

Federal Compliance Audit

Housing Authority of Fort Fairfield

June 30, 2021



Proven Expertise & Integrity

HOUSING AUTHORITY OF FORT FAIRFIELD

CONTENTS

JUNE 30, 2021

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 9
<u>BASIC FINANCIAL STATEMENTS</u>	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT A - STATEMENT OF NET POSITION	10 - 11
STATEMENT B - STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION	12
STATEMENT C - STATEMENT OF CASH FLOWS	13 - 14
NOTES TO FINANCIAL STATEMENTS	15 - 43
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
REQUIRED SUPPLEMENTARY INFORMATION DESCRIPTION	44
SCHEDULE 1 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	45
SCHEDULE 2 - SCHEDULE OF CONTRIBUTIONS - PENSION	46
SCHEDULE 3 - SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	47
SCHEDULE 4 - SCHEDULE OF CONTRIBUTIONS - OPEB	48
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	49
<u>OTHER SUPPLEMENTARY INFORMATION</u>	
OTHER SUPPLEMENTARY INFORMATION DESCRIPTION	50
SCHEDULE A - SUPPLEMENTAL FINANCIAL DATA SCHEDULE	51 - 55

SCHEDULE OF CAPITAL GRANT FUND COSTS - COMPLETED	56 - 57
--	---------

FEDERAL COMPLIANCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	58
--	----

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	59
---	----

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 <i>GOVERNMENT AUDITING STANDARDS</i>	60 - 61
--	---------

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	62 - 64
--	---------

SCHEDULE OF FINDINGS AND QUESTIONED COSTS	65
---	----



INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Housing Authority of Fort Fairfield
Fort Fairfield, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of Fort Fairfield, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield as of June 30, 2021 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, pension and OPEB information on pages 4 through 9 and 45 through 49 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 Housing Authority of Fort Fairfield'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 March 24, 2022, on our consideration of the Housing Authority of Fort Fairfield's 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 Housing Authority of Fort Fairfield's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 24, 2022

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

(UNAUDITED)

The following management's discussion and analysis of the Housing Authority of Fort Fairfield's financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the Authority's financial statements.

Financial Statement Overview

The Housing Authority of Fort Fairfield's basic financial statements include the following components: 1) government-wide financial statements and 2) notes to the financial statements. This report also includes required supplementary information which consists of pension and OPEB information and other supplementary information which includes other schedules.

Basic Financial Statements

The basic financial statements include the notes to financial statements that explain in more detail certain information in the financial statements and also provide the user with the accounting policies used in the preparation of the financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the Authority's operations in a manner that is similar to private businesses. These statements provide both short-term as well as long-term information in regards to the Authority's financial position. These financial statements are prepared using the accrual basis of accounting. This measurement focus takes into account all revenues and expenses associated with the fiscal year regardless of when cash is received or paid. The government-wide financial statements include the following three statements:

The Statement of Net Position - this statement presents *all* of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference being reported as net position.

The Statement of Changes in Revenues, Expenses and Net Position - this statement presents information that shows how the government's net position changed during the period. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - increased for business-type activities by \$120,096 from \$1,813,202 to a balance of \$1,933,298 at the end of this year.

Table 1
Housing Authority of Fort Fairfield
Net Position
June 30,

	Business-type Activities			
	2021	2020	\$ Change	% Change
Assets:				
Current Assets	\$ 880,118	\$ 627,538	\$ 252,580	40.25%
Noncurrent Assets:				
Capital Assets	3,121,148	3,196,828	(75,680)	-2.37%
Other	1,469,190	1,479,381	(10,191)	-0.69%
Total Assets	<u>\$ 5,470,456</u>	<u>\$ 5,303,747</u>	<u>\$ 166,709</u>	<u>3.14%</u>
Deferred Outflows of Resources	<u>\$ 56,969</u>	<u>\$ 63,940</u>	<u>\$ (6,971)</u>	<u>-10.90%</u>
Liabilities:				
Current Liabilities	\$ 240,211	\$ 149,051	\$ 91,160	61.16%
Noncurrent Liabilities	722,383	733,699	(11,316)	-1.54%
Total Liabilities	<u>\$ 962,594</u>	<u>\$ 882,750</u>	<u>\$ 79,844</u>	<u>9.04%</u>
Deferred Inflows of Resources	<u>\$ 17,811</u>	<u>\$ 41,421</u>	<u>\$ (23,610)</u>	<u>-57.00%</u>
Net Position:				
Net Investment in Capital Assets	\$ 2,573,105	\$ 2,617,428	\$ (44,323)	-1.69%
Restricted	40,617	12,886	27,731	215.20%
Unrestricted	1,933,298	1,813,202	120,096	6.62%
Total Net Position	<u>\$ 4,547,020</u>	<u>\$ 4,443,516</u>	<u>\$ 103,504</u>	<u>2.33%</u>

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

	Business-type Activities			
	2021	2020	\$ Change	% Change
Revenues				
Rental revenues	\$ 448,974	\$ 415,884	\$ 33,090	7.96%
Intergovernmental	1,311,271	1,401,191	(89,920)	-6.42%
Interest income	8,899	9,769	(870)	-8.91%
Miscellaneous	180,024	147,655	32,369	21.92%
Total Revenues	<u>1,949,168</u>	<u>1,974,499</u>	<u>(25,331)</u>	<u>-1.28%</u>
Expenses				
Housing assistance payments	618,420	636,962	(18,542)	-2.91%
Administration	373,053	358,218	14,835	4.14%
Tenant services	402	205	197	96.10%
Utilities	133,376	148,319	(14,943)	-10.07%
Repairs and maintenance	370,709	378,762	(8,053)	-2.13%
Insurance expense	35,705	39,123	(3,418)	-8.74%
Depreciation and amortization expense	224,164	218,747	5,417	2.48%
Interest expense	30,364	33,904	(3,540)	-10.44%
Other general expenses	59,471	42,126	17,345	41.17%
Total Expenses	<u>1,845,664</u>	<u>1,856,366</u>	<u>(10,702)</u>	<u>-0.58%</u>
Change in Net Position	103,504	118,133	(14,629)	
Net Position - July 1	<u>4,443,516</u>	<u>4,325,383</u>	<u>118,133</u>	
Net Position - June 30	<u>\$ 4,547,020</u>	<u>\$ 4,443,516</u>	<u>\$ 103,504</u>	

Revenues and Expenses

The business-type activities revenues experienced a decrease of 1.28% while expenses decreased by 0.58% from the prior fiscal year. Revenues decreased primarily due to intergovernmental and interest income. Expenses decreased primarily due to housing assistance payments.

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2021, the net book value of capital assets recorded by the Authority decreased by \$75,680 from the prior year. This decrease is the result of capital additions of \$152,800 less net disposals of \$6,191 and current year depreciation expense of \$222,289.

Table 3
Housing Authority of Fort Fairfield
Capital Assets (Net of Depreciation)
June 30,

	<u>2021</u>	<u>2020</u>
Land	\$ 60,237	\$ 60,237
Land improvements	868,485	868,485
Buildings and improvements	8,368,677	8,282,814
Furniture, equipment and machinery	1,088,484	1,041,635
	<u>10,385,883</u>	<u>10,253,171</u>
Accumulated depreciation	<u>(7,264,735)</u>	<u>(7,056,343)</u>
Net capital assets	<u>\$ 3,121,148</u>	<u>\$ 3,196,828</u>

Debt

At June 30, 2021, the Authority had \$548,043 in notes from direct borrowings payable outstanding versus \$579,400 last year, a decrease of \$31,357 as shown in Note 8 of Notes to Financial Statements.

Currently Known Facts, Decisions or Conditions

The outbreak of COVID-19 has been declared a pandemic and led to a national state of emergency in the United States. Refer to Note 1 of Notes to Financial Statements for more detailed information.

At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Authority. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Authority.

Economic Factors

Significant economic factors that affect the Authority are federal funding by the Department of Housing and Urban Development, local labor supply and demand, which can affect salary and wage rates, local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income and inflationary pressure on utility rates, supplies, insurances and other costs.

Contacting the Housing Authority's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Accounting Department at 18 Fields Lane, Fort Fairfield, Maine 04742.

STATEMENT A

HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

ASSETS

Current assets:

Cash and cash equivalents - unrestricted	\$ 343,349
Cash and cash equivalents - restricted	316,738
Investments - unrestricted	195,985
Accounts receivable (net of allowance for uncollectibles)	3,092
Prepaid items	14,990
Current portion of notes receivable	5,964
Total current assets	<u>880,118</u>

Noncurrent assets:

Capital assets:

Land, infrastructure and other assets not being depreciated	60,237
Buildings and equipment, net of accumulated depreciation	<u>3,060,911</u>
Total capital assets	<u>3,121,148</u>

Notes and mortgages receivable	1,432,159
Other assets	<u>37,031</u>
Total noncurrent assets	<u>4,590,338</u>

TOTAL ASSETS	<u>5,470,456</u>
--------------	------------------

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows related to pensions	53,131
Deferred outflows related to OPEB	<u>3,838</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>56,969</u>

TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 5,527,425</u>
---	---------------------

STATEMENT A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2021

LIABILITIES

Current liabilities:

Accounts payable	\$ 21,236
Due to other governments	22,844
Accrued wages	10,538
Interest payable	1,397
Unearned revenue	105,549
Tenant security deposits	39,374
Other	2,047
Current portion of long-term obligations	37,226
Total current liabilities	<u>240,211</u>

Noncurrent liabilities:

Noncurrent portion of long-term obligations:	
Accrued compensated absences	37,508
Notes from direct borrowings payable	514,985
Net pension liability	162,720
Net OPEB liability	7,170
Total noncurrent liabilities	<u>722,383</u>

TOTAL LIABILITIES	<u>962,594</u>
-------------------	----------------

DEFERRED INFLOWS OF RESOURCES

Deferred inflows related to pensions	10,702
Deferred inflows related to OPEB	7,109
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,811</u>

NET POSITION

Net investment in capital assets	2,573,105
Restricted	40,617
Unrestricted	1,933,298
TOTAL NET POSITION	<u>4,547,020</u>

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 5,527,425</u>
--	---------------------

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

HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF CHANGES IN REVENUES, EXPENSES AND NET POSITION
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED JUNE 30, 2021

OPERATING REVENUES	
Tenant rental income	\$ 448,974
HUD grants and contributions	1,103,919
Other government grants	166,950
Other revenue	175,046
TOTAL OPERATING REVENUES	<u>1,894,889</u>
OPERATING EXPENSES	
Housing assistance payments	618,420
Administration	373,053
Tenant services	402
Utilities	133,376
Repairs and maintenance	370,709
Insurance expense	35,705
Depreciation and amortization expense	224,164
Other general expenses	59,471
TOTAL OPERATING EXPENSES	<u>1,815,300</u>
OPERATING INCOME (LOSS)	<u>79,589</u>
NONOPERATING REVENUES (EXPENSES)	
Interest and investment revenue	8,899
Gain (loss) on sale of capital assets	4,978
Interest expense	(30,364)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(16,487)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>63,102</u>
CAPITAL CONTRIBUTIONS	
HUD capital grants and contributions	40,402
TOTAL CAPITAL CONTRIBUTIONS	<u>40,402</u>
CHANGE IN NET POSITION	103,504
NET POSITION - JULY 1	<u>4,443,516</u>
NET POSITION - JUNE 30	<u>\$ 4,547,020</u>

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

STATEMENT C

HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from tenants	\$ 562,140
HUD grants and contributions	1,103,919
Other operating receipts	350,312
Payments to employee and vendors	(1,596,190)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>420,181</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

(Purchases) sale of land, buildings and equipment	(146,609)
HUD capital grants	40,402
Proceeds (loss) from the sale of capital assets	4,978
Interest paid	(30,464)
Payments on long-term debt	(31,357)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(163,050)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest and dividends received	8,899
(Increase) decrease in investments	(2,920)
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>5,979</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	263,110
--	---------

CASH AND CASH EQUIVALENTS - JULY 1, 2020	<u>396,977</u>
--	----------------

CASH AND CASH EQUIVALENTS - JUNE 30, 2021	<u>\$ 660,087</u>
---	-------------------

Cash and cash equivalents - unrestricted	\$ 343,349
Cash and cash equivalents - restricted	316,738
CASH AND CASH EQUIVALENTS - JUNE 30, 2021	<u>\$ 660,087</u>

STATEMENT C (CONTINUED)
HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income (loss)	\$ 79,589
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	222,289
Amortization expense	1,875
Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources:	
(Increase) decrease in accounts receivable	16,483
(Increase) decrease in prepaid items	(3,033)
(Increase) decrease in notes and mortgages receivable	8,316
(Increase) decrease in deferred outflows of resources	6,971
(Decrease) increase in accounts payable	(13,879)
(Decrease) increase in due to other governments	4,473
(Decrease) increase in accrued wages	(116)
(Decrease) increase in unearned revenue	95,364
(Decrease) increase in tenant security deposits	1,319
(Decrease) increase in other liability	2,047
(Decrease) increase in accrued compensated absences	3,502
(Decrease) increase in net pension liability	25,174
(Decrease) increase in net OPEB liability	(6,583)
(Decrease) increase in deferred inflows of resources	(23,610)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 420,181</u>

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

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Housing Authority of Fort Fairfield (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

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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).

COVID-19 Outbreak

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been declared a pandemic by the World Health Organization and led to a national state of emergency in the United States. The State of Maine, along with other state and local governments, declared states of emergency and issued multiple public health emergency orders that severely restrict movement and limit businesses and activities to essential functions. These actions and effects of COVID-19 have disrupted economic activity at all levels and impacted the processes and procedures for almost all businesses, including municipal and quasi-municipal entities.

In response to the health crisis created by COVID-19 since early March, the Governor of Maine issued multiple executive orders and declarations to protect the public health in an effort to reduce community spread of the virus and protect citizens. These measures have included, among others, closing or restricting access to certain business and activities, issuing a "stay at home" directive for most citizens, restricting nonessential travel and limiting movement of all persons in Maine to those necessary to obtain or provide essential services or activities. The state of emergency expired on June 30, 2021.

Impact on Finances

The Authority does not currently anticipate any additional FY 2021 expenditures due to COVID-19 that would not be covered by existing resources including authorized Coronavirus, Aid, Relief and Economic Security ("CARES") Act, American Rescue Plan Act ("ARPA") funding and applicable Federal and/or State programs.

Expected Federal/State Support

The Authority may have to take action to meet certain requirements to receive any additional Federal or State funding for budgetary or economic relief related to the challenges presented by COVID-19. However, the Authority expects that if those actions are necessary, that the Authority would qualify and satisfy the various conditions required to receive applicable Federal or State funds.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Conclusion

The ongoing effects of COVID-19, including the financial impact to the Authority and its clients, may change significantly as events and circumstances evolve locally, nationally and worldwide. At present it is not possible, with any degree of certainty, to estimate the impact of COVID-19 on the revenues, expenditures, budget or overall financial position of the Authority. No assurance can be given regarding future events or impacts because these actions and events are unpredictable or unknowable at this time and are outside the control of the Authority.

Implementation of New Accounting Standards

During the year ended June 30, 2021, the following statements of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 84 "Fiduciary Activities". This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval or condition is required to be taken or met by the beneficiary to release the assets. Management has determined the impact of this Statement is not material to the financial statements.

Statement No. 90 "Majority Equity Interests". This Statement defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

separate organization, a government should report the legally separate organization as a component unit and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. Management has determined the impact of this Statement is not material to the financial statements.

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 is 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.) excluding fiduciary activities. 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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Measurement Focus - Basic 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. Nonoperating 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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 deposit and other evidence of deposits at banks, savings and loan associations and credit unions
- Repurchase agreements
- Money market mutual funds

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The costs of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

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. The allowance for uncollectible accounts is estimated to be \$0 as of June 30, 2021. Accounts receivable netted with allowances for uncollectible accounts was \$3,092 for the year ended June 30, 2021.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 purchased or acquired are reported at historical cost or estimated historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the estimated useful lives.

The assets are valued at historical cost when available and estimated historical cost where actual invoices or budgetary data was unavailable. Donated capital assets are reported at their estimated fair market value on the date received. All retirements have been recorded by eliminating the net carrying values.

Estimated useful lives are as follows:

Land improvements	15 years
Buildings and improvements	15 - 40 years
Furniture, equipment and machinery	3 - 10 years

Long-term Obligations

The accounting treatment of long-term obligations 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 obligations to be repaid from governmental and business-type resources are reported as liabilities in government-wide statements. The long-term obligations consist of notes from direct borrowings payable, accrued compensated absences, net pension liability and net OPEB liability.

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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 two types of this item, deferred outflows related to pensions and deferred outflows related to OPEB. These items are 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 and deferred inflows related to OPEB qualify for reporting in this category. These items are 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

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

investment in capital assets or restricted net position. At June 30, 2021, restrictions of \$37,549, represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments

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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

At June 30, 2021, the Authority's cash balances amounting to \$660,087 were comprised of bank deposits of \$674,930. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Authority's cash balance. Of these bank deposits, \$297,217 was insured by federal depository insurance and consequently was not exposed to custodial credit risk. The remaining deposits of \$377,713 were collateralized with securities held by the financial institution in the Authority's name.

<u>Account Type</u>	<u>Bank Balance</u>
Checking accounts	\$ 627,713
ICS account	10,308
Savings accounts	36,909
	<u>\$ 674,930</u>

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.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority does not have a policy related to interest rate risk. Certificates of deposit held with local financial institutions for \$195,985 are excluded from interest rate risk as these investments are considered held to maturity and are therefore not measured at fair value.

At June 30, 2021, the Authority's investments of \$195,895 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.

Credit risk - Statutes for the State of Maine authorize the Authority to invest in obligations of the U.S. Treasury, agencies and instrumentalities, other States and Canada, provided such securities are rated within the three highest grades by an approved rating service of the State of Maine, corporate stocks and bonds within statutory limits, financial institutions, mutual funds and repurchase agreements. The Authority does not have an investment policy on credit risk. Generally, the Authority invests excess funds in money market accounts and various certificates of deposit.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

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, unearned revenue as well as funds designated for tenant security deposits. These amounts support either a corresponding liability or restricted net position. As of June 30, 2021, restricted cash and cash equivalents was \$316,738.

NOTE 4 - NOTES RECEIVABLE - RELATED PARTY

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 on a Morningview, LLC property. For the year ended June 30, 2021, the outstanding principal balance was \$111,494.

During the fiscal year ended 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 \$1,300,000 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, 2021, the outstanding principal balance on the loans was \$1,326,629.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 5 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21
Non-depreciated assets:				
Land	\$ 60,237	\$ -	\$ -	\$ 60,237
	<u>60,237</u>	<u>-</u>	<u>-</u>	<u>60,237</u>
Depreciated assets:				
Land improvements	868,485	-	-	868,485
Buildings and improvements	8,282,814	85,863	-	8,368,677
Furniture, equipment and machinery	1,041,635	66,937	(20,088)	1,088,484
	<u>10,192,934</u>	<u>152,800</u>	<u>(20,088)</u>	<u>10,325,646</u>
Less accumulated depreciation:	(7,056,343)	(222,289)	13,897	(7,264,735)
	<u>3,136,591</u>	<u>(69,489)</u>	<u>(6,191)</u>	<u>3,060,911</u>
Net capital assets	<u>\$ 3,196,828</u>	<u>\$ (69,489)</u>	<u>\$ (6,191)</u>	<u>\$ 3,121,148</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, 2021, the Authority recorded amortization expense (included in depreciation expense on the Statement of Revenues, Expenses and Changes in Fund Net Position) of \$1,875. As of June 30, 2021, the remaining book value of the asset was \$37,031.

NOTE 7 - 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, 2021 aggregated \$36,863.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2021:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21	Current Portion
Notes from direct borrowings payable	\$ 579,400	\$ -	\$ (31,357)	\$ 548,043	\$ 33,058

The following is a summary of the outstanding notes from direct borrowings payable:

\$400,000, note payable dated July 27, 2016 to Maine State Housing Authority. Interest is charged at a fixed rate of 5.50% per annum. Monthly payments are \$3,268. Maturity is in August of 2031. \$ 304,907

\$279,500, note payable dated June 8, 2017 to Aroostook County Federal Savings. Interest is charged at a fixed rate of 5.25% per annum. Monthly payments are \$1,883. Maturity is in February of 2037. 243,136
\$ 548,043

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:

Year Ended June 30,	Principal	Interest	Total Debt Service
2022	\$ 33,058	\$ 28,720	\$ 61,778
2023	34,985	26,879	61,864
2024	36,885	24,936	61,821
2025	38,936	22,885	61,821
2026	41,101	20,719	61,820
2027-2031	242,449	66,656	309,105
2032-2036	101,219	18,307	119,526
2037-2041	19,410	496	19,906
	\$ 548,043	\$ 209,598	\$ 757,641

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2021 was \$30,364.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 9 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2021 is as follows:

	Balance, 7/1/20	Additions	Deletions	Balance, 6/30/21	Current Portion
Accrued compensated absences	\$ 38,174	\$ 3,502	\$ -	\$ 41,676	\$ 4,168
Net pension liability	137,546	31,250	(6,076)	162,720	-
Net OPEB liability	13,753	-	(6,583)	7,170	-
	<u>\$ 189,473</u>	<u>\$ 34,752</u>	<u>\$ (12,659)</u>	<u>\$ 211,566</u>	<u>\$ 4,168</u>

Please see Notes 10, 11 and 13 for detailed information on each of the other long-term obligations.

NOTE 10 - ACCRUED 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, 2021 aggregated \$41,676.

NOTE 11 - DEFINED BENEFIT PENSION PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

PARTICIPATING LOCAL DISTRICT CONSOLIDATED PLAN

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 (207) 512-3100.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 62 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. As of June 30, 2020, there were 301 employers in the plan.

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 1.92%.

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 AC plan members are required to contribute between 7.35% and 8.10% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The current rate is 10.10% for the AC plan 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, 2021 was \$26,348.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTNUED)

Pension Liabilities

PLD Consolidated Plan

At June 30, 2021, the Authority reported a liability of \$162,720 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2020 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, 2020, the Authority's proportion was 0.040955%, which was a decrease of 0.004045% from its proportion measured as of June 30, 2019.

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

For the year ended June 30, 2021, the Authority recognized total pension expense of \$2,943 for the PLD plan. At June 30, 2021, 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	\$ 9,764	\$ 1,789
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	10,588	-
Changes in proportion and differences between contributions and proportionate share of contributions	6,431	8,913
Contributions subsequent to the measurement date	26,348	-
Total	<u>\$ 53,131</u>	<u>\$ 10,702</u>

\$26,348 for the PLD plan was 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 years ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

	PLD Plan
Plan year ended June 30:	
2021	\$ (6,672)
2022	4,746
2023	8,994
2024	9,014
2025	-
Thereafter	-

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2020, 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., actual decreases or increases in liabilities and/or in assets which differ 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 reduces the impact of short-term volatility 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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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, 2020 are as follows:

Investment Rate of Return - 6.75% per annum for the year ended June 30, 2020, compounded annually.

Salary Increases, Merit and Inflation - 2.75% to 9.00% per year

Mortality Rates - For active members and non-disabled retirees of the PLD Consolidated and State Employee and Teacher Plans, 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.

Cost of Living Benefit Increases - 1.91%

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, 2020 are summarized in the following table. Assets for each of the defined benefit plans are commingled for investment purposes.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	30.00%	6.00%
US Government	7.50%	2.30%
Private equity	15.00%	7.60%
Real assets:		
Real estate	10.00%	5.20%
Infrastructure	10.00%	5.30%
Natural resources	5.00%	5.00%
Traditional credit	7.50%	3.00%
Alternative credit	5.00%	7.20%
Diversifiers	10.00%	5.90%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2020 for the Plan. 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 as of June 30, 2020 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 6.75% for each of the Plans.

	1% Decrease	Discount Rate	1% Increase
<u>PLD Plan:</u>			
Discount rate	5.75%	6.75%	7.75%
Authority's proportionate share of the net pension liability	\$ 341,971	\$ 162,720	\$ 15,989

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - 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, 2020 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, 2020 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 resource. For 2020, this was three years for the PLD Consolidated Plan. For 2019, this was four years for the PLD Consolidated Plan. For 2018 and 2017, this was three years; prior to 2017, this was four years for the PLD Consolidated Plan.

Differences between Expected and Actual Investment Earnings

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, 2020 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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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' 2020 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

NOTE 12 - DEFERRED COMPENSATION PLAN

A. Plan Description

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 and maintained by the Variable Annuity Life Insurance Company (VALIC). The plan, available to employees who are in certain employee groups, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) to be held in a trust for the exclusive benefit of the participants and their beneficiaries.

It is the opinion of the Authority's management that the Authority has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - DEFERRED COMPENSATION PLAN (CONTINUED)

B. Funding Policy

Under the defined contribution plan, employees may elect to participate. The Authority will only match an eligible employee's contribution to the VALIC Plan if they are not enrolled in the PLD Plan, up to the same rate as the one set by MEPEERS for the PLD Plan for the current period.

The Authority's contributions to the plan for 2021 were \$0.

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

Plan Description

Authority 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. As of June 30, 2020, there were 139 employers participating in the plan. 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.maineopers.org or by contacting the System at (207) 512-3100.

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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

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 Authority's contribution to the Plan for the year ended June 30, 2021 was \$613.

Proportionate Net OPEB Liability, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2021, the Authority reported a liability of \$7,170 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2020 and the total OPEB liabilities used to calculate the net OPEB liabilities was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liabilities were based on a projection of the Authority's long-term share of contributions to the Plan relative to the projected contributions of all PLDs, actuarially determined. At June 30, 2020, the Authority's proportion was 0.054352%, which was a decrease of 0.009920% from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the Authority recognized net OPEB revenue of \$991. At June 30, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

	<u>PLD Life Insurance</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 885	\$ -
Changes of assumptions	746	5,110
Net difference between projected and actual earnings on pension plan investments	-	179
Changes in proportion and differences between contributions and proportionate share of contributions	1,594	1,820
Contributions subsequent to the measurement date	613	-
Total	<u>\$ 3,838</u>	<u>\$ 7,109</u>

\$613 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. 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:	
2021	\$ (971)
2022	(862)
2023	(302)
2024	(632)
2025	(1,118)
Thereafter	-

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2020, using the following methods and assumptions applied to all periods included in the measurement:

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

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

Investments are reported at fair value.

Amortization

The net OPEB liability of the Plan is amortized on a level percentage of payroll over a thirty-year period on a closed basis. As of June 30, 2020, there were 10 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2020 and June 30, 2019 actuarial valuations were based on the results of an actuarial experience study conducted for the period of June 30, 2012 to June 30, 2015.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2020 are as follows:

Investment Rate of Return - For the PLD Plan, 6.75% per annum, compounded annually.

Inflation Rate - 2.75%

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

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

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, 2020 are summarized in the following table. Assets for the defined benefit plan 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	15.00%	3.00%
US Government securities	10.00%	2.30%
Total	<u>100.00%</u>	

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the collective total OPEB liability was 6.75% for 2020. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

The following table shows how the collective net OPEB liability/(asset) as of June 30, 2020 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 4.98% for the PLD Plan.

	1% Decrease	Discount Rate	1% Increase
PLD Life Insurance: Discount rate	5.75%	6.75%	7.75%
Authority's proportionate share of the net OPEB liability	\$ 9,657	\$ 7,170	\$ 5,171

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, 2020 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, 2020 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. The difference between expected and actual experience as of June 30, 2020 was \$885.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 13 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Differences between Projected and Actual Investment Earnings on OPEB Plan 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 first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For the fiscal year ended June 30, 2020, the discount rate used for the PLD Consolidated Plan was increased from 4.98% to 6.75%.

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, 2020.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2020 Comprehensive Annual Financial Report available online at www.maineopers.org or by contacting the System at (207) 512-3100.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2021

NOTE 14 - 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 15 - 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, 2021. 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 16 - ECONOMIC DEPENDENCY

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

NOTE 17 - COMPARATIVE DATA/RECLASSIFICATIONS

Comparative total data for the prior year have been presented in selected sections of the accompanying financial statements in order to provide an understanding of the changes in the Authority's financial position and operations. Also, certain amounts presented in the prior year's data have been reclassified to be consistent with the current year's presentation.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental 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
- Notes to Required Supplementary Information

SCHEDULE 1

HOUSING AUTHORITY OF FORT FAIRFIELD

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

	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>							
Proportion of the net pension liability	0.04096%	0.04500%	0.04069%	0.04456%	0.04375%	0.03689%	0.04069%
Proportionate share of the net pension liability	\$ 162,720	\$ 137,546	\$ 111,348	\$ 180,386	\$ 232,473	\$ 117,687	\$ 62,607
Covered payroll	263,084	275,396	239,675	237,692	230,685	193,308	216,985
Proportionate share of the net pension liability as a percentage of its covered payroll	61.85%	49.94%	46.46%	75.89%	100.78%	60.88%	28.85%
Plan fiduciary net position as a percentage of the total pension liability	88.35%	90.62%	91.14%	86.43%	86.40%	81.61%	88.30%

* 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

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS*

	2021	2020	2019	2018	2017	2016	2015
<u>PLD Plan:</u>							
Contractually required contribution	\$ 26,348	\$ 26,308	\$ 27,602	\$ 22,586	\$ 22,581	\$ 20,531	\$ 15,078
Contributions in relation to the contractually required contribution	<u>(26,348)</u>	<u>(26,308)</u>	<u>(27,602)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 260,870	\$ 263,084	\$ 275,396	\$ 239,675	\$ 237,692	\$ 230,685	\$ 193,308
Contributions as a percentage of covered payroll	10.10%	10.00%	10.02%	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

HOUSING AUTHORITY OF FORT FAIRFIELD

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

	2021	2020	2019	2018	2017
<u>PLD Life Insurance:</u>					
Proportion of the net OPEB liability	0.05%	0.06%	0.05%	0.05%	0.05%
Authority's proportionate share of the net					
OPEB liability	\$ 7,170	\$ 13,753	\$ 10,949	\$ 8,913	\$ 12,001
Total	<u>\$ 7,170</u>	<u>\$ 13,753</u>	<u>\$ 10,949</u>	<u>\$ 8,913</u>	<u>\$ 12,001</u>
Covered payroll	\$ 263,084	\$ 275,396	\$ 239,675	\$ 237,692	\$ 230,685
Proportionate share of the net OPEB liability					
as a percentage of its covered payroll	2.73%	4.99%	4.57%	3.75%	5.20%
Plan fiduciary net position as a percentage					
of the total OPEB liability	55.40%	43.18%	43.92%	47.42%	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

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF CONTRIBUTIONS - OPEB
LAST 10 FISCAL YEARS*

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<u>PLD Life Insurance:</u>					
Contractually required contribution	\$ 613	\$ 707	\$ 182	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>(613)</u>	<u>(707)</u>	<u>(182)</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 260,870	\$ 263,084	\$ 275,396	\$ 239,675	\$ 237,692
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

Changes of Assumptions

MEPERS PLD Plan:

There have been no changes in actuarial assumptions since the last measurement date.

MEPERS OPEB Plan:

The discount rate was increased from 4.98% to 6.75%.

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 Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Supplemental Financial Data Schedule
- Schedule of Capital Grant Fund Costs - Completed

SCHEDULE A

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2021

	Project Total	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	2 State/Local	14.PHC Public Housing CARES Act Funding	14.182 N/C S/R Section 8 Programs	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
111 Cash - Unrestricted	\$ 277,475	\$ 30,332	\$ -	\$ 231,527	\$ -	\$ -	\$ -	\$ 539,334	\$ -	\$ 539,334
113 Cash - Other Restricted	-	37,549	4,830	232,786	-	-	2,104	277,269	-	277,269
114 Cash - Tenant Security Deposits	30,676	-	-	8,793	-	-	-	39,469	-	39,469
100 Total Cash	308,151	67,881	4,830	473,106	-	-	2,104	856,072	-	856,072
122 Accounts Receivable - HUD Other Projects	-	-	-	-	-	-	964	964	-	964
125 Accounts Receivable - Miscellaneous	-	-	-	1,050	-	-	-	1,050	-	1,050
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	5,964	-	-	-	5,964	-	5,964
129 Accrued Interest Receivable	-	-	-	1,078	-	-	-	1,078	-	1,078
120 Total Receivables, Net of Allowances for Doubtful Accounts	-	-	-	8,092	-	-	964	9,056	-	9,056
142 Prepaid Expenses and Other Assets	6,118	3,567	-	5,305	-	-	-	14,990	-	14,990
150 Total Current Assets	314,269	71,448	4,830	486,503	-	-	3,068	880,118	-	880,118
161 Land	620,102	-	-	308,620	-	-	-	928,722	-	928,722
162 Buildings	6,773,443	-	-	1,595,234	-	-	-	8,368,677	-	8,368,677
163 Furniture, Equipment & Machinery - Dwellings	872,774	-	-	112,371	-	-	-	985,145	-	985,145
164 Furniture, Equipment & Machinery - Administration	36,402	35,873	-	31,064	-	-	-	103,339	-	103,339
166 Accumulated Depreciation	(6,216,492)	(3,587)	-	(1,044,656)	-	-	-	(7,264,735)	-	(7,264,735)
160 Total Capital Assets, Net of Accumulated Depreciation	2,086,229	32,286	-	1,002,633	-	-	-	3,121,148	-	3,121,148
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	1,432,159	-	-	-	1,432,159	-	1,432,159
174 Other Assets	-	-	-	37,031	-	-	-	37,031	-	37,031
180 Total Non-Current Assets	2,086,229	32,286	-	2,471,823	-	-	-	4,590,338	-	4,590,338
200 Deferred Outflow of Resources	29,172	11,575	-	16,222	-	-	-	56,969	-	56,969
290 Total Assets and Deferred Outflow of Resources	2,429,670	115,309	4,830	2,974,548	-	-	3,068	5,527,425	-	5,527,425

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2021

	Project Total	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	2 State/Local	14.HCC HCV CARES Act Funding	14.182 N/C S/R Section 8 Programs	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
312 Accounts Payable <= 90 Days	15,638	55	-	5,543	-	-	-	21,236	-	21,236
321 Accrued Wage/Payroll Taxes Payable	10,538	-	-	-	-	-	-	10,538	-	10,538
322 Accrued Compensated Absences - Current Portion	2,621	626	-	921	-	-	-	4,168	-	4,168
325 Accrued Interest Payable	-	-	-	1,397	-	-	-	1,397	-	1,397
333 Accounts Payable - Other Government	22,844	-	-	-	-	-	-	22,844	-	22,844
341 Tenant Security Deposits	30,676	-	-	8,698	-	-	-	39,374	-	39,374
342 Unearned Revenue	10,567	-	4,830	90,152	-	-	-	105,549	-	105,549
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	33,058	-	-	-	33,058	-	33,058
346 Accrued Liabilities - Other	2,047	-	-	-	-	-	-	2,047	-	2,047
310 Total Current Liabilities	94,931	681	4,830	139,769	-	-	-	240,211	-	240,211
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	-	-	514,985	-	-	-	514,985	-	514,985
354 Accrued Compensated Absences - Non Current	23,585	5,638	-	8,285	-	-	-	37,508	-	37,508
357 Accrued Pension and OPEB Liabilities	93,773	27,981	-	48,136	-	-	-	169,890	-	169,890
350 Total Non-Current Liabilities	117,358	33,619	-	571,406	-	-	-	722,383	-	722,383
300 Total Liabilities	212,289	34,300	4,830	711,175	-	-	-	962,594	-	962,594
400 Deferred Inflow of Resources	10,568	2,911	-	4,332	-	-	-	17,811	-	17,811
508.4 Net Investment in Capital Assets	2,086,229	32,286	-	454,590	-	-	-	2,573,105	-	2,573,105
511.4 Restricted Net Position	-	37,549	-	-	-	-	3,068	40,617	-	40,617
512.4 Unrestricted Net Position	120,584	8,263	-	1,804,451	-	-	-	1,933,298	-	1,933,298
513 Total Equity - Net Assets / Position	2,206,813	78,098	-	2,259,041	-	-	3,068	4,547,020	-	4,547,020
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	2,429,670	115,309	4,830	2,974,548	-	-	3,068	5,527,425	-	5,527,425

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2021

	Project Total	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	2 State/Local	14.PHC Public Housing CARES Act Funding	14.182 N/C S/R Section 8 Programs	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
70300 Net Tenant Rental Revenue	\$ 338,915	\$ -	\$ -	\$ 109,007	\$ -	\$ -	\$ -	\$ 447,922	\$ -	\$ 447,922
70400 Tenant Revenue - Other	1,052	-	-	-	-	-	-	1,052	-	1,052
70500 Total Tenant Revenue	339,967	-	-	109,007	-	-	-	448,974	-	448,974
70600 HUD PHA Operating Grants	340,309	719,888	21,617	-	12,830	-	9,275	1,103,919	-	1,103,919
70610 Capital Grants	40,402	-	-	-	-	-	-	40,402	-	40,402
70800 Other Government Grants	-	-	-	62,528	-	104,422	-	166,950	-	166,950
71100 Investment Income - Unrestricted	1,612	41	-	5,756	-	-	-	7,409	-	7,409
71400 Fraud Recovery	-	1,078	-	-	-	-	-	1,078	-	1,078
71500 Other Revenue	45,555	11,814	-	116,599	-	-	-	173,968	-	173,968
71600 Gain or Loss on Sale of Capital Assets	-	4,978	-	-	-	-	-	4,978	-	4,978
72000 Investment Income - Restricted	-	-	-	1,490	-	-	-	1,490	-	1,490
70000 Total Revenue	767,845	737,799	21,617	295,380	12,830	104,422	9,275	1,949,168	-	1,949,168
91100 Administrative Salaries	94,427	31,052	15,584	53,390	-	-	964	195,417	-	195,417
91200 Auditing Fees	3,500	1,500	-	1,000	-	-	-	6,000	-	6,000
91400 Advertising and Marketing	-	-	-	258	-	-	-	258	-	258
91500 Employee Benefit contributions - Administrative	31,254	22,665	-	31,302	-	-	-	85,221	-	85,221
91700 Legal Expense	6,758	-	-	-	-	-	-	6,758	-	6,758
91800 Travel	-	-	-	2,523	-	-	-	2,523	-	2,523
91900 Other	28,400	7,733	6,033	21,880	12,830	-	-	76,876	-	76,876
91000 Total Operating - Administrative	164,339	62,950	21,617	110,353	12,830	-	964	373,053	-	373,053
92400 Tenant Services - Other	402	-	-	-	-	-	-	402	-	402
92500 Total Tenant Services	402	-	-	-	-	-	-	402	-	402

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2021

	Project Total	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	2 State/Local	14.PHC Public Housing CARES Act Funding	14.182 N/C S/R Section 8 Programs	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
93100 Water	18,388	-	-	3,163	-	-	-	21,551	-	21,551
93200 Electricity	16,594	-	-	4,830	-	-	-	21,424	-	21,424
93300 Gas	2,622	-	-	-	-	-	-	2,622	-	2,622
93400 Fuel	54,935	-	-	10,818	-	-	-	65,753	-	65,753
93600 Sewer	18,987	-	-	3,039	-	-	-	22,026	-	22,026
93000 Total Utilities	111,526	-	-	21,850	-	-	-	133,376	-	133,376
94100 Ordinary Maintenance and Operations - Labor	90,592	-	-	85,279	-	-	-	175,871	-	175,871
94200 Ordinary Maintenance and Operations - Materials and Other	53,377	-	-	30,623	-	-	-	84,000	-	84,000
94300 Ordinary Maintenance and Operations Contracts	47,124	-	-	17,984	-	-	-	65,108	-	65,108
94500 Employee Benefit Contributions - Ordinary Maintenance	28,808	-	-	16,922	-	-	-	45,730	-	45,730
94000 Total Maintenance	219,901	-	-	150,808	-	-	-	370,709	-	370,709
96110 Property Insurance	22,379	-	-	9,560	-	-	-	31,939	-	31,939
96120 Liability Insurance	-	3,766	-	-	-	-	-	3,766	-	3,766
96100 Total Insurance Premiums	22,379	3,766	-	9,560	-	-	-	35,705	-	35,705
96200 Other General Expenses	-	-	-	621	-	-	-	621	-	621
96210 Compensated Absences	2,202	526	-	774	-	-	-	3,502	-	3,502
96300 Payments in Lieu of Taxes	22,297	-	-	14,566	-	-	-	36,863	-	36,863
96400 Bad debt - Tenant Rents	18,485	-	-	-	-	-	-	18,485	-	18,485
96000 Total Other General Expenses	42,984	526	-	15,961	-	-	-	59,471	-	59,471
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	30,364	-	-	-	30,364	-	30,364
96700 Total Interest Expense and Amortization Cost	-	-	-	30,364	-	-	-	30,364	-	30,364
96900 Total Operating Expenses	561,531	67,242	21,617	338,896	12,830	-	964	1,003,080	-	1,003,080

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2021

	Project Total	14.871 Housing Choice Vouchers	14.HCC HCV CARES Act Funding	2 State/Local	14.PHC Public Housing CARES Act Funding	14.182 N/C S/R Section 8 Programs	14.879 Mainstream Vouchers	Subtotal	ELIM	Total
97000 Excess of Operating Revenue over Operating Expenses	206,314	670,557	-	(43,516)	-	104,422	8,311	946,088	-	946,088
97300 Housing Assistance Payments	-	606,944	-	-	-	-	5,243	612,187	-	612,187
97350 HAP Portability-In	-	6,233	-	-	-	-	-	6,233	-	6,233
97400 Depreciation Expense	160,989	4,592	-	58,583	-	-	-	224,164	-	224,164
90000 Total Expenses	722,520	685,011	21,617	397,479	12,830	-	6,207	1,845,664	-	1,845,664
10010 Operating Transfer In	17,750	-	-	104,422	-	-	-	122,172	(122,172)	-
10020 Operating transfer Out	(17,750)	-	-	-	-	(104,422)	-	(122,172)	122,172	-
10100 Total Other financing Sources (Uses)	-	-	-	104,422	-	(104,422)	-	-	-	-
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	45,325	52,788	-	2,323	-	-	3,068	103,504	-	103,504
11020 Required Annual Debt Principal Payments	-	-	-	33,058	-	-	-	33,058	-	33,058
11030 Beginning Equity	2,161,488	25,310	-	2,256,718	-	-	-	4,443,516	-	4,443,516
11170 Administrative Fee Equity	-	40,549	-	-	-	-	-	40,549	-	40,549
11180 Housing Assistance Payments Equity	-	37,549	-	-	-	-	-	37,549	-	37,549
11190 Unit Months Available	972	1,584	-	192	-	-	77	2,825	-	2,825
11210 Number of Unit Months Leased	968	1,514	-	192	-	-	14	2,688	-	2,688
11270 Excess Cash	164,667	-	-	-	-	-	-	164,667	-	164,667
11620 Building Purchases	44,402	-	-	-	-	-	-	44,402	-	44,402

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

HOUSING AUTHORITY OF FORT FAIRFIELD
SCHEDULE OF CAPITAL GRANT FUND COSTS - COMPLETED
JUNE 30, 2021

Annual Contributions Contract CF 501-18

Project Number	ME01P00250118
Funds Approved	\$ 158,635.00
Funds Expended	158,635.00
Excess (Deficiency) of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 158,635.00
Funds Expended	158,635.00
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.

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF CAPITAL GRANT FUND COSTS - COMPLETED (CONTINUED)
JUNE 30, 2021

Annual Contributions Contract CF 501-19

Project Number	ME01P002501-19
Funds Approved	\$ 165,929.00
Funds Expended	165,929.00
Excess (Deficiency) of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 165,929.00
Funds Expended	165,929.00
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.

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

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor Pass-through Grantor Program or Cluster Title	Federal AL Number	Pass-through Grantor Number	Expenditures to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: Direct programs:				
Public and Indian Housing	14.850	N/A	\$ -	\$ 322,559
Housing Voucher Cluster:				
Section 8 Housing Choice Voucher	14.871	N/A	-	719,888
Mainstream Voucher Program	14.879	N/A	-	9,275
Subtotal Housing Voucher Cluster			-	729,163
Public Housing Capital Fund	14.872	N/A	-	58,152
Public Housing CARES Act Funding	14.PHC	N/A	-	12,830
HVC CARES Act Funding	14.HCC	N/A	-	21,617
Passed through State of Maine - Maine State Housing Authority:				
Section 8 Project-Based Cluster:				
New Construction and Substantial Rehabilitation	14.182	N/A	-	104,422
Subtotal Section 8 Project-Based Cluster			-	104,422
Total U.S. Department of Housing and Urban Development			-	1,248,743
TOTAL FEDERAL AWARDS			\$ -	\$ 1,248,743

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

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2021

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Housing Authority of Fort Fairfield under programs of the federal government for the year ended June 30, 2021. 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 Housing Authority of Fort Fairfield, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Housing Authority of Fort Fairfield.

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 Housing Authority of Fort Fairfield 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).



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
Housing Authority of Fort Fairfield
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 Housing Authority of Fort Fairfield, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise Housing Authority of Fort Fairfield basic financial statements and have issued our report thereon dated March 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield's internal control. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield'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*. We noted certain other matters that we reported to management of Housing Authority of Fort Fairfield in a separate letter dated March 10, 2022.

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
March 24, 2022



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

Board of Commissioners
Housing Authority of Fort Fairfield
Fort Fairfield, Maine

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield's major federal programs for the year ended June 30, 2021. The Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield's compliance.

Opinion on Each Major Federal Program

In our opinion, the Housing Authority of Fort Fairfield 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, 2021.

Report on Internal Control Over Compliance

Management of the Housing Authority of Fort Fairfield 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 Housing Authority of Fort Fairfield'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 Housing Authority of Fort Fairfield's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Housing Authority of Fort Fairfield'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
March 24, 2022

HOUSING AUTHORITY OF FORT FAIRFIELD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

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>AL Numbers</u> 14.871/14.879	<u>Name of Federal Program or Cluster</u> 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