

FELCH & COMPANY, LLC

*Certified Public Accountants*

TOWN OF FORT FAIRFIELD, MAINE

as of

JUNE 30, 2023

## *Financial Statements*

TOWN OF FORT FAIRFIELD, MAINE

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# FELCH & COMPANY, LLC

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## Independent Auditors' Report

To the Town Council of the  
Town of Fort Fairfield, Maine

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Fort Fairfield, Maine, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Fort Fairfield, Maine, as of June 30, 2023, and the respective changes in financial position 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 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Fort Fairfield, Maine 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 these 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 Town 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.

To the Town Council of the  
Town of Fort Fairfield, Maine

***Auditors' Responsibilities for the Audit of the 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 auditors' 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 generally accepted auditing standards 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 generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 control 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 Town 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 substantial doubt about the Town 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, budgetary comparison information, public pension information and other post-employment benefits information on pages I through IV and Schedules 1 through 5 and related notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

To the Town Council of the  
Town of Fort Fairfield, Maine

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Fort Fairfield, Maine's basic financial statements. The accompanying schedule of fund balance assigned for subsequent years' expenditures, schedule of revenues, expenditures and changes in fund balance for non-major governmental funds, schedule of property taxes and schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 schedule of fund balance assigned for subsequent years' expenditures, schedule of revenues, expenditures and changes in fund balance for non-major governmental funds and the schedule of property taxes 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 October 27, 2023 on our consideration of the Town of Fort Fairfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town 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 Town of Fort Fairfield's internal control over financial reporting and compliance.

*Felch & Company LLC*

October 27, 2023



Town of Fort Fairfield, Maine  
Management's Discussion and Analysis  
For the Year Ending June 30, 2023

UNAUDITED

The following narrative is an overview of the Town of Fort Fairfield's financial performance designed to assist the reader in focusing on only the major financial issues. This discussion and analysis should be read together with the attached financial statements and related notes.

**USING THIS ANNUAL REPORT**

The basic financial statements are presented in two formats. Each of these formats presents information by a different measurement focus. The first of these formats is referred to as government-wide, which presents the Town as a whole and presents a longer-term view of the Town's finances. The second format uses fund accounting and the focus is on current resources that are available for current obligations.

Reporting the Town as a Whole

The government-wide statements are designed to present the Town as a whole similar to the way a business presents financial statements. The Statement of Net Position (Exhibit A) combines the assets and liabilities as presented in the governmental funds with the Town's capital assets and long-term obligations. In the Statement of Activities (Exhibit B) the focus is on both the gross and net cost of the various activities (or departments), which are funded by various general revenues including property taxes and state revenue sharing. Revenues are recognized when earned regardless of when they are collected and expenses are recognized when the liability becomes due. Since capital asset purchases are not considered an expense under this measurement focus, annual charges for depreciation are recognized to indicate the use of these assets over time.

Fund Financial Statements

In the preparation of these statements, fund accounting is used which is described more fully in the notes to the financial statements. The focus is on "major funds" which presents a separate column for only the most significant funds of the Town with the other funds being combined in one column. These statements (Exhibits C and D) present the Town's financial position and results of operations using a shorter-term view and show how money flows into and out of the funds and the balances left at year-end that are available for spending. These funds report using an accounting method called *modified accrual* accounting, which measures cash and all other financial assets that can readily be converted to cash.



Town of Fort Fairfield, Maine  
Management's Discussion and Analysis  
For the Year Ending June 30, 2023

UNAUDITED

**Table 1**  
**Net Position**  
(in thousands)

	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 1,180	\$ 725
Capital assets	<u>5,150</u>	<u>6,218</u>
Total assets	<u>6,330</u>	<u>6,943</u>
Deferred outflows of resources	<u>234</u>	<u>173</u>
Other liabilities	695	521
Bonds, leases and notes payable	<u>1,627</u>	<u>2,827</u>
Total liabilities	<u>2,322</u>	<u>3,348</u>
Deferred inflows of resources	<u>155</u>	<u>336</u>
Net position:		
Net investment in capital assets	4,023	4,266
Restricted	94	258
Unrestricted	<u>(30)</u>	<u>(1,092)</u>
Total net position	<u>\$ 4,087</u>	<u>\$ 3,432</u>

Town of Fort Fairfield, Maine  
Management's Discussion and Analysis  
For the Year Ending June 30, 2023

UNAUDITED

**Table 2**  
Changes in Net Position  
(in thousands)

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 437	\$ 255
Operating grants	989	395
General revenues:		
Property taxes	5,478	3,959
Other taxes	644	652
Federal and state assistance	995	1,223
Other revenues	<u>176</u>	<u>227</u>
Total revenues	<u>8,719</u>	<u>6,711</u>
<b>Program expenses</b>		
General government	677	726
Police	643	375
Fire and Ambulance	1,106	1,441
Safety and sanitation	274	264
Public works	1,149	1,253
Recreation	253	227
Education	2,203	2,142
Other	<u>1,759</u>	<u>1,119</u>
Total expenses	<u>8,064</u>	<u>7,547</u>
Change in net position	<u>\$ 655</u>	<u>\$ (836)</u>

**ANALYSIS OF FINANCIAL POSITION AND SIGNIFICANT TRANSACTIONS**

In reviewing this year's financial position, the Town of Fort Fairfield's net position increased from \$3,432,075 to \$4,087,107.

For this fiscal year our general fund has a balance of \$332,553 (Exhibit D) which is an increase from a deficit of \$575,253 in the prior year. This represents an increase in our "net worth" of \$907,806 in one year.

Town of Fort Fairfield, Maine  
Management's Discussion and Analysis  
For the Year Ending June 30, 2023

**UNAUDITED**

**CAPITAL ASSETS**

Capital assets decreased \$1,067,709 during the year. Additions of \$30,000 were offset by depreciation charges of \$390,733 and net disposals of \$706,976. Please refer to the notes to the financial statements for more information. This would include selling one new ambulance and the ladder truck for \$645,000, which reduced our long-term debt by \$550,000 and our yearly debt payments by \$148,331.

**LONG-TERM/SHORT TERM DEBT ACTIVITY**

During the year, the Town made debt payments of principal and interest totaling \$1,695,857. This includes scheduled payments of \$334,048, paying off the ladder truck and the ambulance lease totaling \$547,406, old line of credit payment of \$500,000, pay off the loan to Aroostook Waste Solutions of \$275,000 and interest payments on unsecured debt including the late payment to the County, Aroostook Waste Solutions debt, the new line of credit and the old line of credit of \$39,403.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Income for this fiscal year was \$7,760,637, which is \$2,982 over the budgeted amount. Total expenses were \$6,768,707, which were \$970,884 under budget. Our actual income exceeded expenses by \$991,930 as outlined in Schedule 1. This was a very unique year; it was necessary to increase taxes by 36% in order to balance the budget. This did not take into consideration that we had \$1,275,000 in short-term debt whose payment or accruing interest were not included in the budget. It was our goal to reduce approved spending in order to pay this debt regardless of budget authorization. With the consent of the Council, the Department Heads and staff worked extremely hard to continue to provide expected services in this constrained fiscal environment. This did have a negative impact on the Library and to a lesser extent the Parks & Recreation Department and Public Works. The culmination of this effort has created a sustainable fiscal environment with an expectation of significantly reducing the tax burden on our community while maintaining quality services for its citizens.

**FINANCIAL CONTACT**

The individual to be contacted regarding this report is the Town Manager of the Town of Fort Fairfield. Specific requests may be submitted to the Town Manager, Town of Fort Fairfield at 18 Community Center Drive, Fort Fairfield, Maine 04742.

## TOWN OF FORT FAIRFIELD, MAINE

Exhibit A

Statement of Net Position  
June 30, 2023ASSETS

## CURRENT ASSETS

Cash and temporary investments (Note 2)	\$ 417,272
Uncollected taxes	475,245
Accounts receivable	274,217
	<u>1,166,734</u>

## OTHER ASSETS

Loans receivable	5,793
Expired tax lien property	7,302
	<u>13,095</u>

## NONCURRENT ASSETS

Capital assets (Note 3)	
Non-depreciable	76,479
Depreciable, net of accumulated depreciation	5,073,643
	<u>5,150,122</u>
Total assets	<u>6,329,951</u>

DEFERRED OUTFLOWS OF RESOURCES (Note 1)234,434LIABILITIES

## CURRENT LIABILITIES

Accounts payable	32,341
Accrued expenses	113,746
Short-term notes payable	500,000
Current portion, compensated absences	30,000
Current portion, bonds and notes payable	115,271
	<u>791,358</u>

## NONCURRENT LIABILITIES

Bonds and notes payable, net of current portion (Note 6)	1,012,015
Compensated absences, net of current portion	139,976
Net other post-employment benefits liability (Note 11)	96,608
Net pension (asset) liability (Note 7)	282,519
	<u>1,531,118</u>

## Total liabilities

2,322,476DEFERRED INFLOWS OF RESOURCES (Note 1)154,802NET POSITION

Net investment in capital assets	4,022,836
Restricted for:	
Special revenue funds	94,189
Unrestricted	<u>(29,918)</u>
Total net position	<u>\$4,087,107</u>

*The accompanying notes are an integral part of this financial statement.*

## TOWN OF FORT FAIRFIELD, MAINE

Exhibit B

Statement of Activities  
For the Year Ended June 30, 2023

<u>Function/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Cost)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
General government	\$ 676,703	\$ 42,069	\$ -	\$ (634,634)
Library	68,095	1,609	50,767	(15,719)
Police Department	642,508	392	1,749	(640,367)
Community Center	88,607	-	-	(88,607)
Fire Department	1,106,295	374,757	-	(731,538)
Safety and sanitation	273,722	-	-	(273,722)
Public Works Department	1,149,419	-	99,348	(1,050,071)
Recreation	252,722	18,615	-	(234,107)
Education	2,203,432	-	-	(2,203,432)
Interest expense	51,613	-	-	(51,613)
Unallocated depreciation	27,204	-	-	(27,204)
Other	1,524,030	-	837,161	(686,869)
	<u>\$8,064,350</u>	<u>\$ 437,442</u>	<u>\$ 989,025</u>	<u>(6,637,883)</u>
General revenues:				
Taxes				
Property taxes, levied for general purposes				4,918,248
Homestead reimbursement and other property tax related				560,075
Excise				643,453
Federal and state aid not restricted to specific purposes				995,372
Other licenses, permits and fees				28,017
Miscellaneous revenues				147,750
				<u>7,292,915</u>
CHANGE IN NET POSITION				655,032
NET POSITION - JULY 1, 2022				<u>3,432,075</u>
NET POSITION - JUNE 30, 2023				<u>\$ 4,087,107</u>

The accompanying notes are an integral part of this financial statement.

## TOWN OF FORT FAIRFIELD, MAINE

Exhibit C

Balance Sheet  
Governmental Funds  
As of June 30, 2023

	<u>General Fund</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS</u></b>			
Cash and temporary investments (Note 2)	\$ 323,083	\$ 94,189	\$ 417,272
Uncollected taxes	475,245	-	475,245
Accounts receivable	274,217	-	274,217
Loans receivable	5,793	-	5,793
Expired tax lien property	<u>7,302</u>	<u>-</u>	<u>7,302</u>
Total assets	<u>\$ 1,085,640</u>	<u>\$ 94,189</u>	<u>\$ 1,179,829</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 32,341	\$ -	\$ 32,341
Accrued expenses	113,746	-	113,746
Short-term notes payable (Note 4)	<u>500,000</u>	<u>-</u>	<u>500,000</u>
	<u>646,087</u>	<u>-</u>	<u>646,087</u>
Deferred inflow of resources:			
Property taxes (Note 1)	<u>107,000</u>	<u>-</u>	<u>107,000</u>
Fund balances:			
Restricted			
Special revenue funds	-	94,189	94,189
Unrestricted			
Assigned for subsequent years' expenditures (Schedule 6)	989,124	-	989,124
Unassigned	<u>(656,571)</u>	<u>-</u>	<u>(656,571)</u>
Total fund balances	<u>332,553</u>	<u>94,189</u>	<u>426,742</u>
Total liabilities and fund balances	<u>\$ 1,085,640</u>	<u>\$ 94,189</u>	<u>\$ 1,179,829</u>

*The accompanying notes are an integral part of this financial statement.*

## TOWN OF FORT FAIRFIELD, MAINE

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2023

	General <u>Fund</u>	CDBG <u>Grant</u>	Non-major Funds (Schedule 7)	Total Governmental <u>Funds</u>
<b>REVENUES</b>				
Local property taxes	\$4,918,504	\$ -	\$ -	\$ 4,918,504
Other property tax related	560,075	-	-	560,075
Abatements	(256)	-	-	(256)
Federal and state assistance	1,094,720	721,794	167,883	1,984,397
Excise taxes	643,453	-	-	643,453
Fire and ambulance department revenue	374,757	-	-	374,757
Other licenses, permits and fees	28,017	-	-	28,017
Interest income	15,024	-	543	15,567
Other revenues	900,813	-	1,031	901,844
<b>TOTAL REVENUES</b>	<u>8,535,107</u>	<u>721,794</u>	<u>169,457</u>	<u>9,426,358</u>
<b>EXPENDITURES</b>				
General government	696,446	-	-	696,446
Library	63,401	-	-	63,401
Police Department	551,534	-	-	551,534
Community Center	70,667	-	-	70,667
Fire Department	1,028,217	-	-	1,028,217
Safety and sanitation	273,722	-	-	273,722
Public Works Department	999,587	-	-	999,587
Recreation	231,960	-	-	231,960
Education	2,203,432	-	-	2,203,432
Debt service - principal	824,570	-	-	824,570
- interest	57,679	-	-	57,679
Other	626,086	721,794	176,150	1,524,030
<b>TOTAL EXPENDITURES</b>	<u>7,627,301</u>	<u>721,794</u>	<u>176,150</u>	<u>8,525,245</u>
<b>Excess of Revenues Over (Under)</b>				
Expenditures	907,806	-	(6,693)	901,113
<b>Fund Balance - July 1, 2022</b>	<u>(575,253)</u>	<u>-</u>	<u>100,882</u>	<u>(474,371)</u>
<b>Fund Balance - June 30, 2023</b>	<u>\$ 332,553</u>	<u>\$ -</u>	<u>\$ 94,189</u>	<u>\$ 426,742</u>

*The accompanying notes are an integral part of this financial statement.*



# TOWN OF FORT FAIRFIELD, MAINE

Exhibit E

## Reconciliation of the Fund Balance in Governmental Funds with the Statement of Net Position June 30, 2023

Total fund deficit - governmental funds (Exhibit C)		\$ 426,742
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds:		
The cost of capital assets is	\$ 11,103,107	
Accumulated depreciation is	<u>(5,952,985)</u>	
		5,150,122
Deferred outflows in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Deferred outflows of resources		234,434
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds:		
Deferred revenue		107,000
Deferred inflows in governmental activities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Deferred inflow of resources		(154,802)
Certain liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:		
Notes payable	(1,127,286)	
Net pension liability	(282,519)	
Net OPEB liability	(96,608)	
Accrued compensated absences	<u>(169,976)</u>	
		(1,676,389)
Total net position - governmental activities (Exhibit A)		<u>\$ 4,087,107</u>

*The accompanying notes are an integral part of this financial statement.*

## TOWN OF FORT FAIRFIELD, MAINE

Exhibit F

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balance in Governmental Funds to Change in Net Position  
For the Year Ended June 30, 2023

Total net change in fund balances - governmental funds (Exhibit D)	\$ 901,113
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense exceeded capital outlays in the period:	
Capital outlays	\$ 30,000
Depreciation expense	<u>(390,733)</u>
	(360,733)
In the statement of activities, only the gain on the sale of fixed assets is reported, whereas in the governmental funds, the entire proceeds from the sale increases financial resources. Therefore, the change in net position differs from the change in fund balance by the depreciated value of disposed assets.	(706,976)
Compensation for accrued vacation and sick pay not yet paid is accumulated using the governmental activities fund to the extent that amounts would be paid to the employees upon retirement. These funds are not accumulated for the governmental activities fund.	32,844
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	824,570
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Decrease in accrued interest	6,066
Decrease in deferred OPEB liability	19,088
Increase in deferred pension liability	(302,996)
Change in deferred inflows/outflows of resources	<u>242,056</u>
Change in net position of governmental activities (Exhibit B)	<u>\$ 655,032</u>

*The accompanying notes are an integral part of this financial statement.*

## TOWN OF FORT FAIRFIELD, MAINE

### Notes to the Financial Statements June 30, 2023

#### (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Fort Fairfield, Maine operates under the Council/Manager form of government. The Council consists of 5 members elected by the voters with individual terms of three years.

The Town'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). Following is a summary of significant accounting principles used by the Town.

##### Government-Wide Statements

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town of Fort Fairfield classifies all of its activities as governmental activities.

In the government-wide Statement of Net Position the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment in capital assets, restricted net position and unrestricted net position. The unrestricted net position includes those designated by the Town for subsequent year's expenditures and those that are undesignated.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions (police, fire, public works, etc.). The functions are also supported by general government revenues (property and excise taxes, state revenue sharing, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or department. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs by department are normally covered by general revenue (property and excise taxes, state revenue sharing, etc.). The government-wide focus is on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities. The Town does not allocate indirect costs. The effect of significant interfund activity has been eliminated from the government-wide financial statements.

##### Fund Financial Statements

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The various funds are reported by generic classification within the financial statements. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The emphasis in fund financial statements is on the major funds in the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB standards set forth minimum criteria based on the size of the funds for the determination of major funds. Town management may also designate additional funds as major funds. The nonmajor funds are combined in a column in the fund financial statements.

# TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements  
June 30, 2023

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fund Financial Statements (Continued)

The following funds are reported as major by the Town:

#### Governmental Funds

*General Fund* is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

*CDBG Fund* is a special revenue fund recognizing the grant activity for the Community Development Block Grant for Public Infrastructure.

Formal budgetary accounting is employed as a management control for all funds of the Town. Annual operating budgets are adopted each year through passage of an annual budget ordinance and amended as required for the General Fund. In accordance with generally accepted accounting principles, these budgets use the same accounting basis to reflect actual revenues and expenditures. Budgetary control is exercised at the departmental level or by project. All unencumbered budget appropriations, except project budgets, lapse at the end of each fiscal year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used where purchase orders, contracts and other commitments for the expenditure of resources are recorded to ensure that that portion of fund balance is utilized for its intended purpose. In the general fund, for budgetary purposes, appropriations lapse at fiscal year-end except for that portion related to encumbered amounts. Encumbrances outstanding at year-end are reported as committed or assigned fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

#### Basis of Accounting

The term "basis of accounting" refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements.

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

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

#### Financial Statement Amounts

##### *Cash and Temporary Investments*

Available cash is deposited in interest-bearing accounts to as great a degree as possible. These residual investments are classified for reporting purposes as cash and temporary investments. Earnings from these investments are reported by the applicable funds. The Town's policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible. Deposits with a maturity of three months or less are included in cash and temporary investments for financial reporting purposes.



# TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements  
June 30, 2023

## (1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Financial Statement Amounts (Continued)

#### *Property Taxes*

Taxes are levied as of April 1 and are used to finance the operations of the Town for the budget year beginning July 1. Taxes are committed for collection on October 1 and are due and payable on or before February 28. In accordance with Maine law, taxes not collected within eight months following the date of commitment are secured by liens. Property tax revenues are recognized when they become available. Availability includes those property tax receivables expected to be collected within sixty days after year-end. This policy is believed to be in conformity with the policy of other local governments in Maine.

#### *Capital Assets*

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at actual or estimated historical cost. Contributed assets are reported at fair market value as of the date received. 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 of 10 to 22 years for trucks and equipment, 20 to 50 years for buildings and improvements and 15 to 20 years for infrastructure. The Town has elected not to report infrastructure prior to June 30, 2003.

#### *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources until then. The Town currently reports only a pension-related item as deferred outflows of resources. In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources until then. The Town currently reports only a pension-related item as deferred inflows of resources in the statement of net position. The Town also reports deferred property taxes as deferred inflows on the fund balance sheet.

#### *Accounts Payable, Accrued Expenses and Long-term Obligations*

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

#### *Compensated Absences*

Town employees are entitled to certain compensated absences based on their length of employment and their department's individual contract negotiated with the Town. Administration and all other employees not under a departmental contract receive one to four weeks of vacation depending on length of employment and 96 hours of sick leave per year. Unused vacation and sick pay are accumulated at the employees' current rate of pay and is included as a liability in the government-wide financial statements.

#### *Net Position*

Net position represents the difference between assets and liabilities. Net position in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements  
June 30, 2023

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Amounts (Continued)

*Fund Balances*

In the fund financial statements, governmental funds report the following classifications of fund balance:

Restricted Fund Balance

The Town of Fort Fairfield's restricted fund balance includes amounts that can only be used for specific purposes and includes grant funds and certain donations.

Unrestricted Committed Fund Balance

The Town of Fort Fairfield's Town Council has the authority to commit fund balance amounts for specific purposes. This includes the amounts reserved for subsequent years' expenditures. Town Council approval is also required to modify or rescind a commitment of fund balance.

Unrestricted Assigned Fund Balance

The Town of Fort Fairfield's assigned fund balance includes amounts the Town intends to use for specific purposes but is neither restricted nor committed. The Town Council has authority to assign fund balance.

Unrestricted Unassigned Fund Balance

The Town of Fort Fairfield's unassigned fund balance includes amounts that have not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

When restricted and other fund balances resources are available for use, it is the Town's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

*Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) CASH AND TEMPORARY INVESTMENTS

Deposits with financial institutions are subject to custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may be lost. The Town's investment policy is to invest in regional banks and federal securities and to insure the funds to as great a degree as possible.

As of June 30, 2023, the Town's deposits of \$517,232 were fully insured.

# TOWN OF FORT FAIRFIELD, MAINE

## Notes to the Financial Statements June 30, 2023

### (3) CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Disposals	Balance June 30, 2023
<u>Governmental Activities</u>				
Capital assets not being depreciated:				
Land	\$ 89,079	\$ -	\$ 12,600	\$ 76,479
Other capital assets:				
Buildings	5,450,957	-	140,610	5,310,347
Land improvements	541,820	-	-	541,820
Equipment	1,947,164	-	37,024	1,910,140
Vehicles	1,842,946	30,000	815,869	1,057,077
Infrastructure	2,207,244	-	-	2,207,244
	<u>11,990,131</u>	<u>30,000</u>	<u>993,503</u>	<u>11,026,628</u>
Less accumulated depreciation for:				
Buildings	1,666,162	102,426	51,557	1,717,031
Land improvements	208,555	12,967	-	221,522
Equipment	1,195,659	84,945	17,894	1,262,710
Vehicles	749,036	129,294	229,676	648,654
Infrastructure	2,041,967	61,101	-	2,103,068
	<u>5,861,379</u>	<u>390,733</u>	<u>299,127</u>	<u>5,952,985</u>
Governmental activities capital assets, net	\$ <u>6,217,831</u>	\$ <u>(360,733)</u>	\$ <u>706,976</u>	\$ <u>5,150,122</u>

Depreciation expense was charged to functions in the Statement of Activities as follows:

Governmental Activities	
General government	\$ 34,860
Library	4,694
Police Department	27,363
Fire and Ambulance Department	108,078
Public Works Department	149,832
Recreation	20,762
Community center	17,940
Unallocated depreciation	27,204
	<u>\$390,733</u>

### (4) SHORT-TERM DEBT

During the year, the Town issued a tax anticipation note to assist with cash flow needs until property taxes could be collected. The Town borrowed \$600,000 in June 2022, with an additional \$400,000 in July 2022. The Town repaid \$500,000 and has a balance of \$500,000 at year-end. The Town has an 8.5% line of credit for \$500,000 available with none drawn down as of June 30, 2023.

In addition, the Town had a \$275,000 note due to Aroostook Waste Solutions at June 30, 2022. The balance was paid in full in January 2023.



# TOWN OF FORT FAIRFIELD, MAINE

## Notes to the Financial Statements June 30, 2023

### (5) COMMITMENTS AND CONTINGENCIES

The Town is liable for its proportionate share of any defaulted debt issued by entities of which it is a member. The overlapping bonded debt applicable to the Town as of June 30, 2023, consisted of the following:

<u>Entity</u>	<u>Share of Bonded Debt</u>
M.S.A.D. #20	\$1,454,519
Aroostook Waste Solutions	See Note 8

### (6) LONG-TERM DEBT

As of June 30, 2023, long-term debt consisted of the following:

Variable rate bond payable in annual principal installments of \$50,000 through May 2027 with interest due semi-annually. Interest on the bond ranges from 1% to 6%.	\$ 200,000
3.82% Note payable in monthly installments of \$8,347 principal and interest through December 2034.	<u>927,286</u>
	<u>\$1,127,286</u>

Long-term debt activity during the year ended June 30, 2023, was as follows:

	<u>Balance July 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2023</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Bonds Payable:					
Capital improvement bond	\$ 250,000	\$ -	\$ 50,000	\$ 200,000	\$ 50,000
Capital improvement bond	50,000	-	50,000	-	-
Note payable	989,775	-	62,489	927,286	65,271
Note payable	450,805	-	450,805	-	-
Capital lease payable	211,276	-	211,276	-	-
Other Liabilities:					
Compensated absences	<u>202,820</u>	<u>-</u>	<u>32,844</u>	<u>169,976</u>	<u>30,000</u>
	<u>\$2,154,676</u>	<u>\$ -</u>	<u>\$857,414</u>	<u>\$1,297,262</u>	<u>\$145,271</u>

As of June 30, 2023, the capital improvement bonds and note payable mature as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 115,271	\$ 40,220
2025	117,939	34,665
2026	120,618	30,299
2027	123,402	27,014
2028	76,231	23,935
2029-2033	428,998	71,832
2034	<u>144,827</u>	<u>4,515</u>
	<u>\$1,127,286</u>	<u>\$232,480</u>

## TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements  
June 30, 2023

### (7) EMPLOYEES' RETIREMENT PLAN

#### MAINEPERS

##### Plan Description

The Town contributes to the Maine Public Employees Retirement System (MainePERS) which is a multiple-employer cost sharing defined benefit pension plan as a Participating Local District (PLD). Eligible employers (districts) are defined in Maine statute. As of June 30, 2022, there were 311 employers in the plan. As of June 30, 2022, the Town had 14 employees enrolled in the plan.

##### Pension Benefits

Benefit terms are established in Maine statute and an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend the terms. The plan provides defined benefits based on members' average final compensation and service credit earned as of retirement. Vesting occurs upon the earning of five years of service credit. For PLD members, normal retirement age is 60 (if the member participated in the plan on or before June 30, 2014) or 65 (for members added to the plan beginning July 1, 2014). Members are eligible for retirement after twenty-five years of service; or upon reaching normal retirement age of 60 or 65, whether or not they are in service, provided they are vested with 5 or 10 years of service, whichever applies to them; or upon reaching their normal retirement age of 60 or 65, provided they have been in service for at least one year immediately prior to retirement. The monthly benefit of members who retire before normal retirement age by 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 the normal retirement age at retirement. MainePERS also provides disability and death benefits which are established by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest (annual rate is currently 1.52%), credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights.

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. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule. The Town's participants contributed 10% of their wages to the plan for the fiscal year ended June 30, 2022. The Town's contribution rate is determined through actuarial valuations.

##### Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2023, the Town reported a liability of \$282,519 for its proportionate share of the net pension asset. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Town's proportion was .1063%, which was an increase of .043% from its proportion as measured as of June 30, 2021.

# TOWN OF FORT FAIRFIELD, MAINE

## Notes to the Financial Statements June 30, 2023

### (7) EMPLOYEES' RETIREMENT PLAN (Continued)

#### Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources (Continued)

For the year ended June 30, 2023, the Town recognized pension expense of \$147,263. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 52,505	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	118,575
Changes of assumptions	57,342	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>107,520</u>	<u>-</u>
Total	<u>\$217,367</u>	<u>\$118,575</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amounts</u>
2023	\$103,511
2024	13,253
2025	(73,665)
2026	55,693

#### Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Salary increases	2.75% - 11.48%
Inflation rate	2.75%
Investment rate of return	6.5% per annum, compounded annually
Cost of living benefit increases	1.91%

# TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements  
June 30, 2023

## (7) EMPLOYEES' RETIREMENT PLAN (Continued)

### Actuarial Assumptions (Continued)

Mortality rates were based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using RPEC\_2020 model.

The long-term expected rate of return on pension plan assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2022 are summarized in the following table. Assets for each of the defined benefits plan are commingled for investment purposes.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Public Equities	30.0%	6.0%
US Government	7.5%	2.3%
Private Equity	15.0%	7.6%
Real Assets:		
Real Estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural Resources	5.0%	5.0%
Traditional Credit	7.5%	3.0%
Alternative Credit	5.0%	7.2%
Diversifiers	10.0%	5.9%

### Discount Rate

The discount rate used to measure the collective pension liability was 6.5% for 2022. 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 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 the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table shows how the collective net pension liability/(asset) as of June 30, 2022 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

	Current	
1% Decrease	Discount Rate	1% Increase
<u>5.5%</u>	<u>6.5%</u>	<u>7.5%</u>
\$834,642	\$282,519	\$(173,830)

All other employees are covered under the Social Security System.

MainePERS issues a publicly available financial report that includes financial statements and required supplementary information that may be obtained on the Internet at [www.maineopers.org](http://www.maineopers.org) or at the MainePERS office in Augusta.

# TOWN OF FORT FAIRFIELD, MAINE

## Notes to the Financial Statements June 30, 2023

### (7) EMPLOYEES' RETIREMENT PLAN (Continued)

#### Deferred Compensation Plan

The Town has established for its employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salaries until future years. The deferred compensation amount is not available to the employees until termination, retirement or death.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, contribution rates depend on individual contracts and a portion of which is matched by the employer. Employees may elect to make member contributions.

### (8) JOINT VENTURE – AROOSTOOK WASTE SOLUTIONS

The Aroostook Waste Solutions is owned jointly by the Towns of Fort Fairfield and Limestone plus the Cities of Caribou and Presque Isle. The Board of Directors consists of ten members residing in the four communities.

Financial statements for this joint venture were issued and reported on by us in a separate report dated May 10, 2023. These financial statements are available from the Town's Finance Department.

A summary of the facility's activity for 2022, is as follows:

	<u>Amount</u>
Total assets	\$21,149,945
Deferred outflows of resources	97,937
Total liabilities	18,820,930
Deferred inflows of resources	<u>120,666</u>
Total net position	<u>\$ 2,306,286</u>
Total revenue	\$ 4,024,848
Less total expenditures	<u>4,750,114</u>
Decrease in net position	<u>\$ (725,266)</u>

The Town has guaranteed, together with the other member communities, three notes payable. As of December 31, 2022, the balance owed was \$5,763,889.

The State of Maine Department of Environmental Protection requires that Aroostook Waste Solutions place a final cover on its landfills when closed and perform certain maintenance and monitoring functions at each site for thirty years after closure. These estimated closure and post-closure care costs are being recognized in the financial statements referred to above at the rate of utilization of the landfill sites. As of December 31, 2022, the estimated total cost of closure and post-closure care was approximately \$37,400,000 of which \$12,514,000 was recognized. The management of the landfill expects to use future earnings to cover the costs of closure and post-closure care. More information regarding the accounting for closure and post-closure care costs is available in the 2022 financial statements of the Aroostook Waste Solutions.



## TOWN OF FORT FAIRFIELD, MAINE

### Notes to the Financial Statements June 30, 2023

#### (9) LEASE

During the year ended June 30, 2013, the Town completed construction of a health clinic and sold a 25% interest to Pines Health Services for a capital investment of \$212,000. The owners entered into a lease agreement with Pines Health Services to operate a health center in this facility. The current term of the lease is for a period of ten years commencing on September 1, 2023. The tenant will pay no rent during the term but is responsible for the operating costs of the facility.

#### (10) TAX INCREMENT FINANCING (TIF) DISTRICT

The Town has entered into a credit enhancement agreement under the Municipal Tax Increment Financing Rule of the Maine Department of Economic and Community Development (DECD). Under this Rule, municipalities may grant property tax abatements on the captured value of a business' designated property improvements for purposes of attracting or retaining businesses within their jurisdictions. The abatements may be granted to any business located within or promising to relocate to the Town.

The Town has established a TIF District in the form of a Credit Enhancement Agreement for the Senior Citizen Complex. Under the terms of this agreement, the Town will reimburse the taxpayer 75% of the property taxes, in order to ensure that the rental income will be sufficient to meet the operating costs of this facility as a requirement from the Maine State Housing Authority for the Complex to receive funding. This agreement will expire in 2028 when the Northern New England Housing Investment Fund ownership will be deeded to the Fort Fairfield Residential Development Corporation. For the year ended June 30, 2023, the Town abated property taxes totaling \$29,574 in connection with this agreement.

#### (11) OTHER POST-EMPLOYMENT BENEFIT (OPEB)

##### Plan Description – Maine Municipal Employees Health Trust

The Town participates in the Maine Municipal Employees Health Trust (MMEHT) in which retirees and spouses may participate in group health insurance through a single employer OPEB plan. The Town does not contribute directly towards the cost of the retiree premiums. The retiree must meet the minimum age of 55 with at least 5 years of service at retirement in order to be eligible. The retiree must enroll when first eligible and continue coverage without interruption thereafter.

##### Benefits

The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B and the Retiree Group Companion Plan which includes prescription coverage. Medical benefits are provided for the life of the retiree and surviving spouses. Current retirees do not have access to dental benefits. Future new retirees who retire after December 31, 2016 will have access to purchase dental coverage at the Plan COBRA (Consolidated Omnibus Budget Reconciliation Act) rates.

##### Funding Policy

The Plan is pay as you go and is not funded. The retiree and spouse contribute 100% of the monthly premium.

##### Actuarial Methods and Assumptions

The collective total OPEB liability for the Plan was determined by an actuarial valuation as of January 1, 2023, using the Entry Age Normal Actuarial Cost Method to value the plan's actuarial liabilities and to set the normal cost. The amortization method is a level dollar method using an open 30-year amortization period.

##### Discount Rate

The discount rate is based on a 20-year, tax-exempt general obligation bond index as of December 30, 2022 and is 3.72% per annum.

# TOWN OF FORT FAIRFIELD, MAINE

## Notes to the Financial Statements June 30, 2023

### (11) OTHER POST-EMPLOYMENT BENEFIT (OPEB) (Continued)

#### OPEB Liabilities, Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources

At June 30, 2023, the Town reported a liability of \$96,608 for its net MMEHT liability. The net OPEB liability was measured as of January 1, 2023, and the total liability used to calculate the net liability was determined by an actuarial valuation as of that date.

For the year ended June 30, 2023, the Town recognized MMEHT expense of \$10,443. At June 30, 2023, the Town reported deferred outflows of resources and deferred inflows of resources related to the Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ -	\$20,797
Changes of assumptions	17,067	15,430
Net difference between projected and actual earnings on OPEB plan investments	<u>-</u>	<u>-</u>
Total	<u>\$17,067</u>	<u>\$36,227</u>

Amounts reported as deferred outflows of resources and deferred (inflows) of resources will be recognized in OPEB expense as follows:

Year Ending December 31,	Amounts
2023	\$(3,299)
2024	(3,303)
2025	(2,083)
2026	(1,043)
2027	(1,044)
Thereafter	(8,388)

The following table shows how the net MMEHT OPEB liability as of January 31, 2023 would change if the discount rate used was one percentage point lower or one percentage point higher than the current rate.

1% Decrease	Current Discount Rate	1% Increase
<u>2.72%</u>	<u>3.72%</u>	<u>4.72%</u>
\$114,413	\$96,608	\$82,467

### (12) RISK MANAGEMENT

The Town is exposed to various risks of loss related to town officials, town council liability, torts, theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. The Town purchases insurance for all risks of loss. There have been no significant reductions in insurance coverage during the year.

Additional risks include, but are not limited to, global military conflicts, the oil and gas market, supply chain issues and inflation.



TOWN OF FORT FAIRFIELD, MAINE

Notes to the Financial Statements  
June 30, 2023

(13) SUBSEQUENT EVENTS

Management has reviewed subsequent events through October 27, 2023, the date that these financial statements were available to be issued and determined that no additional adjustments or disclosures are required in order for these financial statements to be fairly stated.

## TOWN OF FORT FAIRFIELD, MAINE

Schedule 1

Budgetary Comparison  
General Fund  
For the Year Ended June 30, 2023

	<u>Budgeted Amounts</u>		Actual Amounts (Budgetary Basis)	Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
RESOURCES (INFLOWS):				
Property taxes	\$4,948,075	\$4,948,075	\$ 4,918,504	\$ (29,571)
Other property tax related	494,011	494,011	530,962	36,951
Abatements	-	-	(256)	(256)
State assistance	1,005,702	1,005,702	1,094,720	89,018
Excise taxes	657,850	657,850	643,453	(14,397)
Licenses, permits and fees	27,665	27,665	28,017	352
Fire and ambulance revenue	408,642	408,642	374,757	(33,885)
Interest income	21,565	21,565	15,024	(6,541)
Other	194,145	194,145	155,456	(38,689)
AMOUNTS AVAILABLE FOR APPROPRIATION	<u>7,757,655</u>	<u>7,757,655</u>	<u>7,760,637</u>	<u>2,982</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	656,200	656,200	619,722	36,478
Library	135,269	135,269	61,495	73,774
Police Department	557,011	557,011	523,463	33,548
Community center	131,587	131,587	127,076	4,511
Fire Department	1,664,927	1,664,927	1,146,729	518,198
Safety and sanitation	273,159	273,159	279,838	(6,679)
Public Works Department	1,256,098	1,256,098	1,022,469	233,629
Recreation	296,158	296,158	230,096	66,062
Education	2,203,432	2,203,432	2,203,432	-
Other	565,750	565,750	554,387	11,363
TOTAL CHARGES TO APPROPRIATIONS	<u>7,739,591</u>	<u>7,739,591</u>	<u>6,768,707</u>	<u>970,884</u>
EXCESS OF RESOURCES OVER CHARGES TO APPROPRIATIONS	<u>\$ 18,064</u>	<u>\$ 18,064</u>	991,930	<u>\$ 973,866</u>
OTHER SOURCES (USES)				
Recognition of liability for compensated absences			(48,303)	
NET INCREASE IN FUND BALANCE			943,627	
BUDGETARY FUND BALANCE - JULY 1, 2022			(1,468,795)	
Less transfer to reserves			(101,193)	
Less net expenditures recorded directly to surplus			(103,935)	
BUDGETARY FUND BALANCE - JUNE 30, 2023			<u>\$ (730,296)</u>	

TOWN OF FORT FAIRFIELD, MAINE

Schedule 2

Reconciliation of Budgetary Comparison to  
Statement of Revenues, Expenditures and Changes in Fund Balance  
For the Year Ended June 30, 2023

RECONCILIATION OF FUND BALANCE

Fund deficit - budgetary basis (Schedule 1)	\$ (730,296)
Adjustments to reconcile to undesignated fund balance on a modified accrual basis (Exhibit C):	
Accounts receivable at June 30, 2023	91,841
Accrued expenses at June 30, 2023	(81,091)
Compensated absence liability not recognized on a modified accrual basis	169,975
Deferred revenue at June 30, 2023	<u>(107,000)</u>
Unassigned fund balance on a GAAP basis, June 30, 2023 (Exhibit C)	(656,571)
Assigned fund balance (Exhibit C)	<u>989,124</u>
Total fund balance - general fund (Exhibit D)	<u>\$ 332,553</u>

RECONCILIATION OF RESOURCES OVER CHARGES

Net increase in fund balance (Schedule 1)	\$ 943,627
Adjustments to reconcile budgetary basis accounting to modified accrual:	
Increase in receivable	91,841
Expenditures charged directly to surplus	(103,935)
(Increase) in accrued expenses not recognized on a budgetary basis	(23,188)
Activity in Reserves for Capital Outlays not included in budget:	
Income credited directly to reserves	764,560
Expenditures charged directly to reserves	<u>(765,099)</u>
Total net change in fund balance - governmental funds (Exhibit D)	<u>\$ 907,806</u>

## TOWN OF FORT FAIRFIELD, MAINE

Schedule 3

Schedule of the Town's Proportionate Share of the Net Pension Liability  
For the Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability	0.106276%	0.063719%	0.039634%	0.033623%	0.040651%	0.040264%	0.041786%	0.039450%	0.032977%	0.036880%
Town's proportionate share of the net pension (asset) liability	\$ 282,519	\$ (20,477)	\$ 157,475	\$ 102,773	\$ 111,250	\$ 164,852	\$ 222,022	\$ 125,867	\$ 50,754	\$ 113,686
Town's covered-employee payroll	683,206	364,692	256,016	209,626	238,853	217,583	220,363	206,783	175,899	205,061
Town's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.35%	-5.61%	61.51%	49.03%	46.58%	75.77%	100.75%	60.87%	28.85%	55.44%
Plan fiduciary net position as a percentage of the total pension liability	93.30%	100.90%	88.30%	90.60%	91.10%	86.40%	81.60%	88.30%	94.10%	87.50%

# TOWN OF FORT FAIRFIELD, MAINE

Schedule 4

## Schedule of the Town's Contributions - Pension For the Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 83,653	\$ 43,593	\$ 25,602	\$ 19,915	\$ 22,691	\$ 20,670	\$ 19,608	\$ 16,129	\$ 11,433	\$ 10,868
Contributions in relation to the contractually required contribution	<u>83,653</u>	<u>43,593</u>	<u>25,602</u>	<u>19,915</u>	<u>22,691</u>	<u>20,670</u>	<u>19,608</u>	<u>15,746</u>	<u>11,349</u>	<u>11,038</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 383</u>	<u>\$ 84</u>	<u>\$ (170)</u>
Town's covered-employee payroll	\$ 683,206	\$ 364,692	\$ 256,016	\$ 209,626	\$ 238,853	\$ 217,583	\$ 220,363	\$ 206,783	\$ 175,899	\$ 205,061
Contributions as a percentage of covered-employee payroll	12.24%	11.95%	10.00%	9.50%	9.50%	9.50%	8.90%	7.61%	6.45%	5.38%

## TOWN OF FORT FAIRFIELD, MAINE

Notes to Schedules 3 and 4  
June 30, 2023

### NOTE 1 – VALUATION DATE

Only fiscal years 2022 through 2013 are reported. The amounts presented have a measurement date as of June 30, 2022.

### NOTE 2 – BENEFIT CHANGES

There were no benefit changes for Town employees in the employees' retirement plan.

### NOTE 3 – CHANGES IN ASSUMPTIONS

There were no changes in assumptions.

### NOTE 4 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Amortization method	For the actuarial value as of June 30, 2022, 2021, 2020, 2019, 2018, 2017, 2016 and 2015, 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  For the actuarial value as of June 30, 2014 and 2013 the net pension liability was amortized on an open basis over a period of 15 years
Asset valuation method	One-third of the investment return that is different from the actuarial assumption for investment return
Investment rate of return	6.5% compounded annually for 2022 and 2021 6.75% compounded annually for 2020, 2019 and 2018 6.875% compounded annually for 2017 and 2016 7.125% compounded annually for 2015 7.25% compounded annually for 2014 and 2013
Retirement age	60 or 65, depending on years of creditable service at certain dates
Mortality	2010 Public Plan General Benefits Weighted Healthy Retiree Mortality Table for males and females projected generationally using the RPEC_2020 model

## TOWN OF FORT FAIRFIELD, MAINE

Schedule 5

Schedule of Change in Net Other Post-Employment Benefits (OPEB) Liability -  
Maine Municipal Employees Health Trust  
For the Last Six Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 11,514	\$ 9,140	\$ 7,873	\$ 3,392	\$ 3,948	\$ 4,768
Interest	2,228	2,388	2,652	3,374	3,003	3,506
Changes of benefits	-	-	-	(1,753)	-	-
Differences between expected and actual experience	-	(6,562)	-	(12,215)	-	(15,624)
Changes of assumptions	(11,622)	(2,304)	6,673	20,053	(8,341)	5,916
Benefit payments	(4,256)	(2,662)	(2,560)	(3,113)	(2,993)	(3,444)
Administrative expense	-	(6,068)	-	-	-	-
Net change in total OPEB liability	(2,136)	(6,068)	14,638	9,738	(4,383)	(4,878)
Total OPEB liability - beginning	98,744	104,812	90,174	80,436	84,819	89,697
Total OPEB liability - ending (a)	<u>\$ 96,608</u>	<u>\$ 98,744</u>	<u>\$ 104,812</u>	<u>\$ 90,174</u>	<u>\$ 80,436</u>	<u>\$ 84,819</u>
Plan fiduciary net position						
Contributions - employer	\$ 4,256	\$ 2,662	\$ 2,560	\$ 3,113	\$ 2,993	\$ 3,444
Benefit payments	(4,256)	(2,662)	(2,560)	(3,113)	(2,993)	(3,444)
Net change in plan fiduciary net position	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-
Plan fiduciary net position - ending (b)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's net OBEP liability - ending (a) - (b)	<u>\$ 96,608</u>	<u>\$ 98,744</u>	<u>\$ 104,812</u>	<u>\$ 90,174</u>	<u>\$ 80,436</u>	<u>\$ 84,819</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 1,101,307	\$ 1,101,307	\$ 811,403	\$ 811,403	\$ 546,079	\$ 546,079
Net OPEB liability as a percentage of covered-employee payroll	8.8%	9.0%	12.9%	11.1%	14.7%	15.5%



TOWN OF FORT FAIRFIELD, MAINE

Notes to Schedule 5

June 30, 2023

NOTE 1 – VALUATION DATE

Only fiscal years 2023 through 2018 are reported. The amounts presented have a measurement date as of January 1, 2023. The Town will continue to present information until a full ten-year trend is compiled.

NOTE 2 – BENEFIT CHANGES

There were no benefit changes for Town employees in the retirees' health trust plan.

NOTE 3 – CHANGE IN ASSUMPTIONS

The change in discount rate from 2.06% to 3.72% was the only change in assumptions for the 2023 valuation.

NOTE 4 – METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

Actuarial cost method	Entry age normal
Investment rate of return	3.72% compounded annually for 2023 2.06% compounded annually for 2022 2.12% compounded annually for 2021 2.74% compounded annually for 2020 4.10% compounded annually for 2019 4.44% compounded annually for 2018
Salary increase rate	2.75%
Mortality	Based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females

## TOWN OF FORT FAIRFIELD, MAINE

Schedule 6

Fund Balance Assigned for Subsequent Years' Expenditures  
For the Year Ended June 30, 2023

	Balances July 1	Appropri- ations	Transfers	Other	Total Available	Expendi- tures	Balances June 30
Administration reserve	\$ 214,598	\$ -	\$ (50,000)	\$ 1,968	\$ 166,566	\$ 56,484	\$ 110,082
Fire Department reserves	188,855	-	-	653,500	842,355	572,157	270,198
Industrial park reserve	80,765	-	-	-	80,765	-	80,765
Library reserve	1,822	-	-	23,557	25,379	944	24,435
Parks and recreation reserves	42,439	-	2,000	11,331	55,770	8,954	46,816
Police Department reserves	6,081	-	50,000	16,850	72,931	21,250	51,681
Public works reserves	382,213	-	(2,000)	-	380,213	36,000	344,213
Community center reserves	365	-	-	-	365	-	365
Re-evaluation reserve	(10,862)	-	-	-	(10,862)	-	(10,862)
Mama Bear	(229)	-	-	180	(49)	157	(206)
Fort Fairfield rail line	7,798	-	-	911	8,709	-	8,709
Community bandstand	178	-	-	5	183	-	183
Community clock	18	-	-	-	18	-	18
Tough Tater/Tots	2,182	-	-	-	2,182	132	2,050
Sesquicentennial	150	-	-	80	230	150	80
Meadows Development TIF	21,762	-	-	29,574	51,336	29,574	21,762
Stray animals	7,890	-	-	1,096	8,986	6,312	2,674
Riverside Park	2,720	-	-	921	3,641	914	2,727
Giggey's Boat Landing Dock	557	-	-	-	557	-	557
Farm Park	(101,193)	-	101,193	-	-	-	-
Festival reserve	21,410	-	-	24,037	45,447	32,071	13,376
Spec Building	349	-	-	-	349	-	349
Revolving loan funds	18,602	-	-	550	19,152	-	19,152
	<u>\$ 888,470</u>	<u>\$ -</u>	<u>\$101,193</u>	<u>\$764,560</u>	<u>\$1,754,223</u>	<u>\$765,099</u>	<u>\$ 989,124</u>

## TOWN OF FORT FAIRFIELD, MAINE

Schedule 7

Schedule of Revenues, Expenditures and Changes in Fund Balance  
For Non-Major Funds  
For the Year Ended June 30, 2023

	Special Revenue					Total Non-major Funds
	<u>Cemetery</u>	<u>Library</u>	<u>Police Department Grants</u>	<u>Library</u>	<u>Other</u>	
REVENUES						
Federal and state assistance	\$ -	\$ -	\$ 1,749	\$ 50,767	\$ 115,367	\$ 167,883
Other revenue	-	1,031	-	-	-	1,031
Interest income	22	521	-	-	-	543
Total Revenues	22	1,552	1,749	50,767	115,367	169,457
EXPENDITURES						
Program expenditures	-	37,727	1,894	21,162	115,367	176,150
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	22	(36,175)	(145)	29,605	-	(6,693)
FUND BALANCE (DEFICIT) - JULY 1	2,383	84,594	9,429	4,604	(128)	100,882
FUND BALANCE (DEFICIT) - JUNE 30	\$ 2,405	\$ 48,419	\$ 9,284	\$ 34,209	\$ (128)	\$ 94,189

## TOWN OF FORT FAIRFIELD, MAINE

Schedule 8

Schedule of Property Taxes - General Fund  
For the Year Ended June 30, 2023

	<u>Total</u>	<u>2023/2024 Taxes</u>	<u>2022/2023 Taxes</u>	<u>2021/2022 Taxes</u>	<u>Prior Taxes and Liens</u>
UNCOLLECTED AT JULY 1	\$ 609,815	\$ -	\$ (29,467)	\$ 295,244	\$ 344,038
2022 COMMITMENT (\$186,719,800 @.026500)	<u>4,948,075</u>	<u>-</u>	<u>4,948,075</u>	<u>-</u>	<u>-</u>
COLLECTIONS	4,770,799	20,294	4,464,326	253,732	32,447
ABATEMENTS	255	-	-	255	-
WRITTEN OFF	<u>311,591</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>311,591</u>
	<u>5,082,645</u>	<u>20,294</u>	<u>4,464,326</u>	<u>253,987</u>	<u>344,038</u>
UNCOLLECTED AT JUNE 30	\$ <u>475,245</u>	\$ <u>(20,294)</u>	\$ <u>454,282</u>	\$ <u>41,257</u>	\$ <u>-</u>
REPRESENTED BY:					
Real Estate Taxes	\$ 472,862	\$ (20,275)	\$ 451,919	\$ 41,218	\$ -
Personal Property Taxes	<u>2,383</u>	<u>(19)</u>	<u>2,363</u>	<u>39</u>	<u>-</u>
	\$ <u>475,245</u>	\$ <u>(20,294)</u>	\$ <u>454,282</u>	\$ <u>41,257</u>	\$ <u>-</u>

# FELCH & COMPANY, LLC

*Certified Public Accountants*

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## Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Town Council of the  
Town of Fort Fairfield, Maine

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Fort Fairfield, Maine, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated October 27, 2023.

### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit, we considered the Town of Fort Fairfield, Maine's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Fort Fairfield, Maine's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Fort Fairfield, Maine's internal control.

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

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

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Town of Fort Fairfield, Maine'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*.

To the Town Council of the  
Town of Fort Fairfield, Maine

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Felch & Company LLC*

October 27, 2023



# FELCH & COMPANY, LLC

*Certified Public Accountants*

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## Independent Auditors' Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Town Council of the  
Town of Fort Fairfield, Maine

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited the Town of Fort Fairfield, Maine's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town's major federal programs for the year ended June 30, 2023. The Town of Fort Fairfield, Maine's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Town of Fort Fairfield, Maine 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, 2023.

#### ***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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Town of Fort Fairfield, Maine 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 the Town of Fort Fairfield, Maine'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 the Town of Fort Fairfield, Maine's federal programs.

#### ***Auditors' 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 the Town of Fort Fairfield, Maine'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 generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material

To the Town Council of the  
Town of Fort Fairfield, Maine

***Auditors' Responsibilities for the Audit of Compliance (Continued)***

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 the Town of Fort Fairfield, Maine's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the Town of Fort Fairfield, Maine'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 the Town of Fort Fairfield, Maine'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 the Town of Fort Fairfield, Maine'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 Auditors' 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Felch & Company LLC*

October 27, 2023

TOWN OF FORT FAIRFIELD, MAINE

Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

*Financial Statements*

Type of auditors' report issued: *unmodified*

Internal control over financial reporting:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified that are not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiencies identified that are not considered to be material weakness(es)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported

Type of auditors' 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)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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Identification of major programs:

Department of Housing and Urban Development

Community Development Block Grant 2019 Public Infrastructure Program	CFDA #14.228
---	--------------

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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SECTION II - FINDINGS - FINANCIAL STATEMENT AUDIT

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

TOWN OF FORT FAIRFIELD, MAINE

Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2023

Federal Grantor/ Pass-through Grantor/ <u>Program Title</u>	Federal Assistance Listing <u>Number</u>	Pass- through Grantor's <u>Number</u>	<u>Disburse- ments</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through State of Maine Department of Economic and Community Development			
CDBG - 2019 Public Infrastructure	14.228	N/A	\$ 721,794
CDBG - Economic Development Program - Thibeau Farms	14.228	N/A	<u>93,317</u>
<b>Subtotal - U.S. Department of Housing and Urban Development</b>			<u>815,111</u>
<u>National Endowment for the Humanities</u>			
Direct Award - Promotion of the Humanities	45.129	N/A	<u>19,200</u>
<b>Subtotal - National Endowment for the Humanities</b>			<u>19,200</u>
<b>Total</b>			<u>\$ 834,311</u>

## TOWN OF FORT FAIRFIELD, MAINE

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2023

#### NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Town of Fort Fairfield, Maine and is presented on the modified accrual basis of accounting. 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). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation, of the basic financial statements.

#### NOTE B – BASIS OF PRESENTATION

##### Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards presents the activity of federal financial assistance programs administered by the Town, an entity as defined in the notes to the financial statements.

##### Pass-through Programs

Where the Town receives funds from a government entity other than the federal government (pass-through), the funds are accumulated based upon the Federal Assistance Listing Number (FALN) advised by the pass-through grantor.

#### NOTE C – INDIRECT COSTS

The Town has elected not to use the 10% *de minimis* indirect cost rate allowed under the Uniform Guidance.

#### NOTE D – MATCHING COSTS

Matching costs that represent the Town's share of certain program costs, if any, are not included in the Schedule of Expenditures of Federal Awards.

TOWN OF FORT FAIRFIELD, MAINE

Schedule of Prior Audit Findings  
For the Year Ended June 30, 2023

22-01 Material Weakness – Town Council Review of Financial Statements

*Condition:* During our audit of the year ended June 30, 2022, we noted that the Town Council had not been given monthly financial statements to review at meetings.

*Status:* Corrected.

22-02 Material Weakness – Budget Process

*Condition:* During our audit of the year ended June 30, 2022, we noted that the budgeted charges to appropriations were greater than the budgeted amounts available for appropriation.

*Status:* Corrected.