000 to Fort Housing Development LP. The loan in the amount of \$1.3 million is non-interest bearing and matures on October 31, 2043. The note in the amount of \$80,000 accrues interest at a rate of 4.5% per annum over 30 years, with the final payment due on October 31, 2043. Installment payments of principal and interest are owed from cash flows as defined by the Restated Limited Partnership Agreement of Fort Housing Development LP. The notes are collateralized by a mortgage, lease assignment, security agreement and fixture filing covering the premises at 16 Harmony Lane, Fort Fairfield, ME. For the year ended June 30, 2018, the outstanding principal balance on the loans was \$1,333,202.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18
Non-depreciated assets:				
Land	\$ 34,959	\$ -	\$ -	\$ 34,959
Construction in progress	5,200	-	(5,200)	-
	<u>40,159</u>	<u>-</u>	<u>(5,200)</u>	<u>34,959</u>
Depreciated assets:				
Land improvements	707,050	133,385	-	840,435
Buildings & improvements	7,593,933	410,166	-	8,004,099
Furniture, equipment & machinery	1,029,561	18,394	(29,083)	1,018,872
	<u>9,330,544</u>	<u>561,945</u>	<u>(29,083)</u>	<u>9,863,406</u>
Less accumulated depreciation:	<u>(6,449,103)</u>	<u>(204,939)</u>	<u>29,083</u>	<u>(6,624,959)</u>
	<u>2,881,441</u>	<u>357,006</u>	<u>-</u>	<u>3,238,447</u>
Net capital assets	<u>\$ 2,921,600</u>	<u>\$ 357,006</u>	<u>\$ (5,200)</u>	<u>\$ 3,273,406</u>

NOTE 6 - OTHER NONCURRENT ASSETS

In 1999, the Authority contributed \$75,000 to the Town of Fort Fairfield for the construction of a dike along the Aroostook River which protects the Authority's property from flooding. The Authority has recorded its contribution to the construction of the dike as a noncurrent asset on the Statement of Net Position and is amortizing the asset on a straight-line basis over a period of forty years. For the years ended June 30, 2018, the Authority recorded amortization expense (included in depreciation expense on the Statement of Revenues, Expenses and Changes in Fund Net Position) of \$1,874. At June 30, 2018, the remaining book value of the asset was \$42,656.

NOTE 7 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2018:

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18	Current Portion
Notes payable	\$ 663,904	\$ -	\$ (28,541)	\$ 635,363	\$ 28,087
Net pension liability	232,472	-	(52,086)	180,386	-
Net OPEB liability	12,001	-	(3,088)	8,913	-
Accrued compensated absences	39,819	-	(4,064)	35,755	3,575
	<u>\$ 948,196</u>	<u>\$ -</u>	<u>\$ (87,779)</u>	<u>\$ 860,417</u>	<u>\$ 31,662</u>

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 7 - LONG-TERM DEBT (CONTINUED)

The following is a summary of the outstanding notes payable:

\$400,000, note payable dated July 27, 2016 to Maine State Housing Authority. Interest is charged at a rate of 5.5% per annum. Monthly payments are \$3,268. Maturity is in August of 2031.	\$ 366,864
\$279,500, note payable dated June 8, 2017 to Aroostook County Federal Savings. Interest is charged at a rate of 5.25% per annum. Monthly payments are \$1,883. Maturity is in February of 2037.	268,499
	<u>\$ 635,363</u>

The following is a summary of future principal and interest requirements by year, for the next five years ending June 30, and for subsequent five-year periods thereafter until maturity:

Fiscal Year	Principal	Interest	Total Debt Service
2019	\$ 28,087	\$ 33,734	\$ 61,821
2020	29,649	32,172	61,821
2021	31,298	30,523	61,821
2022	33,038	28,782	61,820
2023	33,038	28,782	61,820
2024-2028	205,724	103,381	309,105
2029-2033	190,938	42,995	233,933
2034-2038	83,591	9,021	92,612
	<u>\$ 635,363</u>	<u>\$ 309,390</u>	<u>\$ 944,753</u>

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2018 was \$33,270.

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 HUD funding. Locally-owned rental property makes a payment in lieu of taxes equal to an agreement upon base amount which is increased by a factor of 2% per annum. The payment in lieu of taxes for the year ended June 30, 2018 aggregated \$24,918.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Authority employees contribute to the Maine Public Employees Retirement System (MainePERS), a cost-sharing multiple-employer defined benefit pension plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District (PLD) Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.mainebers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with PLD employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 2.45%. During the year ended June 30, 2017, the retirement system consisted of 299 participating employers.

Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. The Authority's plan members are part of the PLD's plan "AC" and are required to contribute 8.0% of their annual covered salary and the Authority is required to contribute at an actuarially determined rate. The current rate is 9.5% of covered payroll. The contribution rates of plan members and the Authority are established and may be amended by the Maine Public Employee Retirement Systems advisory group. The Authority's contribution to the MainePERS PLD Consolidated Plan for the year ended June 30, 2018 was \$22,586.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the Authority reported a liability of \$180,386 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liabilities were based on a projection of the Authority's long-term share of contributions to each pension plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2017, the Authority's proportion was 0.04456%, which was an increase of 0.000807% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Authority recognized pension expense of \$15,001. At June 30, 2018, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 8,666
Changes of assumptions	15,350	-
Net difference between projected and actual earnings on pension plan investments	62,166	67,126
Changes in proportion and differences between contributions and proportionate share of contributions	12,562	2,973
Contributions subsequent to the measurement date	22,586	-
Total	\$ 112,664	\$ 78,765

\$22,586 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	PLD Plan
Plan year ended June 30:	
2018	\$ (162)
2019	22,545
2020	1,210
2021	(12,281)
2022	-
Thereafter	-

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Methods and Assumptions

The collective total pension liability for the Plan was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the plan, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which dampens the swing in the market value. The specific technique adopted in this valuation recognizes in a given year one-third of the investment return that is different from the actuarial assumption for investment return.

Amortization

The net pension liability of the PLD Consolidated Plan is amortized on a level percentage of payroll using a method where a separate twenty-year closed period is established annually for the gain or loss for that year.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For the PLD Plan, 6.875% per annum, compounded annually.

Salary Increases, Merit and Inflation - Members of the consolidated plan for PLDs, 2.75% to 9.00% per year.

Mortality Rates - For active member and non-disabled retirees, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used for FY2016. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used. RP2000 Combined Mortality projected forward to 2015 using Scale AA; for active members and non-disabled retirees, ages are set back 2 years; for disabled recipients the Revenue Ruling 96-7 Disabled Mortality Table for Males & Females is used.

Cost of Living Benefit Increases - 2.20%.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2017 are summarized in the following table. Assets for the defined benefit plan are comingled for investment purposes.

Asset Class	PLD Plan	
	Target Allocation	Long-term Expected Real Rate of Return
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real assets:		
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.875% for 2017. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 6.875% for the PLD Consolidated Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Plan:			
Discount rate	5.875%	6.875%	7.875%
Authority's proportionate share of the net pension liability	\$ 361,909	\$ 180,386	\$ 43,727

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Changes in Net Pension Liability

Each employer's share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share as of June 30, 2017 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability are recognized in pension expense for the year ended June 30, 2017 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2017, this was 4 years for the PLD Consolidated Plan.

Differences between Projected and Actual Investment Earnings on Pension Plan Investments

Differences between projected and actual investment earnings were recognized in pension expense using a straight-line amortization method over a closed five-year period. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used for the year ended June 30, 2017 valuation were based on the results of an actuarial experience study for the period of June 30, 2012 through June 30, 2015. Please refer to the Actuarial Methods and Assumptions section for information relating to changes of assumptions. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability.

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2017 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 10 - OTHER RETIREMENT PLANS

The Authority also provides to employees a separate deferred compensation plan in accordance with IRC§457. The plan is open to all employees. The employee contributions for the years ended June 30, 2017 were \$24,006. The Authority makes contributions to the 457 plan at the same rate as MPERS for those employees who elect the 457 plan over the MPERS plan. Employer contributions for 2018 were \$8,262.

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLANS

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

Plan Description

Town employees contribute to the Group Life Insurance Plan for Retired Participating Local District (PLD) (the PLD Consolidated Plan of the Maine Public Employees Retirement System (MainePERS)), a cost-sharing multiple-employer defined benefit plan established by the Maine State Legislature. Title 5 of the Maine Revised Statutes Annotated assigns the authority to establish and amend benefit provisions to the Participating Local District Consolidated Plan's advisory group, which reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Consolidated Plan. That report may be obtained online at www.mainebers.org or by contacting the System at (800) 451-9800.

Benefits Provided

The Group Life Insurance Plan (the Plan) provides basic group life insurance benefits, during retirement, to retirees who participated in the Plan prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits). The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount, or \$2,500.

Contributions

Life insurance benefits are funded by contributions from members and employers. Premium rates are those determined by the MainePERS's Board of Trustees to be actuarially sufficient to pay anticipated claims. For state employees, the premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage while participants are active members. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period. The Town's contribution to the Plan for the year ended June 30, 2018 was \$553.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLANS (CONTINUED)

OPEB Liabilities

PLD Consolidated Plan

At June 30, 2018, the Town reported a liability of \$8,913 for its proportionate share of the net OPEB liabilities for the PLD Plan. The net OPEB liabilities were measured as of June 30, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liabilities were based on a projection of the Town's long-term share of contributions to the PLD Plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2017, the Town's proportion was 0.0533%, which was an increase of 0.00023% from its proportion measured as of June 30, 2016.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized total OPEB revenue of \$221 for the PLD plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	PLD Life Insurance	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	2,483
Net difference between projected and actual earnings on pension plan investments	-	427
Changes in proportion and differences between contributions and proportionate share of contributions	43	-
Contributions subsequent to the measurement date	-	-
Total	<u>\$ 43</u>	<u>\$ 2,910</u>

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLANS (CONTINUED)

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

	<u>PLD Life Insurance</u>
Plan year ended June 30:	
2018	\$ (594)
2019	(594)
2020	(594)
2021	(594)
2022	(488)
Thereafter	-

Actuarial Methods and Assumptions

The collective total OPEB liability for both Plans was determined by an actuarial valuation as of June 30, 2017, using the following methods and assumptions applied to all periods included in the measurement:

Actuarial Cost Method

The Entry Age Normal actuarial funding method is used to determine costs. Under this funding method, the total employer contribution rate consists of two elements: the normal cost rate and the unfunded actuarial liability (UAL) rate.

The individual entry age normal method is used to determine liabilities. Under the individual entry age normal method, a normal cost rate is calculated for each employee. This rate is determined by taking the value, as of age at entry into the Plans, of the member's projected future benefits, and dividing it by the value, also as of the member's entry age, of his or her expected future salary. The normal cost for each employee is the product of his or her pay and his or her normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

Experience gains and losses, i.e., decreases or increases in liabilities and/or in assets when actual experience differs from the actuarial assumptions, affect the unfunded actuarial accrued liability.

Asset Valuation Method

Investments are reported at fair value.

Amortization

The net OPEB liability of the Plans is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2017, there were 13 years remaining for both Plans.

The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLANS (CONTINUED)

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2017 are as follows:

Investment Rate of Return - For the plan, 6.875% per annum, compounded annually.

Inflation Rate - 2.75%

Annual Salary Increases including Inflation - For the plan, 2.75% to 9.00% per year.

Mortality Rates - For active members and non-disabled retirees of the plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used. These tables are adjusted by percentages ranging from 104% to 120% based on actuarially determined demographic differences.

Participation Rate for Future Retirees - 100% of those currently enrolled.

Conversion Charges - Apply to the cost of active group life insurance, not retiree group life insurance.

Form of Benefit Payment - Lump sum

The long-term expected rate of return on the Plan's investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of long-term real rates of return for each major asset class included in the target asset allocation as of June 30, 2017 are summarized in the following table. Assets for the defined benefit Plans are comingled for investment purposes.

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.00%	6.00%
Real estate	5.00%	5.20%
Traditional credit	16.00%	3.00%
US Government securities	9.00%	2.30%
Total	100.00%	

Discount Rate

The discount rate used to measure the collective total OPEB liability was 5.41% for 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLANSS (CONTINUED)

The following table shows how the collective net OPEB liability/(asset) as of June 30, 2017 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate. The current rate is 5.41% for both plans.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	4.41%	5.41%	6.41%
Town's proportionate share of the net OPEB liability	\$ 11,961	\$ 8,913	\$ 6,506

Changes in Net OPEB Liability

Each employer's share of the collective net OPEB liability is equal to the collective net OPEB liability multiplied by the employer's proportionate share as of June 30, 2017 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2017 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each Plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between Projected and Actual Investment Earnings on OPEB Plans Investments

Differences between projected and actual investment earnings are recognized in OPEB expense using a straight-line amortization method over a closed five-year period. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Changes in Assumptions

Differences due to changes in assumptions about future economic or demographic factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each Plan. The actuarial assumptions used in the June 30, 2017 and June 30, 2016 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. The amortization period for both Plans was six years for 2017. For the fiscal year ended June 30, 2017, there were no changes in assumptions with the exception of the use of a blended discount rate for both Plans. Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pensions Plans*, requires the use of a blended discount rate for determining the total OPEB liability when it is projected that Plans assets are not sufficient to meet benefit obligations in the future. In years where assets are

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2018

NOTE 11 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLANS (CONTINUED)

projected to be sufficient to pay benefits, the Plan's assumed rate of return is used; in years where assets are not projected to be sufficient to pay benefits, the use of a municipal bond rate is required. The result is a single blended discount rate.

Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions

Differences resulting from a change in proportionate share of contributions and differences between total employer contributions and the employer's proportionate share of contributions are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each Plan. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. Differences between total employer contributions and the employer's proportionate share of contributions may arise when an employer has a contribution requirement for an employer specific liability. There were no differences between employer contributions and proportionate share of contributions as of June 30, 2017.

OPEB Plans Fiduciary Net Position

Additional financial and actuarial information with respect to the Plans can be found in the MainePERS' 2017 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 12 - CONTINGENCIES

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.

The Authority receives federal funds through grants and loans. Closeout of these grants may not happen until subsequent fiscal years. The Authority may be responsible for returning federal funds based upon the close out of these grants.

NOTE 13 - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Authority either carries commercial insurance or participates in a public entity and self-insured risk pool sponsored by the Maine Municipal Association.

Based on the coverage provided by the pool as well as coverage provided by commercial insurance purchased, the Authority is not aware of any material actual or potential claim liabilities which should be recorded as of June 30, 2018. There were no significant reductions in insurance coverage from that of the prior year. Settled claims have not exceeded insurance coverage for any of the past three fiscal years.

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.

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 15 - RESTATEMENT

The net position of the governmental activities has been restated at July 1, 2017 to account for the implementation of GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other than Pensions - an amendment of GASB Statement No. 45, as amended (issued 06/04), and GASB Statement No. 57 (issued 12/09). The beginning net position was restated by (\$12,001).

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Government Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Schedule of Proportionate Share of the Net Pension Liability
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability
- Schedule of Contributions - OPEB

SCHEDULE 1

FORT FAIRFIELD HOUSING AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*

	2018	2017	2016	2015
<u>PLD Plan:</u>				
Proportion of the net pension liability	0.04456%	0.04375%	0.03689%	0.04069%
Proportionate share of the net pension liability	\$ 180,386	\$ 232,473	\$ 117,687	\$ 62,607
Covered-employee payroll	237,692	230,685	193,308	216,985
Proportionate share of the net pension liability as a percentage of its covered-employee payroll	75.89%	100.78%	60.88%	28.85%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.61%	88.27%	94.10%

* The amounts presented for each fiscal year were determined as of June 30, and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 2

FORT FAIRFIELD HOUSING AUTHORITY
SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan:</u>				
Contractually required contribution	\$ 22,586	\$ 22,581	\$ 20,531	\$ 15,078
Contributions in relation to the contractually required contribution	<u>(22,586)</u>	<u>(22,581)</u>	<u>(20,531)</u>	<u>(15,078)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 239,675	\$ 237,692	\$ 230,685	\$ 193,308
Contributions as a percentage of covered- employee payroll	9.42%	9.50%	8.90%	7.80%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 3

FORT FAIRFIELD HOUSING AUTHORITY

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*

	2018	2017
<u>PLD Life Insurance:</u>		
Proportion of the net OPEB liability	0.05%	0.05%
Authority's proportionate share of the net OPEB liability	\$ 8,913	\$ 12,001
State's proportionate share of the net OPEB liability associated with the Authority	-	-
Total	<u>\$ 8,913</u>	<u>\$ 12,001</u>
Covered-employee payroll	\$ 237,692	\$ 230,685
Proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	3.75%	5.20%
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%

* The amounts presented for each fiscal year were determined as of June 30 and are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

SCHEDULE 4

FORT FAIRFIELD HOUSING AUTHORITY

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	2018	2017
<u>PLD Life Insurance:</u>		
Contractually required contribution	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 239,675	\$ 237,692
Contributions as a percentage of covered- employee payroll	0.00%	0.00%

* The amounts presented for each fiscal year are for those years for which information is available.

See accompanying independent auditors' report and notes to financial statements.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Government Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Supplemental Financial Data Schedule

SCHEDULE A

FORT FAIRFIELD HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	14.182 N/C S/R Section 8 Programs	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 100,752	\$ 13,723	\$ 85,079	\$ -	\$ 199,554	\$ -	\$ 199,554
112 Cash - Restricted - Modernization and Development	-	-	186,013	-	186,013	-	186,013
113 Cash - Other Restricted	-	9,472	-	-	9,472	-	9,472
114 Cash - Tenant Security Deposits	27,821	-	7,853	-	35,674	-	35,674
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-	-	-
100 Total Cash	128,573	23,195	278,945	-	430,713	-	430,713
121 Accounts Receivable - PHA Projects	-	-	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	-
124 Accounts Receivable - Other Government	-	-	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	-	-	2,954	-	2,954	-	2,954
126 Accounts Receivable - Tenants	5,716	-	78	-	5,794	-	5,794
126.1 Allowance for Doubtful Accounts - Tenants	(2,748)	-	-	-	(2,748)	-	(2,748)
126.2 Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	5,617	-	5,617	-	5,617
128 Fraud Recovery	-	-	-	-	-	-	-
128.1 Allowance for Doubtful Accounts - Fraud	-	-	-	-	-	-	-
129 Accrued Interest Receivable	-	-	1,366	-	1,366	-	1,366
120 Total Receivables, Net of Allowances for Doubtful Accounts	2,968	-	10,015	-	12,983	-	12,983
131 Investments - Unrestricted	-	-	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-	-	-
142 Prepaid Expenses and Other Assets	9,008	2,841	1,860	-	13,709	-	13,709
143 Inventories	-	-	-	-	-	-	-
143.1 Allowance for Obsolete Inventories	-	-	-	-	-	-	-
144 Inter Program Due From	-	-	-	-	-	-	-
145 Assets Held for Sale	-	-	-	-	-	-	-
150 Total Current Assets	140,549	26,036	290,820	-	457,405	-	457,405

SCHEDULE A (CONTINUED)

FORT FAIRFIELD HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

161 Land	566,774	-	308,620	-	875,394	-	875,394
162 Buildings	6,409,555	-	1,594,544	-	8,004,099	-	8,004,099
163 Furniture, Equipment & Machinery - Dwellings	850,011	-	112,371	-	962,382	-	962,382
164 Furniture, Equipment & Machinery - Administration	36,402	20,088	-	-	56,490	-	56,490
165 Leasehold Improvements	-	-	-	-	-	-	-
166 Accumulated Depreciation	(5,742,620)	(8,872)	(873,467)	-	(6,624,959)	-	(6,624,959)
167 Construction in Progress	-	-	-	-	-	-	-
168 Infrastructure	-	-	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	2,120,122	11,216	1,142,068	-	3,273,406	-	3,273,406
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	1,456,447	-	1,456,447	-	1,456,447
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-	-	-	-
174 Other Assets	-	-	169,826	-	169,826	-	169,826
176 Investments in Joint Ventures	-	-	-	-	-	-	-
180 Total Non-Current Assets	2,120,122	11,216	2,768,341	-	4,899,679	-	4,899,679
200 Deferred Outflow of Resources	61,116	22,449	29,142	-	112,707	-	112,707
290 Total Assets and Deferred Outflow of Resources	2,321,787	59,701	3,088,303	-	5,469,791	-	5,469,791
311 Bank Overdraft	-	-	-	-	-	-	-
312 Accounts Payable <= 90 Days	15,923	-	20,581	-	36,504	-	36,504
313 Accounts Payable >90 Days Past Due	-	-	-	-	-	-	-
321 Accrued Wage/Payroll Taxes Payable	15,944	-	-	-	15,944	-	15,944
322 Accrued Compensated Absences - Current Portion	2,248	537	790	-	3,575	-	3,575
324 Accrued Contingency Liability	-	-	-	-	-	-	-
325 Accrued Interest Payable	-	-	1,681	-	1,681	-	1,681
331 Accounts Payable - HUD PHA Programs	-	-	-	-	-	-	-
332 Account Payable - PHA Projects	-	-	-	-	-	-	-

SCHEDULE A (CONTINUED)

FORT FAIRFIELD HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

333 Accounts Payable - Other Government	17,079	-	-	-	17,079	-	17,079
341 Tenant Security Deposits	26,847	-	8,594	-	35,441	-	35,441
342 Unearned Revenue	-	-	2,200	-	2,200	-	2,200
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	27,406	-	27,406	-	27,406
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-	-	-
345 Other Current Liabilities	-	-	-	-	-	-	-
346 Accrued Liabilities - Other	-	-	-	-	-	-	-
347 Inter Program - Due To	-	-	-	-	-	-	-
348 Loan Liability - Current	-	-	-	-	-	-	-
310 Total Current Liabilities	78,041	537	61,252	-	139,830	-	139,830
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	607,957	-	607,957	-	607,957
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-	-	-
353 Non-current Liabilities - Other	127,170	-	-	-	127,170	-	127,170
354 Accrued Compensated Absences - Non Current	20,235	4,837	7,108	-	32,180	-	32,180
355 Loan Liability - Non Current	-	-	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	102,699	37,675	48,925	-	189,299	-	189,299
350 Total Non-Current Liabilities	250,104	42,512	663,990	-	956,606	-	956,606
300 Total Liabilities	328,145	43,049	725,242	-	1,096,436	-	1,096,436
400 Deferred Inflow of Resources	50,110	12,741	18,824	-	81,675	-	81,675
508.4 Net Investment in Capital Assets	1,992,952	11,216	506,705	-	2,510,873	-	2,510,873
511.4 Restricted Net Position	-	9,472	-	-	9,472	-	9,472
512.4 Unrestricted Net Position	(49,420)	(16,777)	1,837,532	-	1,771,335	-	1,771,335
513 Total Equity - Net Assets / Position	1,943,532	3,911	2,344,237	-	4,291,680	-	4,291,680
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	2,321,787	59,701	3,088,303	-	5,469,791	-	5,469,791

SCHEDULE A (CONTINUED)

FORT FAIRFIELD HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

	Project Total	14.871 Housing Choice Vouchers	2 State/Local	14.182 N/C S/R Section 8 Programs	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 269,575	\$ -	\$ 76,937	\$ -	\$ 346,512	\$ -	\$ 346,512
70400 Tenant Revenue - Other	-	-	-	-	-	-	-
70500 Total Tenant Revenue	269,575	-	76,937	-	346,512	-	346,512
70600 HUD PHA Operating Grants	307,586	644,047	-	-	951,633	-	951,633
70610 Capital Grants	32,140	-	-	-	32,140	-	32,140
70710 Management Fee	-	-	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-	-	-
70740 Front Line Service Fee	-	-	-	-	-	-	-
70750 Other Fees	-	-	-	-	-	-	-
70700 Total Fee Revenue	-	-	-	-	-	-	-
70800 Other Government Grants	-	-	82,500	101,231	183,731	-	183,731
71100 Investment Income - Unrestricted	2,014	30	2,468	-	4,512	-	4,512
71200 Mortgage Interest Income	-	-	4,277	-	4,277	-	4,277
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-	-	-	-
71400 Fraud Recovery	-	3,426	-	-	3,426	-	3,426
71500 Other Revenue	18,978	5,347	110,151	-	134,476	-	134,476
71600 Gain or Loss on Sale of Capital Assets	-	-	-	-	-	-	-
72000 Investment Income - Restricted	-	-	2,142	-	2,142	-	2,142
70000 Total Revenue	630,293	652,850	278,475	101,231	1,662,849	-	1,662,849

SCHEDULE A (CONTINUED)

FORT FAIRFIELD HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

91100 Administrative Salaries	119,997	41,501	72,718	-	234,216	-	234,216
91200 Auditing Fees	3,625	1,375	1,000	-	6,000	-	6,000
91300 Management Fee	-	-	-	-	-	-	-
91310 Book-keeping Fee	-	-	-	-	-	-	-
91400 Advertising and Marketing	-	-	436	-	436	-	436
91500 Employee Benefit contributions - Administrative	44,179	16,786	27,471	-	88,436	-	88,436
91600 Office Expenses	-	-	-	-	-	-	-
91700 Legal Expense	5,978	-	-	-	5,978	-	5,978
91800 Travel	-	-	9,121	-	9,121	-	9,121
91810 Allocated Overhead	-	-	-	-	-	-	-
91900 Other	36,316	12,307	16,702	-	65,325	-	65,325
91000 Total Operating - Administrative	210,095	71,969	127,448	-	409,512	-	409,512
92000 Asset Management Fee	-	-	-	-	-	-	-
92100 Tenant Services - Salaries	-	-	-	-	-	-	-
92200 Relocation Costs	-	-	-	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-	-	-	-	-
92400 Tenant Services - Other	489	-	-	-	489	-	489
92500 Total Tenant Services	489	-	-	-	489	-	489
93100 Water	13,714	-	2,033	-	15,747	-	15,747
93200 Electricity	14,642	-	3,556	-	18,198	-	18,198
93300 Gas	-	-	-	-	-	-	-
93400 Fuel	54,890	-	10,458	-	65,348	-	65,348
93500 Labor	-	-	-	-	-	-	-
93600 Sewer	15,540	-	2,301	-	17,841	-	17,841
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-	-	-
93800 Other Utilities Expense	-	-	-	-	-	-	-
93000 Total Utilities	98,786	-	18,348	-	117,134	-	117,134

SCHEDULE A (CONTINUED)

FORT FAIRFIELD HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

94100 Ordinary Maintenance and Operations - Labor	109,668	-	48,178	-	157,846	-	157,846
94200 Ordinary Maintenance and Operations - Materials and Other	42,860	-	50,824	-	93,684	-	93,684
94300 Ordinary Maintenance and Operations Contracts	37,954	-	18,909	-	56,863	-	56,863
94500 Employee Benefit Contributions - Ordinary Maintenance	30,438	-	16,922	-	47,360	-	47,360
94000 Total Maintenance	220,920	-	134,833	-	355,753	-	355,753
95100 Protective Services - Labor	-	-	-	-	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-	-	-	-	-
95300 Protective Services - Other	-	-	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-	-	-	-
95000 Total Protective Services	-	-	-	-	-	-	-
96110 Property Insurance	21,418	-	8,526	-	29,944	-	29,944
96120 Liability Insurance	-	1,249	-	-	1,249	-	1,249
96130 Workmen's Compensation	-	-	-	-	-	-	-
96140 All Other Insurance	-	-	-	-	-	-	-
96100 Total insurance Premiums	21,418	1,249	8,526	-	31,193	-	31,193
96200 Other General Expenses	-	-	10,449	-	10,449	-	10,449
96210 Compensated Absences	-	-	-	-	-	-	-
96300 Payments in Lieu of Taxes	17,079	-	7,839	-	24,918	-	24,918
96400 Bad debt - Tenant Rents	6,801	-	-	-	6,801	-	6,801
96500 Bad debt - Mortgages	-	-	-	-	-	-	-
96600 Bad debt - Other	-	-	-	-	-	-	-
96800 Severance Expense	-	-	-	-	-	-	-
96000 Total Other General Expenses	23,880	-	18,288	-	42,168	-	42,168

SCHEDULE A (CONTINUED)

FORT FAIRFIELD HOUSING AUTHORITY

SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

96710 Interest of Mortgage (or Bonds) Payable	-	-	33,270	-	33,270	-	33,270
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	-	-	33,270	-	33,270	-	33,270
96900 Total Operating Expenses	575,588	73,218	340,713	-	989,519	-	989,519
97000 Excess of Operating Revenue over Operating Expenses	54,705	579,632	(62,238)	101,231	673,330	-	673,330
97100 Extraordinary Maintenance	-	-	-	-	-	-	-
97200 Casualty Losses - Non-capitalized	-	-	-	-	-	-	-
97300 Housing Assistance Payments	-	587,189	-	-	587,189	-	587,189
97350 HAP Portability-In	-	3,174	-	-	3,174	-	3,174
97400 Depreciation Expense	153,301	2,008	51,504	-	206,813	-	206,813
97500 Fraud Losses	-	-	-	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-	-	-	-
90000 Total Expenses	728,889	665,589	392,217	-	1,786,695	-	1,786,695
10010 Operating Transfer In	269,984	10,000	101,231	-	381,215	-	381,215
10020 Operating transfer Out	(69,984)	-	(210,000)	(101,231)	(381,215)	-	(381,215)
10030 Operating Transfers from/to Primary Government	-	-	-	-	-	-	-
10040 Operating Transfers from/to Component Unit	-	-	-	-	-	-	-
10050 Proceeds from Notes, Loans and Bonds	-	-	-	-	-	-	-
10060 Proceeds from Property Sales	-	-	-	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-	-	-
10093 Transfers between Program and Project - In	-	-	-	-	-	-	-
10094 Transfers between Project and Program - Out	-	-	-	-	-	-	-
10100 Total Other financing Sources (Uses)	200,000	10,000	(108,769)	(101,231)	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	101,404	(2,739)	(222,511)	-	(123,846)	-	(123,846)

SCHEDULE A (CONTINUED)

FORT FAIRFIELD HOUSING AUTHORITY
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2018

11020 Required Annual Debt Principal Payments	-	-	18,487	-	18,487	-	18,487
11030 Beginning Equity	1,847,554	9,089	2,570,884	-	4,427,527	-	4,427,527
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	(5,426)	(2,439)	(4,136)	-	(12,001)	-	(12,001)
11050 Changes in Compensated Absence Balance	-	-	-	-	-	-	-
11060 Changes in Contingent Liability Balance	-	-	-	-	-	-	-
11070 Changes in Unrecognized Pension Transition Liability	-	-	-	-	-	-	-
11080 Changes in Special Term/Severance Benefits Liability	-	-	-	-	-	-	-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-	-	-
11100 Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-	-	-
11170 Administrative Fee Equity	-	(1,303)	-	-	(1,303)	-	(1,303)
11180 Housing Assistance Payments Equity	-	9,472	-	-	9,472	-	9,472
11190 Unit Months Available	972	1,584	192	-	2,748	-	2,748
11210 Number of Unit Months Leased	960	1,565	192	-	2,717	-	2,717
11270 Excess Cash	6,441	-	-	-	6,441	-	6,441
11610 Land Purchases	30,640	-	-	-	30,640	-	30,640
11620 Building Purchases	13,247	-	-	-	13,247	-	13,247
11630 Furniture & Equipment - Dwelling Purchases	1,249	-	-	-	1,249	-	1,249
11640 Furniture & Equipment - Administrative Purchases	-	-	-	-	-	-	-
11650 Leasehold Improvements Purchases	-	-	-	-	-	-	-
11660 Infrastructure Purchases	-	-	-	-	-	-	-
13510 CFFP Debt Service Payments	-	-	-	-	-	-	-
13901 Replacement Housing Factor Funds	-	-	-	-	-	-	-

FORT FAIRFIELD HOUSING AUTHORITY

SCHEDULE OF CAPITAL GRANT FUND COSTS - COMPLETED
FOR THE YEAR ENDED JUNE 30, 2018

Annual Contributions Contract CF 501-17

Project Number	ME01P00250117
Funds Approved	\$ 102,124.00
Funds Expended	102,124.00
Excess (Deficiency) of Funds Approved	<u>\$ -</u>
 Funds Advanced	 \$ 102,124.00
Funds Expended	102,124.00
Excess (Deficiency) of Funds Advanced	<u>\$ -</u>

The distribution of costs by project as shown on the Final Statement of Modernization Costs accompanying the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the PHA's records.

All modernization costs have been paid and all related liabilities have been discharged through payment.

No budget overruns occurred.

FORT FAIRFIELD HOUSING AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal CFDA Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: Direct programs:				
Low Rent Public Housing - operating subsidy	14.850	N/A	\$ -	\$ 237,602
Housing Voucher Cluster:				
Housing Choice Voucher	14.871	N/A	-	644,047
Subtotal Housing Voucher Cluster			-	644,047
Capital Fund Programs	14.872	N/A	-	102,124
Passed through State of Maine - Maine State Housing Authority:				
Section 8 Project-Based Cluster:				
New Construction and Substantial Rehabilitation	14.182	N/A	-	101,231
Subtotal Section 8 Project-Based Cluster			-	101,231
Total U.S. Department of Housing and Urban Development			-	1,085,004
TOTAL FEDERAL AWARDS			\$ -	\$ 1,085,004

FORT FAIRFIELD HOUSING AUTHORITY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Fort Fairfield Housing Authority under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of the Fort Fairfield Housing Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Fort Fairfield Housing Authority.

2. Summary of Significant Accounting Policies

- a. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and/or OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- b. The Fort Fairfield Housing Authority has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Reporting Guidance

The accompanying Schedule of Expenditures of Federal Awards has been prepared following the guidance provided by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).



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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

Board of Commissioners
Fort Fairfield Housing Authority
Fort Fairfield, 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 business-type activities of Fort Fairfield Housing Authority, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Fort Fairfield Housing Authority basic financial statements, and have issued our report thereon dated January 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Fort Fairfield Housing Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fort Fairfield Housing Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fort Fairfield 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 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 over financial reporting 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 and 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 Fort Fairfield 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 the 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.

RHR Smith & Company

Buxton, Maine
January 18, 2019



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

Board of Commissioners
Fort Fairfield Housing Authority
Fort Fairfield, Maine

Report on Compliance for Each Major Federal Program

We have audited the Fort Fairfield 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 each of the Fort Fairfield Housing Authority's major federal programs for the year ended June 30, 2018. The Fort Fairfield Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Fort Fairfield Housing Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 Fort Fairfield Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Fort Fairfield Housing Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Report on Internal Control Over Compliance

Management of the Fort Fairfield 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 the Fort Fairfield Housing Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Fort Fairfield Housing Authority's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fort Fairfield 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

This 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
January 18, 2019

FORT FAIRFIELD HOUSING AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

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 | _____X_____no |
| • Significant deficiency(ies) identified? | _____yes | _____X_____no |
| • Noncompliance material to financial statements noted? | _____yes | _____X_____no |

• *Federal Awards*

Internal control over major programs:

- | | | |
|---|----------|---------------|
| • Material weakness(es) identified? | _____yes | _____X_____no |
| • Significant deficiency(ies) identified? | _____yes | _____X_____no |

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 2 CFR section 200.516(a)?

_____yes _____X_____no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Voucher Cluster

Dollar threshold used to distinguish between type A and B:

\$750,000

Auditee qualified as low-risk auditee?

_____X_____yes _____no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None