

Federal Compliance Audit

Housing Authority of Fort Fairfield

June 30, 2024



Proven Expertise & Integrity

HOUSING AUTHORITY OF FORT FAIRFIELD

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JUNE 30, 2024

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Housing Authority of Fort Fairfield, as of and for the year ended June 30, 2024 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.

In our opinion, the accompanying 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, 2024 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Housing Authority of Fort Fairfield and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Housing Authority of Fort Fairfield's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal controls relevant to the audit 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 Housing Authority of Fort Fairfield's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise doubt about the Housing Authority of Fort Fairfield's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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 5 through 9 and 51 through 57 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.

Supplementary 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 and schedule of capital grant fund costs - completed are presented for purposes of additional analysis and are 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.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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, schedule of capital grant fund costs - completed 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 18, 2025, on our consideration of the Housing Authority of Fort Fairfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Housing Authority of Fort Fairfield's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of Fort Fairfield's internal control over financial reporting and compliance.

RHR Smith & Company

Buxton, Maine
March 18, 2025

**REQUIRED SUPPLEMENTARY INFORMATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

(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, 2024. 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 financial information in the entity-wide perspective as the Authority only has one fund. These basic financial statements also 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.

The Statement of Cash Flows - this statement presents the classification of cash receipts and payments according to whether they are from operating activities, investing activities, capital and related financing activities or noncapital financing activities.

All of the above-mentioned financial statements have a separate column for the one type of Authority activity. The type of activity presented for the Authority is:

- *Business-type activities* - These activities are normally intended to recover all or a significant portion of their costs through user fees and/or charges to external users for goods and/or services. These activities for the Authority include all funds.

Fund financial statements are not presented as all activity for the Housing Authority of Fort Fairfield is proprietary in nature.

Proprietary Funds: The Authority maintains one major proprietary fund. These funds are used to show activities that operate more like those of commercial enterprises.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide Financial Statements. The Notes to Financial Statements can be found following the Statement of Cash Flows.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information, which includes a Schedule of Proportionate Share of the Net Pension Liability/(Asset), Schedule of Contributions - Pension, Schedule of Proportionate Share of Net OPEB Liability - Group Life, Schedule of Changes in Net OPEB Liability - Health Plan, Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan, Schedule of Contributions - OPEB - Group Life and Health Plan and Notes to Required Supplementary Information.

Other Supplementary Information

Other supplementary information follows the required supplementary information. The combining schedules provide specific details on the Authority's program activities.

Government-Wide Financial Analysis

Our analysis below focuses on the net position and changes in net position of the Authority's business-type activities. The Authority's business-type net position decreased by \$54,933 from \$4,632,644 to \$4,577,711.

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 \$80,853 from \$1,903,003 to a balance of \$1,983,856 at the end of this year.

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

| | Business-type Activities | | | |
|---------------------------------------|---------------------------------|---------------------|---------------------|-----------------|
| | 2024 | 2023 | \$ Change | % Change |
| Assets: | | | | |
| Current Assets | \$ 823,428 | \$ 769,542 | \$ 53,886 | 7.00% |
| Noncurrent Assets: | | | | |
| Capital Assets | 3,026,018 | 3,174,735 | (148,717) | -4.68% |
| Other | 1,438,949 | 1,447,548 | (8,599) | -0.59% |
| Total Assets | <u>\$ 5,288,395</u> | <u>\$ 5,391,825</u> | <u>\$ (103,430)</u> | <u>-1.92%</u> |
| Deferred Outflows of Resources | <u>\$ 80,380</u> | <u>\$ 87,858</u> | <u>\$ (7,478)</u> | <u>-8.51%</u> |
| Liabilities: | | | | |
| Current Liabilities | \$ 134,103 | \$ 146,188 | \$ (12,085) | -8.27% |
| Noncurrent Liabilities | 609,811 | 632,905 | (23,094) | -3.65% |
| Total Liabilities | <u>\$ 743,914</u> | <u>\$ 779,093</u> | <u>\$ (35,179)</u> | <u>-4.52%</u> |
| Deferred Inflows of Resources | <u>\$ 47,150</u> | <u>\$ 67,946</u> | <u>\$ (20,796)</u> | <u>-30.61%</u> |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 2,587,588 | \$ 2,694,736 | \$ (107,148) | -3.98% |
| Restricted | 6,267 | 34,905 | (28,638) | -82.05% |
| Unrestricted | 1,983,856 | 1,903,003 | 80,853 | 4.25% |
| Total Net Position | <u>\$ 4,577,711</u> | <u>\$ 4,632,644</u> | <u>\$ (54,933)</u> | <u>-1.19%</u> |

Revenues and Expenses

The business-type activities revenues experienced a decrease of 4.35% while expenses decreased by 0.48% from the prior fiscal year. Revenues decreased primarily due to intergovernmental and miscellaneous. Expenses decreased in all areas except for housing assistance payments.

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

| | <u>Business-type Activities</u> | | | |
|---------------------------------------|---------------------------------|---------------------|--------------------|-----------------|
| | <u>2024</u> | <u>2023</u> | <u>\$ Change</u> | <u>% Change</u> |
| Revenues | | | | |
| Rental revenues | \$ 542,869 | \$ 509,831 | \$ 33,038 | 6.48% |
| Intergovernmental | 1,470,454 | 1,590,323 | (119,869) | -7.54% |
| Interest income | 5,842 | 6,737 | (895) | -13.28% |
| Miscellaneous | 153,017 | 163,970 | (10,953) | -6.68% |
| Total Revenues | <u>2,172,182</u> | <u>2,270,861</u> | <u>(98,679)</u> | <u>-4.35%</u> |
| Expenses | | | | |
| Housing assistance payments | 822,324 | 699,466 | 122,858 | 17.56% |
| Administration | 431,563 | 438,850 | (7,287) | -1.66% |
| Tenant services | 231 | 419 | (188) | -44.87% |
| Utilities | 185,358 | 207,705 | (22,347) | -10.76% |
| Repairs and maintenance | 414,850 | 501,790 | (86,940) | -17.33% |
| Insurance expense | 46,486 | 48,213 | (1,727) | -3.58% |
| Depreciation and amortization expense | 217,383 | 223,002 | (5,619) | -2.52% |
| Interest expense | 24,819 | 26,767 | (1,948) | -7.28% |
| Other general expenses | 84,101 | 91,746 | (7,645) | -8.33% |
| Total Expenses | <u>2,227,115</u> | <u>2,237,958</u> | <u>(10,843)</u> | <u>-0.48%</u> |
| Change in Net Position | (54,933) | 32,903 | (87,836) | |
| Net Position - July 1 | <u>4,632,644</u> | <u>4,599,741</u> | <u>32,903</u> | |
| Net Position - June 30 | <u>\$ 4,577,711</u> | <u>\$ 4,632,644</u> | <u>\$ (54,933)</u> | |

Capital Asset and Long-Term Debt Activity

Capital Assets

As of June 30, 2024, the net book value of capital assets recorded by the Authority decreased by \$148,718 from the prior year. This decrease is the result of capital additions of \$66,790 less current year depreciation expense of \$215,508.

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

| | <u>2024</u> | <u>2023</u> |
|------------------------------------|---------------------|---------------------|
| Land | \$ 70,350 | \$ 60,237 |
| Land improvements | 875,533 | 875,533 |
| Buildings and improvements | 8,849,384 | 8,555,434 |
| Furniture, equipment and machinery | 1,129,593 | 1,115,813 |
| | <u>10,924,860</u> | <u>10,858,070</u> |
| Accumulated depreciation | (7,898,842) | (7,683,335) |
| Net capital assets | <u>\$ 3,026,018</u> | <u>\$ 3,174,735</u> |

Debt

At June 30, 2024, the Authority had \$438,430 in notes from direct borrowings payable outstanding versus \$479,999 last year, a decrease of \$41,569 as shown in Note 8 of Notes to Financial Statements.

Currently Known Facts, Decisions or Conditions

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
JUNE 30, 2024

ASSETS

Current assets:

| | |
|---|----------------|
| Cash and cash equivalents - unrestricted | \$ 348,604 |
| Cash and cash equivalents - restricted | 226,814 |
| Investments - unrestricted | 203,090 |
| Accounts receivable (net of allowance for uncollectibles) | 13,035 |
| Prepaid items | 25,162 |
| Current portion of notes receivable | <u>6,723</u> |
| Total current assets | <u>823,428</u> |

Noncurrent assets:

Capital assets:

| | |
|---|------------------|
| Land, infrastructure and other assets not being depreciated | 70,350 |
| Buildings and equipment, net of accumulated depreciation | <u>2,955,668</u> |
| Total capital assets | <u>3,026,018</u> |
| Notes and mortgages receivable | 1,407,543 |
| Other assets | <u>31,406</u> |
| Total noncurrent assets | <u>4,464,967</u> |

| | |
|--------------|------------------|
| TOTAL ASSETS | <u>5,288,395</u> |
|--------------|------------------|

DEFERRED OUTFLOWS OF RESOURCES

| | |
|---------------------------------------|---------------|
| Deferred outflows related to pensions | 49,635 |
| Deferred outflows related to OPEB | <u>30,745</u> |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>80,380</u> |

| | |
|---|---------------------|
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 5,368,775</u> |
|---|---------------------|

STATEMENT A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF NET POSITION
JUNE 30, 2024

LIABILITIES

Current liabilities:

| | |
|--|----------------|
| Accounts payable | \$ 6,210 |
| Due to other governments | 26,343 |
| Accrued wages | 9,384 |
| Interest payable | 1,063 |
| Unearned revenue | 36 |
| Tenant security deposits | 47,062 |
| Current portion of long-term obligations | 44,005 |
| Total current liabilities | <u>134,103</u> |

Noncurrent liabilities:

Noncurrent portion of long-term obligations:

| | |
|--------------------------------------|----------------|
| Accrued compensated absences | 47,370 |
| Notes from direct borrowings payable | 399,494 |
| Net pension liability | 99,618 |
| Net OPEB liability | 63,329 |
| Total noncurrent liabilities | <u>609,811</u> |

| | |
|-------------------|----------------|
| TOTAL LIABILITIES | <u>743,914</u> |
|-------------------|----------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|--------------------------------------|---------------|
| Deferred inflows related to pensions | 28,604 |
| Deferred inflows related to OPEB | 18,546 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>47,150</u> |

NET POSITION

| | |
|----------------------------------|------------------|
| Net investment in capital assets | 2,587,588 |
| Restricted | 6,267 |
| Unrestricted | 1,983,856 |
| TOTAL NET POSITION | <u>4,577,711</u> |

| | |
|--|---------------------|
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 5,368,775</u> |
|--|---------------------|

See accompanying independent auditor's report and notes to financial statements.

STATEMENT B

HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF CHANGES IN REVENUES, EXPENSES AND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2024

| | |
|--|---------------------|
| OPERATING REVENUES | |
| Tenant rental income | \$ 542,869 |
| HUD grants and contributions | 1,277,578 |
| Other government grants | 157,957 |
| Other revenue | 153,017 |
| TOTAL OPERATING REVENUES | <u>2,131,421</u> |
| OPERATING EXPENSES | |
| Housing assistance payments | 822,324 |
| Administration | 431,563 |
| Tenant services | 231 |
| Utilities | 185,358 |
| Repairs and maintenance | 414,850 |
| Insurance expense | 46,486 |
| Depreciation and amortization expense | 217,383 |
| Other general expenses | 84,101 |
| TOTAL OPERATING EXPENSES | <u>2,202,296</u> |
| OPERATING INCOME (LOSS) | <u>(70,875)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Interest and investment revenue | 5,842 |
| Interest expense | (24,819) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | <u>(18,977)</u> |
| INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS | <u>(89,852)</u> |
| CAPITAL CONTRIBUTIONS | |
| HUD capital grants and contributions | 34,919 |
| TOTAL CAPITAL CONTRIBUTIONS | <u>34,919</u> |
| CHANGE IN NET POSITION | (54,933) |
| NET POSITION - JULY 1 | <u>4,632,644</u> |
| NET POSITION - JUNE 30 | <u>\$ 4,577,711</u> |

See accompanying independent auditor's report and notes to financial statements.

STATEMENT C

HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|--|----------------|
| Receipts from tenants | \$ 548,186 |
| HUD grants and contributions | 1,277,578 |
| Other operating receipts | 317,499 |
| Payments to employee and vendors | (1,997,181) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>146,082</u> |

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

| | |
|--|-----------------|
| (Purchases) sale of land, buildings and equipment | (66,791) |
| HUD capital grants | 34,919 |
| Interest paid | (24,587) |
| Payments on long-term debt | (41,569) |
| NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES | <u>(98,028)</u> |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|---|--------------|
| Interest and dividends received | 5,842 |
| (Increase) decrease in investments | (2,222) |
| NET CASH PROVIDED BY INVESTING ACTIVITIES | <u>3,620</u> |

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS 51,674

CASH AND CASH EQUIVALENTS - JULY 1, 2023 523,744

CASH AND CASH EQUIVALENTS - JUNE 30, 2024 \$ 575,418

Cash and cash equivalents - unrestricted \$ 348,604
 Cash and cash equivalents - restricted 226,814
 CASH AND CASH EQUIVALENTS - JUNE 30, 2023 \$ 575,418

STATEMENT C (CONTINUED)
HOUSING AUTHORITY OF FORT FAIRFIELD

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2024

| | |
|---|-------------------|
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Operating income (loss) | \$ (70,875) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 215,508 |
| Amortization expense | 1,875 |
| Changes in operating assets, deferred outflows of resources, liabilities and deferred inflows of resources: | |
| (Increase) decrease in accounts receivable | 8,889 |
| (Increase) decrease in prepaid items | (8,680) |
| (Increase) decrease in notes and mortgages receivable | 6,525 |
| (Increase) decrease in deferred outflows of resources | 7,478 |
| (Decrease) increase in accounts payable | (20,172) |
| (Decrease) increase in due to other governments | 4,711 |
| (Decrease) increase in accrued wages | 4,168 |
| (Decrease) increase in unearned revenue | (5,246) |
| (Decrease) increase in tenant security deposits | 1,674 |
| (Decrease) increase in accrued compensated absences | 1,749 |
| (Decrease) increase in net pension liability | 2,163 |
| (Decrease) increase in net OPEB liability | 17,111 |
| (Decrease) increase in deferred inflows of resources | (20,796) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | <u>\$ 146,082</u> |

See accompanying independent auditor's report and notes to financial statements.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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 commissioners' 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, 2024

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).

Implementation of New Accounting Standards

During the year ended June 30, 2024, the following statement of financial accounting standards issued by the Governmental Accounting Standards Board became effective:

Statement No. 100 "Accounting Changes and Error Corrections - an Amendment of GASB Statement No. 62". The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. Management has determined the impact of this Statement is not material to the financial statements.

Measurement Focus - Basic Financial Statements

Fund financial statements are not presented as all activities of the Authority are proprietary in nature. The activity of the Authority is presented for the following:

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:

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Basis of Accounting

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

1. Accrual

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

Deposits and Investments

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

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

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

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. 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 \$24,953 as of June 30, 2024. Accounts receivable netted with allowances for uncollectible accounts was \$13,035 for the year ended June 30, 2024.

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. 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 |

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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/(asset) 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.

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.

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, management received and relied on an actuarial report provided to them by the Maine Municipal Employees Health Trust (MMEHT), which determined the Authority's fiduciary net position as a single employer defined benefit plan based on information provided solely by MMEHT to complete the actuarial report. Additions to/deductions from the MMEHT OPEB Plan's fiduciary net

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

position have been determined on the same basis as they are reported by MMEHT. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

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 investment in capital assets or restricted net position. At June 30, 2024, restrictions of \$6,267, represent the net position restricted by HUD related to the Housing Choice Voucher Program to be used for future HAP payments.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Revenues

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

Operating/Nonoperating Proprietary Fund Revenues

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

Use of Estimates

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

NOTE 2 - DEPOSITS AND INVESTMENTS

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

Deposits:

Custodial credit risk for deposits is the risk that, in the event of a failure of a depository financial institution, the Authority will not be able to recover its deposits. The Authority does not have a policy covering custodial credit risk for deposits. However, the Authority maintains deposits in qualifying financial institutions that are a member of the FDIC or NCUSIF as defined in Title 30-A, Section 5706 of the Maine Revised Statutes.

At June 30, 2024, the Authority's cash balances amounting to \$575,418 were comprised of bank deposits of \$589,440. Bank deposits are adjusted primarily by outstanding checks and deposits in transit to reconcile to the Authority's cash balance. Of these bank deposits, \$546,309 was insured by federal depository insurance and

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

consequently was not exposed to custodial credit risk and \$43,131 was collateralized with securities held by the financial institution in the Authority's name.

| <u>Account Type</u> | <u>Bank Balance</u> |
|---------------------|-------------------------|
| Checking accounts | \$ 535,240 |
| Savings accounts | 43,845 |
| | <u>\$ 589,440</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 \$203,090 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, 2024, the Authority's investments of \$203,090 were comprised of certificates of deposit are 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, 2024

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, 2024, restricted cash and cash equivalents was \$264,849.

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, 2024, the outstanding principal balance was \$99,016.

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, 2024, the outstanding principal balance on the loans was \$1,321,775.

NOTE 5 - OTHER NONCURRENT ASSETS

In 1999, the Authority contributed \$75,000 to the Authority 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 year ended June 30, 2024, 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, 2024, the remaining book value of the asset was \$31,406.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 6 - CAPITAL ASSETS

The following is a summary of changes in capital assets for the year ended June 30, 2024:

| | Balance, 7/1/23 | Additions | Deletions | Balance, 6/30/24 |
|------------------------------------|---------------------|-------------------|---------------------|---------------------|
| Non-depreciated assets: | | | | |
| Land | \$ 60,237 | \$ 10,113 | \$ - | \$ 70,350 |
| Construction in progress | 251,053 | - | (251,053) | - |
| | <u>311,290</u> | <u>10,113</u> | <u>(251,053)</u> | <u>70,350</u> |
| Depreciated assets: | | | | |
| Land improvements | 875,533 | - | - | 875,533 |
| Buildings and improvements | 8,555,434 | 293,950 | - | 8,849,384 |
| Furniture, equipment and machinery | 1,115,813 | 13,780 | - | 1,129,593 |
| | <u>10,546,780</u> | <u>307,730</u> | <u>-</u> | <u>10,854,510</u> |
| Less accumulated depreciation: | <u>(7,683,335)</u> | <u>(215,507)</u> | <u>-</u> | <u>(7,898,842)</u> |
| | <u>2,863,445</u> | <u>92,223</u> | <u>-</u> | <u>2,955,668</u> |
| Net capital assets | <u>\$ 3,174,735</u> | <u>\$ 102,336</u> | <u>\$ (251,053)</u> | <u>\$ 3,026,018</u> |

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, 2024, aggregated \$38,607.

NOTE 8 - LONG-TERM DEBT

The following is a summary of changes in the long-term debt for the year ended June 30, 2024:

| | Balance, 7/1/23 | Additions | Deletions | Balance, 6/30/24 | Current Portion |
|--------------------------------------|--------------------|-----------|-------------|---------------------|--------------------|
| Notes from direct borrowings payable | \$ 479,999 | \$ - | \$ (41,569) | \$ 438,430 | \$ 38,936 |

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 8 - LONG-TERM DEBT (CONTINUED)

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. \$ 231,863

\$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. 206,567

\$ 438,430

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:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|----------------------------|-------------------|-------------------|-------------------------------|
| 2025 | \$ 38,936 | \$ 22,885 | \$ 61,821 |
| 2026 | 41,102 | 20,719 | 61,821 |
| 2027 | 43,387 | 18,433 | 61,820 |
| 2028 | 45,800 | 16,020 | 61,820 |
| 2029 | 48,348 | 13,473 | 61,821 |
| 2030-2034 | 165,242 | 32,725 | 197,967 |
| 2035-2039 | 55,615 | 4,808 | 60,423 |
| | <u>\$ 438,430</u> | <u>\$ 129,063</u> | <u>\$ 567,493</u> |

No interest costs were capitalized during the period. The amount of interest costs incurred and charged to expense for the year ended June 30, 2024 was \$24,819.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 9 - OTHER LONG-TERM OBLIGATIONS

A summary of other long-term obligations for the year ended June 30, 2024 is as follows:

| | Balance, 7/1/23 | Additions | Deletions | Balance, 6/30/24 | Current Portion |
|---------------------------------|--------------------|------------------|--------------------|---------------------|--------------------|
| Accrued compensated absences | \$ 50,690 | \$ 1,749 | \$ - | \$ 52,439 | \$ 5,069 |
| Net pension liability/(asset) | 97,455 | 50,307 | (48,144) | 99,618 | - |
| Net OPEB liability | 46,218 | 19,024 | (1,913) | 63,329 | - |
| | <u>\$ 194,363</u> | <u>\$ 71,080</u> | <u>\$ (50,057)</u> | <u>\$ 215,386</u> | <u>\$ 5,069</u> |

Please see Notes 10, 12, 14 and 15 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, sickness, 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, 2024 aggregated \$52,439.

NOTE 11 - NET INVESTMENT IN CAPITAL ASSETS

The following is the calculation of the net investment in capital assets for the Authority at June 30, 2024:

| | |
|----------------------------------|---------------------|
| Invested in capital assets | \$ 10,924,860 |
| Accumulated depreciation | (7,898,842) |
| Outstanding capital related debt | (438,430) |
| | <u>\$ 2,587,588</u> |

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 - 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.

Benefits Provided

The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. The System's retirement programs provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e., eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit (effective October 1, 1999, the prior ten year requirement was reduced by legislative action to five years for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 or 65. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. The System also provides disability and death benefits which are established by contract with other PLD employers under applicable statutory provisions. As of June 30, 2023, there were 327 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 3.88%.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 7.05% and 7.80% of their annual covered salary. The Authority is required to contribute at an actuarially determined rate. The current rate is 10.30% 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, 2024 was \$31,140.

Pension Liabilities

PLD Consolidated Plan

At June 30, 2024, the Authority reported a liability of \$99,618 for its proportionate share of the net pension liabilities for the plan. The net pension liabilities were measured as of June 30, 2023 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, 2023, the Authority's proportion was 0.031219%, which was a decrease of 0.005440% from its proportion measured as of June 30, 2022.

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

For the year ended June 30, 2024, the Authority recognized total pension revenue of \$528 for the PLD plan. At June 30, 2024, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTNUED)

| | PLD Plan | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 18,495 | \$ - |
| Changes of assumptions | - | - |
| Net difference between projected and actual earnings on pension plan investments | - | 16,905 |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | 11,699 |
| Contributions subsequent to the measurement date | 31,140 | - |
| Total | \$ 49,635 | \$ 28,604 |

\$31,140 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | PLD Plan |
|--------------------------|-------------|
| Plan year ended June 30: | |
| 2024 | \$ (7,955) |
| 2025 | (20,086) |
| 2026 | 17,146 |
| 2027 | 786 |
| 2028 | - |
| Thereafter | - |

Actuarial Methods and Assumptions

The respective collective total pension liability for the plans was determined by an actuarial valuation as of June 30, 2023, 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, 2024

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal cost method is used to determine costs. Under this cost 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/(assets). 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 and the member's expected future salary. The normal cost for each member is the product of the member's pay and their normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

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

Asset Valuation Method

The actuarial valuation employs a technique for determining the actuarial value of assets which 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.

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, 2023 are as follows:

Investment Rate of Return - 6.50% per annum for the year ended June 30, 2023 and 2022 compounded annually.

Salary Increases, Merit and Inflation - 2.75% to 11.48% per year

Mortality Rates - For the plan, the rates are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

Cost of Living Benefit Increases - 1.91%

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments 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 geometric real rates of return for each major asset class included in the pension plan's target asset allocation as June 30, 2023 are summarized in the following table.

| Asset Class | Target Allocation | Long-term Expected Real Rate of Return |
|--------------------|----------------------|---|
| Public equities | 30.00% | 6.00% |
| US Government | 7.50% | 2.60% |
| 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% | 3.20% |
| Alternative credit | 5.00% | 7.40% |
| Diversifiers | 10.00% | 5.00% |

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50% for 2023 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, 2023 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 6.50% for the Plan.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | 1% Decrease | Discount Rate | 1% Increase |
|---|----------------|------------------|----------------|
| <u>PLD Plan:</u> | | | |
| Discount rate | 5.50% | 6.50% | 7.50% |
| Authority's proportionate share of the net pension liability/(asset) | \$ 272,961 | \$ 99,618 | \$ (43,376) |

Changes in Net Pension Liability/(Asset)

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, 2023 as shown in the schedules of employer and non-employer contributing entity allocations. Changes in net pension liability/(asset) are recognized in pension expense for the year ended June 30, 2023 with the following exceptions.

Differences between Expected and Actual Experience

The difference between expected and actual experience with regard to economic or demographic factors is recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources. For 2023 and 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 are 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 are 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, 2023 valuation were based on the results of an actuarial experience study for the period of June 30, 2015 through June 30, 2020. The first year is recognized as pension expense and the remaining years are shown as

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 12 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

either deferred outflows of resources or deferred inflows of resources. Please refer to the *Actuarial Methods and Assumptions* section for information relating to the use of assumptions.

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 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/(asset).

Pension Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2023 Annual Comprehensive Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

NOTE 13 - 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 a duty of due care that would be required of an ordinary prudent investor.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 13 - 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 MEPERS for the PLD Plan for the current period.

The Authority's contributions to the plan for 2024 were \$0.

NOTE 14 - 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, 2023, there were 146 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.mainebers.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, 2024

NOTE 14 - 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 \$0.48 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 \$0.48 per \$1,000 of coverage per month during the post-employment retirement period. The Authority's contribution to the Plan for the year ended June 30, 2024 was \$1,316.

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

At June 30, 2024, the Authority reported a liability of \$8,125 for its proportionate share of the net OPEB liabilities for the Plan. The net OPEB liabilities were measured as of June 30, 2023 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, 2023, the Authority's proportion was 0.059544%, which was a decrease of 0.009767% from its proportion measured as of June 30, 2022.

For the year ended June 30, 2024, the Authority recognized net OPEB revenue of \$273. At June 30, 2024, 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, 2024

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

| | PLD Life Insurance | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 144 | \$ 64 |
| Changes of assumptions | 397 | 1,795 |
| Net difference between projected and actual earnings on pension plan investments | 261 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 4,205 | 4,377 |
| Contributions subsequent to the measurement date | 1,316 | - |
| Total | \$ 6,323 | \$ 6,236 |

\$1,316 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | PLD Life Insurance |
|--------------------------|--------------------|
| Plan year ended June 30: | |
| 2024 | \$ (447) |
| 2025 | (943) |
| 2026 | 714 |
| 2027 | 189 |
| 2028 | (743) |
| Thereafter | - |

Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of June 30, 2023, 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, 2024

NOTE 14 - 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, 2023, there were 7 years remaining for the Plan.

The actuarial assumptions used in the June 30, 2023 actuarial valuation was based on the results of an actuarial experience study conducted for the period of July 1, 2015 to June 30, 2020.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2023 are as follows:

Investment Rate of Return - For the PLD Plan, 6.50% per annum, compounded annually.

Inflation Rate - 2.75%

Annual Salary Increases including Inflation - For the PLD Plan, 2.75% to 11.48% per year.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

Mortality Rates - For active members and non-disabled retirees of the Plan, the 2010 Public Plan General Benefits - Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model is used.

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, 2023 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% | 3.20% |
| US Government securities | 10.00% | 2.30% |
| Total | 100.00% | |

Discount Rate

The discount rate used to measure the collective total OPEB liability was 6.50% for 2023. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE INSURANCE PLAN (CONTINUED)

The following table shows how the collective net OPEB liability as of June 30, 2022 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 6.50% for the PLD Plan.

| | 1% Decrease | Discount Rate | 1% Increase |
|--|----------------|------------------|----------------|
| PLD Life Insurance: Discount rate | 5.50% | 6.50% | 7.50% |
| Authority's proportionate share of the net OPEB liability | \$ 11,269 | \$ 8,125 | \$ 5,597 |

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, 2023 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, 2023 with the following exceptions:

Differences between Expected and Actual Experience

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

Differences between Projected and Actual Investment Earnings on OPEB 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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 14 - OTHER POST EMPLOYMENT BENEFIT (OPEB) GROUP LIFE
INSURANCE PLAN (CONTINUED)

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.

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, 2023.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to the Plan can be found in the MainePERS' 2023 Annual Comprehensive Financial Report available 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, 2024

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE
PLAN

MAINE MUNICIPAL EMPLOYEES HEALTH TRUST

Plan Description

The Authority and Authority retirees contribute to the Authority's OPEB Plan with the Maine Municipal Employees Health Trust (MMEHT), a single employer defined benefit plan. Contributions and membership in this Plan are voluntary and may be terminated at any time by the Authority and/or the Authority retirees. MMEHT is a fully funded, self-insured trust which provides benefits to municipal and quasi-municipal organizations and county governments and acts as the agent to the Authority concerning administration of this Plan. Title 24-A Chapter 81 of the Maine Revised Statutes Annotated authorizes the regulation of MMEHT as a Multiple Employer Welfare Arrangement by the State of Maine Bureau of Insurance. Benefits and plans are designed and governed by MMEHT participants and are administered by a number of third-party administrators contracted by MMEHT. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. MMEHT issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by MMEHT at (800) 852-8300.

Benefits Provided

This Plan provides medical/prescription drug benefits during retirement to Medicare and non-Medicare retirees and their surviving spouses with varying levels of benefits determined by voluntary plan selection by the retiree as well as applicable Medicare statutes and regulations. The Plan also provides an automatic life insurance benefit of \$2,000 to participants which includes a surviving spouse benefit for the same. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for the Plan. The retiree must enroll when first eligible and continue coverage without interruption.

Employees Covered by Benefit Terms

At January 1, 2024, the following employees were covered by the benefit terms:

| | |
|----------------------|----------|
| Active members | 6 |
| Retirees and spouses | - |
| Total | <u>6</u> |

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE PLAN (CONTINUED)

Contributions

Retiree and spouse premium amounts are funded by the retiree at the rate for the coverage elected by the retiree. Premium rates are those determined by the MMEHT's Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for retiree life insurance coverage are factored into the premiums paid for basic coverage. Retirees and spouses must contribute 100% of the premium amounts. The sponsoring employer pays the remainder of the premium. Medical benefits are provided for the life of the retiree and surviving spouses.

Retiree Premium Amounts

The following monthly premium amounts were reported on the individual data file. Actual plan election was reflected in expected retiree premium amounts.

| <u>Pre-Medicare</u> | <u>Single Coverage</u> | <u>Family Coverage</u> |
|----------------------------|------------------------|------------------------|
| POS C | \$1,140.92 | \$2,559.25 |
| PPO 2500 | \$882.84 | \$1,980.35 |
| <u>Medicare</u> | | |
| Medicare-Eligible Retirees | \$600.50 | \$1,201.00 |

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

At June 30, 2024, the Authority reported a liability of \$36,180 for its total OPEB liability for this Plan. The total OPEB liability was measured as of January 1, 2024 and was determined by an actuarial valuation as of that date. The Authority's total OPEB liability was based on the Entry Age Normal Actuarial Cost Method which does not reflect future changes in benefits, subsidies, penalties, taxes or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010 (ACA) related legislation and regulations.

For the year ended June 30, 2024, the Authority recognized OPEB expense of \$5,701. At June 30, 2024, 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, 2024**

**NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE
PLAN (CONTINUED)**

| | MMEHT | |
|--|---|--|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 3,105 | \$ 6,040 |
| Changes of assumptions | 21,193 | 6,270 |
| Net difference between projected and actual earnings on OPEB plan investments | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | 124 | - |
| Total | \$ 24,422 | \$ 12,310 |

\$124 were 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| | MMEHT |
|------------------------------|--------------|
| Plan year ended December 31: | |
| 2025 | \$ 1,643 |
| 2026 | 1,643 |
| 2027 | 1,643 |
| 2028 | 1,643 |
| 2029 | 1,639 |
| Thereafter | 3,777 |

Discount Rate

The discount rate is the assumed interest rate used for converting projected dollar related values to a present value as of the valuation date of January 1, 2024. The discount rate determination is based on the high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE PLAN (CONTINUED)

20-Bond GO Index. The rate of 3.26% per annum for June 30, 2024 was based upon a measurement date of December 28, 2023. The sensitivity of net OPEB liability to changes in discount rate are as follows:

| | 1% Decrease | Discount Rate | 1% Increase |
|--|------------------|------------------|------------------|
| | 2.26% | 3.26% | 4.26% |
| Total OPEB liability | \$ 67,741 | \$ 55,204 | \$ 45,284 |
| Plan fiduciary net position | - | - | - |
| Net OPEB liability | <u>\$ 67,741</u> | <u>\$ 55,204</u> | <u>\$ 45,284</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% |

Healthcare Trend

The healthcare trend is the assumed dollar increase in dollar-related values in the future due to the increase in the cost of health care. The healthcare cost trend rate is the rate of change in per capita health claim costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design and technological developments. The sensitivity of net OPEB liability to changes in healthcare cost trend rates are as follows:

| | 1% Decrease | Healthcare Trend Rates | 1% Increase |
|--|------------------|---------------------------|------------------|
| Total OPEB liability | \$ 43,700 | \$ 55,204 | \$ 45,284 |
| Plan fiduciary net position | - | - | - |
| Net OPEB liability | <u>\$ 43,700</u> | <u>\$ 55,204</u> | <u>\$ 45,284</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% |

Actuarial Methods and Assumptions

The total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2024, 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, 2024

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE PLAN (CONTINUED)

Actuarial Cost Method

The Entry Age Normal Actuarial Cost Method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for each active Plan member and then summed to produce the total normal cost for this Plan. The unfunded actuarial liability is the difference between the actuarial liability and the actuarial value of assets.

For medical and pharmacy, historical claims and census records were assembled and provided through June 30, 2021. Medicare and non-Medicare eligible medical and prescription experience were analyzed. It was assumed that current enrollment distribution of benefit options would remain constant in the future for retirees. The cost was distributed based on the current covered population and the actuary's standard age curves which vary by age, gender and Medicare status. Children costs are converted to a load on the non-Medicare retirees which implicitly assumes that future retirees will have the same child distribution as current retirees.

Assumptions

The actuarial assumptions used in the January 1, 2024 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2021. As of January 1, 2023, they are as follows:

Discount Rate - 3.72% per annum for year end 2023 reporting. 2.06% per annum for year end 2022 reporting.

Trend Assumptions:

Medical Trend assumptions were developed using the Society of Actuaries (SOA) Long-Run Medical Cost Trend Model. The SOA model was released in December 2007 and version 2024_1b was used for this valuation. The following assumptions were input into this model:

| <u>Variable</u> | <u>Rate</u> |
|---|-------------|
| Rate of Inflation | 2.38% |
| Rate of Growth in Real Income/GDP per capital 2032+ | 1.40% |
| Extra Trend due to Taste/Technology 2031+ | 1.10% |
| Expected Health Share of GDP 2031 | 19.80% |
| Health Share of GDP Resistance Point | 18.00% |
| Year for Limiting Cost Growth to GDP Growth | 2044 |

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE
PLAN (CONTINUED)

The SOA Long-Run Medical Cost Trend Model and its baseline projection are based on an econometric analysis of historical U.S. medical expenditures and the judgements of experts in the field. The long-run baseline projection and input variables have been developed under the guidance of the SOA Project Oversight Group.

The trends selected from 2024 to 2027 were based on plan design, population weighting, renewal projections and market analysis. For the years 2028 to 2032, these are interpolated from 2027 to 2033 (which is the product of the inflation, GDP and extra trend rate assumptions).

Deductibles, Co-payments and Out of Pocket Maximums are assumed to increase at the above trend rates. The ultimate trend rate reflects an assumed nominal per capital GDP growth.

Administrative and claims expense: 3% per annum

Future plan changes: It is assumed that the current Plan and cost-sharing structure remains in place for all future years.

Retirement Rates - Rates vary for plans with no explicit employer subsidy (or payment) versus those plans defining an explicit employer subsidy (or payment). The rates are based on assumptions from the Maine State Retirement Consolidated Plan for Participating Local District at June 30, 2021.

Retirement Contribution Increases - Assumed to increase at the same rate as incurred claims. A constant cost sharing in plan design between employer and employees is assumed.

Family Enrollment Composition - For males, 50% of future retirees under the age of 65 and 50% of current retirees are married and elect spousal coverage while females are at 30% for both. 25% of male and female future retirees over the age of 65 are married and elect spousal coverage.

Age Difference of Spouses - Husbands are assumed to be 3 years older than wives.

Administrative expenses - Included in the per capita claims cost.

Disability Incidence - Disabled lives will be considered active employees and will not be valued separately.

Salary Increase Rate - 2.75% per year assumed using the level percentage of pay entry age method.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2024

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE PLAN (CONTINUED)

Dates of Hire - Needed to be assumed for some employees and will be based on the average age at hire for similar employees.

Rate of Mortality:

Healthy Annuitant - Based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females. The proposed rates are projected generationally using the RPEC_2020 model, with an ultimate rate of 1.00% for ages 80 and under, grading down to 0.05% at age 95 and further grading down to 0.00% at age 115, along with convergence to the ultimate rates in the year 2027. All other parameters used in the RPEC_2020 model are those included in the published MP-2020 scale. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Active Employees - Rates of mortality are based on 83.5% and 88.6% of the 2010 Public Plan General Benefits - Weighted Employee Mortality Table, respectively, for males and females. These rates are generationally projected using the same version of the RPEC_2020 model as described in the healthy annuitant mortality. As prescribed by the Trust, mortality rates were taken from the assumptions for the Maine State Retirement Consolidated Plan for Participating Local Districts at June 30, 2021.

Retiree Continuation Percentage:

Medicare participant retirees - 100% assumed to continue in the plan elected

Pre-Medicare plan retirees and active participants - 75% assumed to continue coverage once Medicare-eligible

Pre-Medicare plan spouses and spouses of active participants - 50% assumed to continue coverage once Medicare-eligible

Changes in Net OPEB Liability

Changes in net OPEB liability are recognized in OPEB expense for the year ended June 30, 2024 with the following exceptions:

Differences between Expected and Actual Experience

The difference between expected and actual experience 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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 15 - OTHER POST EMPLOYMENT BENEFIT (OPEB) HEALTH INSURANCE PLAN (CONTINUED)

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 net difference between expected and actual experience as of January 1, 2024 was (\$2,935).

Changes in Assumptions

Differences due to changes in assumptions about future economic, demographic or claim and expense factors or other inputs are recognized in OPEB expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in each plan. The actuarial assumptions used in the January 1, 2024 actuarial valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. The first year is recognized as OPEB expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Differences between Projected and Actual 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.

OPEB Plan Fiduciary Net Position

Additional financial and actuarial information with respect to this Plan can be found at the Authority's Office at 18 Fields Lane, Fort Fairfield, Maine.

NOTE 16 - 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.

HOUSING AUTHORITY OF FORT FAIRFIELD

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

NOTE 17 - 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, 2024. 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 18 - 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.

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/(Asset)
- Schedule of Contributions - Pension
- Schedule of Proportionate Share of the Net OPEB Liability - Group Life
- Schedule of Changes in Net OPEB Liability - Health Plan
- Schedule of Changes in Net OPEB Liability and Related Ratios - Health Plan
- Schedule of Contributions - OPEB - Group Life and Health Plan
- Notes to Required Supplementary Information

SCHEDULE 1

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY/(ASSET)
LAST 10 FISCAL YEARS*

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|-----------|-----------|-------------|------------|------------|------------|------------|------------|------------|-----------|
| <u>PLD Plan:</u> | | | | | | | | | | |
| Proportion of the net pension liability/(asset) | 0.031% | 0.037% | 0.039% | 0.041% | 0.045% | 0.041% | 0.045% | 0.044% | 0.037% | 0.041% |
| Proportionate share of the net pension liability/(asset) | \$ 99,618 | \$ 97,455 | \$ (12,388) | \$ 162,720 | \$ 137,546 | \$ 111,348 | \$ 180,386 | \$ 232,473 | \$ 117,687 | \$ 62,607 |
| Covered payroll | 281,846 | 280,151 | 260,870 | 263,084 | 275,396 | 239,675 | 237,692 | 230,685 | 193,308 | 216,985 |
| Proportionate share of the net pension liability/(asset) as a percentage of its covered payroll | 35.34% | 34.79% | -4.75% | 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/(asset) | 92.34% | 93.26% | 100.86% | 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.

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 2

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF CONTRIBUTIONS - PENSION
LAST 10 FISCAL YEARS

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <u>PLD Plan:</u> | | | | | | | | | | |
| Contractually required contribution | \$ 31,140 | \$ 28,748 | \$ 28,856 | \$ 26,348 | \$ 26,308 | \$ 27,602 | \$ 22,586 | \$ 22,581 | \$ 20,531 | \$ 15,078 |
| Contributions in relation to the contractually required contribution | <u>(31,140)</u> | <u>(28,748)</u> | <u>(28,856)</u> | <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> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered payroll | \$ 305,295 | \$ 281,846 | \$ 280,151 | \$ 260,870 | \$ 263,084 | \$ 275,396 | \$ 239,675 | \$ 237,692 | \$ 230,685 | \$ 193,308 |
| Contributions as a percentage of covered payroll | 10.20% | 10.20% | 10.30% | 10.10% | 10.00% | 10.02% | 9.42% | 9.50% | 8.90% | 7.80% |

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 3

HOUSING AUTHORITY OF FORT FAIRFIELD

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

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 |
|---|-----------------|------------------|-----------------|-----------------|------------------|------------------|-----------------|------------------|
| <u>PLD Life Insurance:</u> | | | | | | | | |
| Proportion of the net OPEB liability | 0.06% | 0.07% | 0.09% | 0.05% | 0.06% | 0.05% | 0.05% | 0.05% |
| Authority's proportionate share of the net | | | | | | | | |
| OPEB liability | \$ 8,125 | \$ 10,038 | \$ 9,090 | \$ 7,170 | \$ 13,753 | \$ 10,949 | \$ 8,913 | \$ 12,001 |
| Total | <u>\$ 8,125</u> | <u>\$ 10,038</u> | <u>\$ 9,090</u> | <u>\$ 7,170</u> | <u>\$ 13,753</u> | <u>\$ 10,949</u> | <u>\$ 8,913</u> | <u>\$ 12,001</u> |
| Covered payroll | \$ 281,846 | \$ 280,151 | \$ 260,870 | \$ 263,084 | \$ 275,396 | \$ 239,675 | \$ 237,692 | \$ 230,685 |
| Proportionate share of the net OPEB liability | | | | | | | | |
| as a percentage of its covered payroll | 2.88% | 3.58% | 3.48% | 2.73% | 4.99% | 4.57% | 3.75% | 5.20% |
| Plan fiduciary net position as a percentage | | | | | | | | |
| of the total OPEB liability | 59.71% | 56.15% | 48.68% | 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 auditor's report and notes to financial statements.

SCHEDULE 4

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF CHANGES IN NET OPEB LIABILITY - HEALTH PLAN
FOR THE YEAR ENDED JUNE 30, 2024

| | Increase (Decrease) | | |
|--|------------------------------|--|------------------------------------|
| | Net OPEB Liability (a) | Plan Fiduciary Net Position (b) | Net OPEB Liability (a) - (b) |
| Balances at 1/1/23 (Reporting December 31, 2023) | \$ 36,180 | \$ - | \$ 36,180 |
| Changes for the year: | | | |
| Service cost | 2,734 | - | 2,734 |
| Interest | 1,448 | - | 1,448 |
| Changes of benefits | - | - | - |
| Differences between expected and actual experience | 2,141 | - | 2,141 |
| Changes of assumptions | 12,701 | - | 12,701 |
| Contributions - employer | - | - | - |
| Contributions - member | - | - | - |
| Net investment income | - | - | - |
| Benefit payments | - | - | - |
| Administrative expense | - | - | - |
| Net changes | 19,024 | - | 19,024 |
| Balances at 1/1/24 (Reporting December 31, 2024) | \$ 55,204 | \$ - | \$ 55,204 |

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 5

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS - HEALTH PLAN
LAST 10 FISCAL YEARS*

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|------------|------------|------------|------------|------------|------------|------------|
| Total OPEB liability | | | | | | | |
| Service cost (BOY) | \$ 2,734 | \$ 3,260 | \$ 3,696 | \$ 3,201 | \$ 946 | \$ 1,117 | \$ 1,274 |
| Interest (includes interest on service cost) | 1,448 | 841 | 871 | 921 | 814 | 728 | 647 |
| Changes of benefit terms | - | - | - | - | (546) | - | - |
| Differences between expected and actual experience | 2,141 | - | (7,852) | - | 1,736 | - | 564 |
| Changes of assumptions | 12,701 | (5,509) | 3,487 | 2,867 | 8,550 | (2,989) | 1,716 |
| Benefit payments, including refunds of member contributions | - | - | - | - | - | - | - |
| Net change in total OPEB liability | \$ 19,024 | \$ (1,408) | \$ 202 | \$ 6,989 | \$ 11,500 | \$ (1,144) | \$ 4,201 |
| Total OPEB liability - beginning | \$ 36,180 | \$ 37,588 | \$ 37,386 | \$ 30,397 | \$ 18,897 | \$ 20,041 | \$ 15,840 |
| Total OPEB liability - ending | \$ 55,204 | \$ 36,180 | \$ 37,588 | \$ 37,386 | \$ 30,397 | \$ 18,897 | \$ 20,041 |
| Plan fiduciary net position | | | | | | | |
| Contributions - employer | - | - | - | - | - | - | - |
| Contributions - member | - | - | - | - | - | - | - |
| Net investment income | - | - | - | - | - | - | - |
| Benefit payments, including refunds of member contributions | - | - | - | - | - | - | - |
| Administrative expense | - | - | - | - | - | - | - |
| Net change in fiduciary net position | - | - | - | - | - | - | - |
| Plan fiduciary net position - beginning | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Plan fiduciary net position - ending | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Net OPEB liability - ending | \$ 55,204 | \$ 36,180 | \$ 37,588 | \$ 37,386 | \$ 30,397 | \$ 18,897 | \$ 20,041 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| Covered payroll | \$ 287,911 | \$ 265,980 | \$ 265,980 | \$ 274,859 | \$ 274,859 | \$ 174,740 | \$ 174,740 |
| Net OPEB liability as a percentage of covered payroll | 19.2% | 13.6% | 14.1% | 13.6% | 11.1% | 10.8% | 11.5% |

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

See accompanying independent auditor's report and notes to financial statements.

SCHEDULE 6

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF CONTRIBUTIONS - OPEB - GROUP LIFE AND HEALTH PLAN
LAST 10 FISCAL YEARS*

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------|------------|------------|------------|------------|------------|------------|
| <u>PLD Life Insurance:</u> | | | | | | | |
| Contractually required contribution | \$ 1,316 | \$ 1,105 | \$ 1,045 | \$ 613 | \$ 707 | \$ 580 | \$ 553 |
| Contributions in relation to the contractually required contribution | (1,316) | (1,105) | (1,045) | (613) | (707) | (580) | (553) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 305,295 | \$ 281,846 | \$ 280,151 | \$ 260,870 | \$ 263,084 | \$ 275,396 | \$ 239,675 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 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.

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|------------|------------|------------|------------|------------|------------|------------|
| <u>MMEHT:</u> | | | | | | | |
| Employer contributions | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Benefit payments | - | - | - | - | - | - | - |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 287,911 | \$ 265,980 | \$ 265,980 | \$ 274,859 | \$ 274,859 | \$ 174,740 | \$ 174,740 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 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 auditor's report and notes to financial statements.

HOUSING AUTHORITY OF FORT FAIRFIELD
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2024

Changes of Assumptions

MEPERS PLD Plan:

There were no changes of assumptions.

MEPERS OPEB Plan:

There were no changes to assumptions.

MMEHT OPEB Plan:

There was a change in the discount rate from 3.72% to 3.26% per GASB 75 discount rate selection. Trends have been updated since the last valuation.

See accompanying independent auditor's 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, 2024

| | Project Total | 14,871 Housing Choice Vouchers | 2 State/Local | 14,182 N/C S/R Section 8 Programs | 14,879 Mainstream Vouchers | Subtotal | ELIM | Total |
|--|---------------|---|---------------|---|----------------------------------|-------------|------|-------------|
| 111 Cash - Unrestricted | \$ 304,519 | \$ 75,596 | \$ 166,297 | \$ - | \$ 5,282 | \$ 551,694 | \$ - | \$ 551,694 |
| 113 Cash - Other Restricted | - | 6,267 | 169,457 | - | - | 175,724 | - | 175,724 |
| 114 Cash - Tenant Security Deposits | 41,685 | - | 9,405 | - | - | 51,090 | - | 51,090 |
| 100 Total Cash | 346,204 | 81,863 | 345,169 | - | 5,282 | 778,608 | - | 778,608 |
| 124 Accounts Receivable - Other Government | - | - | - | - | 263 | 263 | - | 263 |
| 125 Accounts Receivable - Miscellaneous | - | - | 648 | - | - | 648 | - | 648 |
| 126 Accounts Receivable - Tenants | 10,366 | - | 2,024 | - | - | 12,390 | - | 12,390 |
| 126.1 Allowance for Doubtful Accounts - Tenants | (1,500) | - | - | - | - | (1,500) | - | (1,500) |
| 126.2 Allowance for Doubtful Accounts - Other | - | - | - | - | - | - | - | - |
| 127 Notes, Loans, & Mortgages Receivable - Current | - | - | 6,723 | - | - | 6,723 | - | 6,723 |
| 128 Fraud Recovery | - | - | - | - | - | - | - | - |
| 128.1 Allowance for Doubtful Accounts - Fraud | - | - | - | - | - | - | - | - |
| 129 Accrued Interest Receivable | - | - | 1,234 | - | - | 1,234 | - | 1,234 |
| 120 Total Receivables, Net of Allowances for Doubtful Accounts | 8,866 | - | 10,629 | - | 263 | 19,758 | - | 19,758 |
| 142 Prepaid Expenses and Other Assets | 17,551 | 1,004 | 6,607 | - | - | 25,162 | - | 25,162 |
| 160 Total Current Assets | 372,621 | 82,867 | 362,395 | - | 5,545 | 823,428 | - | 823,428 |
| 161 Land | 652,104 | - | 308,620 | - | - | 960,724 | - | 960,724 |
| 162 Buildings | 7,236,617 | - | 1,595,234 | - | - | 8,831,851 | - | 8,831,851 |
| 163 Furniture, Equipment & Machinery - Dwellings | 896,345 | - | 128,101 | - | - | 1,024,446 | - | 1,024,446 |
| 164 Furniture, Equipment & Machinery - Administration | 36,402 | 35,873 | 35,564 | - | - | 107,839 | - | 107,839 |
| 166 Accumulated Depreciation | (6,694,974) | (25,111) | (1,178,757) | - | - | (7,898,842) | - | (7,898,842) |
| 167 Construction in Progress | - | - | - | - | - | - | - | - |
| 160 Total Capital Assets, Net of Accumulated Depreciation | 2,126,494 | 10,762 | 888,762 | - | - | 3,026,018 | - | 3,026,018 |
| 171 Notes, Loans and Mortgages Receivable - Non-Current | - | - | 1,407,543 | - | - | 1,407,543 | - | 1,407,543 |
| 174 Other Assets | - | - | 31,406 | - | - | 31,406 | - | 31,406 |
| 180 Total Non-Current Assets | 2,126,494 | 10,762 | 2,327,711 | - | - | 4,464,967 | - | 4,464,967 |
| 200 Deferred Outflow of Resources | 60,646 | 10,630 | 17,764 | - | 1,460 | 80,380 | - | 80,380 |
| 290 Total Assets and Deferred Outflow of Resources | 2,649,661 | 104,269 | 2,707,860 | - | 6,995 | 5,368,776 | - | 5,368,776 |

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2024

| | Project Total | 14.871 Housing Choice Vouchers | 2 State/Local | 14.182 N/C S/R Section 8 Programs | 14.879 Mainstream Vouchers | Subtotal | ELIM | Total |
|--|------------------|---|------------------|---|----------------------------------|------------------|----------|------------------|
| 312 Accounts Payable <= 90 Days | 4,198 | - | 2,012 | - | - | 6,210 | - | 6,210 |
| 321 Accrued Wage/Payroll Taxes Payable | 9,384 | - | - | - | - | 9,384 | - | 9,384 |
| 322 Accrued Compensated Absences - Current Portion | 3,187 | 671 | 1,120 | - | 91 | 5,069 | - | 5,069 |
| 325 Accrued Interest Payable | - | - | 1,063 | - | - | 1,063 | - | 1,063 |
| 333 Accounts Payable - Other Government | 26,343 | - | - | - | - | 26,343 | - | 26,343 |
| 341 Tenant Security Deposits | 37,828 | - | 9,234 | - | - | 47,062 | - | 47,062 |
| 342 Unearned Revenue | - | - | 36 | - | - | 36 | - | 36 |
| 343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue | - | - | 38,936 | - | - | 38,936 | - | 38,936 |
| 346 Accrued Liabilities - Other | - | - | - | - | - | - | - | - |
| 310 Total Current Liabilities | 80,940 | 671 | 52,401 | - | 91 | 134,103 | - | 134,103 |
| 351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue | - | - | 399,494 | - | - | 399,494 | - | 399,494 |
| 354 Accrued Compensated Absences - Non Current | 29,787 | 6,272 | 10,463 | - | 848 | 47,370 | - | 47,370 |
| 357 Accrued Pension and OPEB Liabilities | 102,462 | 21,554 | 35,995 | - | 2,936 | 162,947 | - | 162,947 |
| 350 Total Non-Current Liabilities | 132,249 | 27,826 | 445,952 | - | 3,784 | 609,811 | - | 609,811 |
| 300 Total Liabilities | 213,189 | 28,497 | 498,353 | - | 3,875 | 743,914 | - | 743,914 |
| 400 Deferred Inflow of Resources | 22,613 | 5,941 | 17,782 | - | 814 | 47,150 | - | 47,150 |
| 508.4 Net Investment in Capital Assets | 2,126,494 | 10,762 | 450,332 | - | - | 2,587,588 | - | 2,587,588 |
| 511.4 Restricted Net Position | - | 6,267 | - | - | - | 6,267 | - | 6,267 |
| 512.4 Unrestricted Net Position | 187,365 | 52,792 | 1,741,393 | - | 2,306 | 1,983,856 | - | 1,983,856 |
| 513 Total Equity - Net Assets / Position | 2,313,859 | 69,821 | 2,191,725 | - | 2,306 | 4,577,711 | - | 4,577,711 |
| 600 Total Liabilities, Deferred Inflows of Resources and Equity - Net | 2,549,661 | 104,259 | 2,707,860 | - | 6,995 | 5,368,775 | - | 5,368,775 |

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2024

| | Project Total | 14.871 Housing Choice Vouchers | 2 State/Local | 14.182 N/C S/R Section 8 Programs | 14.879 Mainstream Vouchers | Subtotal | ELIM | Total |
|---|----------------|---|----------------|---|----------------------------------|------------------|----------|------------------|
| 70300 Net Tenant Rental Revenue | \$ 423,200 | \$ - | \$ 119,203 | \$ - | \$ - | \$ 542,403 | \$ - | \$ 542,403 |
| 70400 Tenant Revenue - Other | 466 | - | - | - | - | 466 | - | 466 |
| 70500 Total Tenant Revenue | 423,666 | - | 119,203 | - | - | 542,869 | - | 542,869 |
| 70600 HUD PHA Operating Grants | 363,723 | 814,666 | - | - | 99,189 | 1,277,578 | - | 1,277,578 |
| 70610 Capital Grants | 34,919 | - | - | - | - | 34,919 | - | 34,919 |
| 70800 Other Government Grants | - | - | 45,240 | 112,717 | - | 157,957 | - | 157,957 |
| 71100 Investment Income - Unrestricted | 1,017 | 50 | 3,353 | - | - | 4,420 | - | 4,420 |
| 71400 Fraud Recovery | - | 1,571 | - | - | - | 1,571 | - | 1,571 |
| 71500 Other Revenue | 15,763 | 51,687 | 83,996 | - | - | 151,446 | - | 151,446 |
| 71600 Gain or Loss on Sale of Capital Assets | - | - | - | - | - | - | - | - |
| 72000 Investment Income - Restricted | - | - | 1,422 | - | - | 1,422 | - | 1,422 |
| 70000 Total Revenue | 839,088 | 867,974 | 253,214 | 112,717 | 99,189 | 2,172,182 | - | 2,172,182 |
| 91100 Administrative Salaries | 134,091 | 53,348 | 33,877 | - | 9,414 | 230,730 | - | 230,730 |
| 91200 Auditing Fees | 5,794 | 2,325 | 2,314 | - | 410 | 10,843 | - | 10,843 |
| 91400 Advertising and Marketing | - | - | 258 | - | - | 258 | - | 258 |
| 91500 Employee Benefit contributions - Administrative | 35,317 | 25,582 | 26,631 | - | 4,519 | 92,049 | - | 92,049 |
| 91700 Legal Expense | 9,135 | - | - | - | - | 9,135 | - | 9,135 |
| 91800 Travel | 4,758 | 438 | 208 | - | 77 | 5,481 | - | 5,481 |
| 91900 Other | 34,095 | 19,806 | 25,681 | - | 3,485 | 83,067 | - | 83,067 |
| 91000 Total Operating - Administrative | 223,190 | 101,499 | 88,969 | - | 17,905 | 431,563 | - | 431,563 |
| 92400 Tenant Services - Other | 231 | - | - | - | - | 231 | - | 231 |
| 92500 Total Tenant Services | 231 | - | - | - | - | 231 | - | 231 |

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2024

| | Project Total | 14.871 Housing Choice Vouchers | 2 State/Local | 14.182 N/C S/R Section 8 Programs | 14.879 Mainstream Vouchers | Subtotal | ELIM | Total |
|---|----------------|---|----------------|---|----------------------------------|------------------|------|------------------|
| 93100 Water | 16,319 | - | 2,856 | - | - | 19,175 | - | 19,175 |
| 93200 Electricity | 27,176 | - | 6,493 | - | - | 33,669 | - | 33,669 |
| 93300 Gas | 6,059 | - | - | - | - | 6,059 | - | 6,059 |
| 93400 Fuel | 95,481 | - | 13,887 | - | - | 109,368 | - | 109,368 |
| 93600 Sewer | 14,734 | - | 2,353 | - | - | 17,087 | - | 17,087 |
| 93000 Total Utilities | 159,769 | - | 25,589 | - | - | 185,358 | - | 185,358 |
| 94100 Ordinary Maintenance and Operations - Labor | 121,424 | - | 32,859 | - | - | 154,283 | - | 154,283 |
| 94200 Ordinary Maintenance and Operations - Materials and Other | 48,559 | - | 45,149 | - | - | 93,708 | - | 93,708 |
| 94300 Ordinary Maintenance and Operations Contracts | 86,634 | - | 22,496 | - | - | 109,130 | - | 109,130 |
| 94500 Employee Benefit Contributions - Ordinary Maintenance | 28,590 | - | 29,139 | - | - | 57,729 | - | 57,729 |
| 94000 Total Maintenance | 285,207 | - | 129,643 | - | - | 414,850 | - | 414,850 |
| 96110 Property Insurance | 27,456 | - | 11,885 | - | - | 39,341 | - | 39,341 |
| 96120 Liability Insurance | 1,990 | 4,382 | - | - | 773 | 7,145 | - | 7,145 |
| 96130 Workmen's Compensation | - | - | - | - | - | - | - | - |
| 96140 All Other Insurance | - | - | - | - | - | - | - | - |
| 96100 Total insurance Premiums | 29,446 | 4,382 | 11,885 | - | 773 | 46,486 | - | 46,486 |
| 96200 Other General Expenses | - | 29,265 | - | - | - | 29,265 | - | 29,265 |
| 96210 Compensated Absences | 1,319 | 316 | 463 | - | - | 2,098 | - | 2,098 |
| 96300 Payments in Lieu of Taxes | 26,343 | - | 16,336 | - | - | 42,679 | - | 42,679 |
| 96400 Bad debt - Tenant Rents | 9,797 | - | 262 | - | - | 10,059 | - | 10,059 |
| 96000 Total Other General Expenses | 37,459 | 29,581 | 17,061 | - | - | 84,101 | - | 84,101 |
| 96710 Interest of Mortgage (or Bonds) Payable | - | - | 24,819 | - | - | 24,819 | - | 24,819 |
| 96700 Total Interest Expense and Amortization Cost | - | - | 24,819 | - | - | 24,819 | - | 24,819 |
| 96900 Total Operating Expenses | 735,302 | 135,462 | 297,966 | - | 18,678 | 1,187,408 | - | 1,187,408 |

SCHEDULE A (CONTINUED)

HOUSING AUTHORITY OF FORT FAIRFIELD
SUPPLEMENTAL FINANCIAL DATA SCHEDULE
JUNE 30, 2024

| | Project Total | 14.871 Housing Choice Vouchers | 2 State/Local | 14.182 N/C S/R Section 8 Programs | 14.879 Mainstream Vouchers | Subtotal | ELIM | Total |
|---|-----------------|---|-----------------|---|----------------------------------|------------------|-----------|------------------|
| 97000 Excess of Operating Revenue over Operating Expenses | 103,786 | 732,512 | (44,752) | 112,717 | 80,511 | 984,774 | - | 984,774 |
| 97300 Housing Assistance Payments | - | 725,898 | - | - | 81,593 | 807,491 | - | 807,491 |
| 97350 HAP Portability-In | - | 14,833 | - | - | - | 14,833 | - | 14,833 |
| 97400 Depreciation Expense | 155,590 | 7,175 | 54,618 | - | - | 217,383 | - | 217,383 |
| 90000 Total Expenses | 890,892 | 883,368 | 352,584 | - | 100,271 | 2,227,115 | - | 2,227,115 |
| | (1,934) | | | | | | | |
| 10010 Operating Transfer In | 30,186 | - | 112,717 | - | - | 142,903 | (142,903) | - |
| 10020 Operating transfer Out | (30,186) | - | - | (112,717) | - | (142,903) | 142,903 | - |
| 10100 Total Other financing Sources (Uses) | - | - | 112,717 | (112,717) | - | - | - | - |
| 10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses | (51,804) | (15,394) | 13,347 | - | (1,082) | (54,933) | - | (54,933) |
| 11020 Required Annual Debt Principal Payments | - | - | 38,946 | - | - | 38,946 | - | 38,946 |
| 11030 Beginning Equity | 2,365,663 | 85,215 | 2,178,378 | - | 3,388 | 4,632,644 | - | 4,632,644 |
| 11170 Administrative Fee Equity | - | 63,554 | - | - | - | 63,554 | - | 63,554 |
| 11180 Housing Assistance Payments Equity | - | 6,267 | - | - | - | 6,267 | - | 6,267 |
| 11190 Unit Months Available | 972 | 1,620 | 192 | - | 204 | 2,988 | - | 2,988 |
| 11210 Number of Unit Months Leased | 965 | 1,546 | 192 | - | 200 | 2,903 | - | 2,903 |
| 11270 Excess Cash | 213,260 | - | - | - | - | 213,260 | - | 213,260 |
| 11620 Building Purchases | 34,919 | - | - | - | - | 34,919 | - | 34,919 |

See accompanying independent auditor's report and notes to financial statements.

HOUSING AUTHORITY OF FORT FAIRFIELD
SCHEDULE OF CAPITAL GRANT FUND COSTS - COMPLETED
JUNE 30, 2024

Annual Contributions Contract CF 501-21

| | |
|---------------------------------------|----------------------|
| Project Number | ME01P00250121 |
| Funds Approved | \$ 192,576.00 |
| Funds Expended | <u>192,576.00</u> |
| Excess (Deficiency) of Funds Approved | <u>\$ -</u> |
| | |
| Funds Advanced | \$ 192,576.00 |
| Funds Expended | <u>192,576.00</u> |
| 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
JUNE 30, 2024

Annual Contributions Contract CF 501-22

| | |
|---------------------------------------|----------------------|
| Project Number | ME01P00250122 |
| Funds Approved | \$ 234,754.00 |
| Funds Expended | <u>234,754.00</u> |
| Excess (Deficiency) of Funds Approved | <u>\$ -</u> |
| | |
| Funds Advanced | \$ 234,754.00 |
| Funds Expended | <u>234,754.00</u> |
| 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.

Federal Compliance

Federal compliance includes financial information and reports that are required in accordance with *Governmental Auditing Standards* and/or the *Uniform Guidance* in accordance with 2 CFR § 515. Such financial information and reports include:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditor's Report on Compliance of Each Major Program and on Internal Control Over Compliance Required by the *Uniform Guidance*
- Schedule of Findings and Questioned Costs

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2024

| 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 | \$ - | 333,537 |
| | | | - | 333,537 |
| Housing Voucher Cluster: | | | | |
| Section 8 Housing Choice Voucher | 14.871 | N/A | - | 814,666 |
| Mainstream Voucher Program | 14.879 | N/A | - | 99,189 |
| Subtotal Housing Voucher Cluster | | | - | 913,855 |
| Public Housing Capital Fund | 14.872 | N/A | - | 65,102 |
| Passed through State of Maine - Maine State Housing Authority: | | | | |
| Section 8 Project-Based Cluster: | | | | |
| New Construction and Substantial Rehabilitation | 14.182 | N/A | - | 112,717 |
| Subtotal Section 8 Project-Based Cluster | | | - | 112,717 |
| Total U.S. Department of Housing and Urban Development | | | - | 1,425,211 |
| TOTAL FEDERAL AWARDS | | | \$ - | \$1,425,211 |

See accompanying independent auditor's 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, 2024

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, 2024. 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 AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 the Housing Authority of Fort Fairfield, as of and for the year ended June 30, 2024 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 18, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Fort Fairfield's internal control over financial reporting (internal control) as a basis for designing 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 organization'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 any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Housing Authority of Fort Fairfield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 the management of the Housing Authority of Fort Fairfield in a separate letter dated March 18, 2025.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RHR Smith & Company

Buxton, Maine
March 18, 2025



INDEPENDENT AUDITOR'S 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

Opinion on 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, 2024. 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.

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, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*) 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibility section of our report.

We are required to be independent of Housing Authority of Fort Fairfield and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Housing Authority of Fort Fairfield's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Housing Authority of Fort Fairfield's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error and express an opinion on Housing Authority of Fort Fairfield's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Housing Authority of Fort Fairfield's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Housing Authority of Fort Fairfield's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Housing Authority of Fort Fairfield's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Housing Authority of Fort Fairfield's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

RHR Smith & Company

Buxton, Maine
March 18, 2025

HOUSING AUTHORITY OF FORT FAIRFIELD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Section I - Summary of Auditor's Results

• *Financial Statements*

Type of auditor's report issued : Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ no
- Noncompliance material to financial statements noted? ☐ yes ☒ no

• *Federal Awards*

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ 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 ☒ no

Identification of major programs:

| <u>AL Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------|---|
| 14.871/14.879 | Housing Voucher Cluster |

Dollar threshold used to distinguish between type A and B: \$750,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

None

Section III – Federal Awards Findings and Questioned Costs

None

