

Town of
Jefferson, Maine

Annual Financial Statements
For the Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Selectmen
Town of Jefferson
Jefferson, Maine

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Jefferson, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Jefferson, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of Town's proportionate share of the net pension liability, and schedule of employee contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Jefferson's basic financial statements. Schedules 4, 5 and 6 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Bath, Maine

October 25, 2021

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

Board of Selectmen
Town of Jefferson
Jefferson, 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, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Jefferson, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town of Jefferson's basic financial statements, and have issued our report thereon dated October 25, 2021.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Jefferson's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of 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.

Bath, Maine

October 25, 2021

Management of the Town of Jefferson, Maine presents this narrative to provide you with an overview and analysis of our annual financial statements for the year ending December 31, 2020. This information in conjunction with the notes to the financial statements can be considered when reading the Town's financial statements.

Financial Highlights

- Total net position of the Town of Jefferson increased by \$1,314,737 to \$12,173,992.
- Net capital assets increased by \$59,605 to \$13,881,777 due to paving that was done in the current year.
- General revenues accounted for \$5,903,593, or 69.74 % of all revenues. Program specific revenues accounted for \$2,561,308 in revenue, or 30.26% of total revenues.
- All of the Town's departmental/functional expenses came in at or under budget, except for outside organizations and fixed costs.
- At the end of the current year, the unrestricted fund balance for the general fund was \$2,880,063.

Overview of the Financial Statements

Below is a brief discussion of the basic financial statements, including the relationships of the statements to each other and the significant differences in the information they provide. The Town of Jefferson's basic financial statements are comprised of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains both required and supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements include two main basic financial statements in accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB). The first is the Statement of Net Position and the second is the Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town's finances in a manner similar to a private-sector business. Both report information about the town as a whole and about its activities during the fiscal year using the accrual basis of accounting used by most private-sector companies.

The Statement of Net Position is designed to present information on all of the Town's assets and liabilities, with the difference between the two reported as net position. Infrastructure (roads, bridges, etc.) are town assets if constructed and owned by the Town or are maintained by the Town. GASB Statement No. 34, however, does not require the Town to retroactively report infrastructure as assets, thus all infrastructure acquired or constructed prior to January 1, 2004, is not reported in the Statement of Net Position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating. Other factors also need to be considered as well, such as changes in the Town's property tax base, the condition of the Town's infrastructure, and the annual amount of state funding for education.

The second government-wide financial statement is the Statement of Activities which reports how the Town's net position has changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. This statement shows the net cost of departmental services (i.e., the cost of departmental services less the revenues generated by those departments), that are funded by tax revenues, state aid, and other unrestricted revenues.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's funds, rather than the Town as a whole.

Most of the Town's basic services are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending, normally in the next fiscal year. These are reported using an accounting method called modified accrual accounting, which only measures cash and other financial assets which can be readily converted to cash. Accordingly, fixed assets (land, buildings, equipment, etc.) are not included as assets. These governmental fund financial statements therefore present a short-term view of the Town's general government operations and what is available to be spent in the near future. The Town has one major fund, the general fund.

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 and fund financial statements.

Financial Analysis of the Town as a Whole

The Statement of Net Position provides the perspective of the Town as a whole

The table below provides a summary of the Town's net position.

NET POSITION GOVERNMENTAL ACTIVITIES		
	2020	2019
Current and Other Assets	\$ 6,063,275	\$ 5,602,739
Capital Assets (Net)	13,881,777	13,822,172
Deferred Outflows of Resources	51,404	27,953
Total Assets	<u>\$ 19,996,456</u>	<u>\$ 19,452,864</u>
Current Liabilities	\$ 728,931	\$ 802,790
Noncurrent Liabilities	7,072,551	7,748,501
Total Liabilities	<u>\$ 7,801,482</u>	<u>\$ 8,551,291</u>
Deferred Inflows of Resources	<u>\$ 20,982</u>	<u>\$ 42,318</u>
Net Position:		
Net Invested in Capital Assets	\$ 6,230,024	\$ 5,474,805
Restricted for Other Purposes	1,450,323	369,677
Unrestricted	4,493,645	5,014,773
Total Net Position	<u>\$ 12,173,992</u>	<u>\$ 10,859,255</u>

The Town of Jefferson's net position at fiscal year-end was \$12,173,992. This includes current assets (primarily cash and taxes receivable), the cost (less accumulated depreciation) of all buildings, equipment, and land owned by the Town (valued at historical cost, or estimated thereof), and infrastructure acquired after December 31, 2003 (less accumulated depreciation), less current and long-term debt. Changes in net position from year to year may be observed to analyze changing financial positions of the Town as a whole.

By far, the largest portion of the Town's net position reflects investment in capital assets (i.e. elementary school, town office, salt and sand shed, fire station, and school buses, primarily), less any related debt used to acquire those assets that is still outstanding. Currently, the Town owes debt related to the construction of the new school building. The Town uses these capital assets to provide services to its citizens; consequently, these assets are not available as a source for future spending. The resources needed to repay this debt must be provided from other sources, primarily tax dollars or state aid, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the Town's ongoing obligations to its creditors.

The table below provides a summary of the Town's changes in net position.

CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES		
	2020	2019
Net Position, Beginning of Year	\$ 10,859,255	\$ 10,186,041
Revenues:		
Program Revenues:		
Charges for Services	\$ 84,538	\$ 54,155
Grants and Contributions	2,476,770	350,000
General Revenues:		
Property Taxes	4,828,171	4,505,426
Excise Taxes	620,622	606,788
Intergovernmental	315,722	1,452,601
Licenses, Permits, and Fees	43,016	36,779
Other Revenue	96,062	198,808
Total Revenues	\$ 8,464,901	\$ 7,204,557
Program Expenses:		
Administration	\$ 320,020	\$ 315,969
Roads and Highways	409,138	393,703
Protection and Health	180,587	203,524
Unclassified	13,436	11,047
Outside Organizations	13,830	360,510
Fixed Costs and Assessments	6,213,153	5,246,590
Total Program Expenses	\$ 7,150,164	\$ 6,531,343
Increase in Net Position	\$ 1,314,737	\$ 673,214
Net Position, End of Year	\$ 12,173,992	\$ 10,859,255

The Statement of Activities presents information about how the Town's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods such as uncollected taxes and, should the need ever occur, earned but unused compensated absences.

The table below shows the total cost and the net cost of services of the Town’s governmental activities. The Town has no business-type activities. The net cost identifies the cost of these services which are supported by property and excise taxes, unrestricted grants and contributions, and interest earnings, after deducting for departmental revenues and grants from the State and other sources.

GOVERNMENTAL ACTIVITIES				
2020				
	<u>Total Cost</u>	<u>%</u>	<u>Net Cost</u>	<u>%</u>
	<u>of Services</u>		<u>of Services</u>	
Fixed Costs and				
Assessments	\$ 6,213,153	86.90	\$ 3,755,984	81.85
Roads and Highways	409,138	5.72	365,502	7.96
Administration	320,020	4.48	259,517	5.66
Protection and Health	180,587	2.53	180,587	3.94
Outside Organization	13,830	.19	13,830	0.30
Unclassified	13,436	.18	13,436	0.29
Total Expenses	<u>\$ 7,150,164</u>	<u>100.00</u>	<u>\$ 4,588,856</u>	<u>100.00</u>

GOVERNMENTAL ACTIVITIES				
2019				
	<u>Total Cost</u>	<u>%</u>	<u>Net Cost</u>	<u>%</u>
	<u>of Services</u>		<u>of Services</u>	
Fixed Costs and				
Assessments	\$ 5,246,590	80.33	\$ 5,246,590	85.63
Roads and Highways	393,703	6.03	393,703	6.43
Administration	315,969	4.84	261,814	4.27
Protection and Health	203,524	3.12	203,524	3.32
Outside Organization	360,510	5.52	10,510	0.17
Unclassified	11,047	.16	11,047	0.18
Total Expenses	<u>\$ 6,531,343</u>	<u>100.00</u>	<u>\$ 6,127,188</u>	<u>100.00</u>

The Town’s Funds

The Town has two major funds, the General Fund and a Capital Project Fund. The Town also has nonmajor funds which consist of several small trust funds administered by the Town. Detailed information regarding the Town’s permanent funds can be found in the financial statements. The changes in the fund balances are as follows:

<u>Fund</u>	<u>Balance</u>	<u>Balance</u>	<u>Change</u>	<u>%</u>
	<u>December 31,</u>	<u>December 31,</u>		<u>Change</u>
	<u>2020</u>	<u>2019</u>		
General Fund	\$ 5,283,783	\$ 4,745,348	\$ 538,435	11.35
Other Governmental Funds	372,529	369,677	2,852	0.77
Total	<u>\$ 5,656,312</u>	<u>\$ 5,115,025</u>	<u>\$ 541,287</u>	

General Fund Budgetary Highlights*Expenditures*

The table below shows the Town's budget for various departments and functions for the year ended December 31, 2020. The table also shows actual expenses on a budgetary basis for each department and function as well as the variance between the budget and actual expenditures for each category. The Town considers a variance to be significant if it exceeds \$15,000 and 15% of the budget.

General Fund: Department/Function Expenditures	Adjusted Budget	Actual Expenditures	Variance	
			Amount	%
Administration	\$ 355,786	\$ 317,502	\$ 38,284	10.76
Roads and Highways	919,226	715,140	204,086	22.20
Protection and Health	171,212	163,161	8,051	4.70
Fixed Costs and Assessments	6,707,945	6,713,279	(5,334)	(.08)
Outside Organizations	10,831	10,830	1	.01
Unclassified	11,370	10,366	1,004	8.83
Total Expenditures	<u>\$ 8,176,370</u>	<u>\$ 7,930,278</u>	<u>\$ 246,092</u>	

Revenues

The table below shows the Town's budgeted revenues and actual revenues on a budgetary basis from various resources for the year ended December 31, 2020. The table also shows the variance between these figures for each category. The Town considers a variance to be significant if it exceeds \$25,000 and 15% of the budget.

General Fund Revenues	Adjusted Budget	Actual Revenues	Variance	
			Amount	%
Property Taxes	\$ 4,800,717	\$ 4,840,905	\$ 40,188	.84
Excise Taxes	400,000	620,622	220,622	55.16
Intergovernmental	323,922	359,358	35,436	10.94
Education Subsidies, Grants And Other	1,947,786	2,457,169	509,383	26.15
Licenses, Permits, and Fees		43,016	43,016	100.00
Charges for Services		60,503	60,503	100.00
Other Revenues		90,140	90,140	100.00
Total Revenues	<u>\$ 7,472,425</u>	<u>\$ 8,471,713</u>	<u>\$ 999,288</u>	

In total, actual revenues exceeded budget by \$999,288, most of which was a positive variance in excise taxes and intergovernmental revenue for education. Historically, the Town does not budget for excise taxes, nor for investment earnings and interest income on past-due taxes, miscellaneous revenues, state agency clients, or for licenses, permits, and charges for services.

Capital Assets

As of December 31, 2020, the Town had approximately \$13,881,777 invested in capital assets consisting of land, buildings, equipment, and a new school building. As previously noted, the Town is not required under GASB 34 to report infrastructure built or otherwise acquired prior to January 1, 2004. This amount represents a net increase (including additions and less this year's depreciation) of approximately .43% from last year.

Economic Factors and Next Year's Budget

In March of 2020, the community was impacted by the Covid-19 Virus. The Town has reviewed their operations and is currently evaluating the impact of the virus on their operations. While there is a financial impact to the Town, it is currently unknown the full extent this crisis will have on its operations and funding.

Contact Information

This financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of the Town's finances and to show the Town's accountability for the funds entrusted to it. If you have questions about this report or need financial information, contact the Board of Selectmen, P.O. Box 77, Jefferson, Maine 04348.

Statement of Net Position

Statement 1

As of December 31, 2020

	<u>Governmental Activities</u>
Assets	
Cash and equivalents	\$ 5,590,420
Investments	38,219
Taxes and liens receivable, net	432,275
Tax acquired property	<u>2,361</u>
Total current assets	6,063,275
Non-depreciable capital assets	72,850
Depreciable capital assets	17,197,933
Accumulated depreciation	<u>(3,389,006)</u>
Net capital assets	<u>13,881,777</u>
Total Assets	19,945,052
Deferred Outflows of Resources	
Related to pension	51,404
Liabilities	
Accounts payable	26,656
Accrued expenses	6,661
Current portion of long-term debts	<u>695,614</u>
Total current liabilities	728,931
Non-current portion long-term debts	6,956,139
Pension liability	<u>116,412</u>
Total long-term liabilities	<u>7,072,551</u>
Total Liabilities	7,801,482
Deferred Inflows of Resources	
Prepaid property taxes	9,646
Related to Pension	<u>11,336</u>
Total deferred inflows of resources	<u>20,982</u>
Net Position	
Net investment in capital assets	6,230,024
Restricted net position	
Nonexpendable portion of permanent funds	73,719
Expendable portion of permanent funds	298,810
Education and other restrictions	1,077,794
Unrestricted net position	<u>4,493,645</u>
Total Net Position	<u>\$ 12,173,992</u>

Statement of Activities

Statement 2

For the Year Ended December 31, 2020

Functions / Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants	Revenue and Changes in Net Position
				Governmental Activities
Primary Government				
Governmental Activities				
Administration	\$ 320,020	\$ 60,503	\$ -	\$ (259,517)
Protection/health	180,587	-	-	(180,587)
Roads/highways	409,138	-	43,636	(365,502)
Unclassified	13,436	-	-	(13,436)
Outside organizations	13,830	-	-	(13,830)
Education	5,680,698	24,035	2,433,134	(3,223,529)
County tax	513,977	-	-	(513,977)
Abatements	18,478	-	-	(18,478)
Total Primary Government	\$ 7,150,164	\$ 84,538	\$ 2,476,770	(4,588,856)
General Revenues				
				4,828,171
				620,622
				315,722
				43,016
				96,062
				<u>5,903,593</u>
				Change in Net Position 1,314,737
				Beginning Net Position, as Restated <u>10,859,255</u>
				Ending Net Position <u>\$ 12,173,992</u>

Balance Sheet

Statement 3

Governmental Funds

As of December 31, 2020

	General Fund	Other Governmental Funds	Total
Assets			
Cash and equivalents	\$ 5,256,110	\$ 334,310	\$ 5,590,420
Investments	-	38,219	38,219
Taxes and liens receivable, net	432,275	-	432,275
Tax acquired property	<u>2,361</u>	<u>-</u>	<u>2,361</u>
Total Assets	<u>\$ 5,690,746</u>	<u>\$ 372,529</u>	<u>\$ 6,063,275</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 26,656	\$ -	\$ 26,656
Accrued expenses	<u>6,661</u>	<u>-</u>	<u>6,661</u>
Total liabilities	33,317	-	33,317
Deferred inflows of resources			
Prepaid property taxes	9,646	-	9,646
Unavailable property taxes	<u>364,000</u>	<u>-</u>	<u>364,000</u>
Total deferred inflows	373,646	-	373,646
Fund balance			
Nonspendable	-	73,719	73,719
Restricted	1,077,794	298,810	1,376,604
Committed	1,142,604	-	1,142,604
Assigned	183,322	-	183,322
Unassigned	<u>2,880,063</u>	<u>-</u>	<u>2,880,063</u>
Total fund balance	<u>5,283,783</u>	<u>372,529</u>	<u>5,656,312</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	<u>\$ 5,690,746</u>	<u>\$ 372,529</u>	<u>\$ 6,063,275</u>

**Reconciliation of the Total Governmental Funds Balance
to the Net Position of Governmental Activities**

Statement 4

As of December 31, 2020

Total governmental funds balance, per Statement 3	\$ 5,656,312
Amounts reported for governmental activities in the Statements of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	13,881,777
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the fund.	364,000
Deferred outflows are deferred as expense in the fund financial statements and in the government-wide financial statements as expense in the year following the year paid.	51,404
Notes payable are not due and payable in the current period and therefore are not reported in the funds.	(7,651,753)
Pension liability is not due and payable in the current period and therefore is not reported in the funds.	(116,412)
Deferred inflows are deferred revenues related to pension expenses that are amortized in the government-wide financial statements.	<u>(11,336)</u>
Net position of governmental activities, per Statement 1	<u>\$ 12,173,992</u>

Statement of Revenues, Expenditures, and Changes in Fund Balance

Statement 5

Governmental Funds

For the Year Ended December 31, 2020

	General Fund	Other Governmental Funds	Total
Revenues			
Property taxes	\$ 4,840,905	\$ -	\$ 4,840,905
Excise taxes	620,622	-	620,622
Intergovernmental	359,358	-	359,358
Education subsidies, grants, and other	2,457,169	-	2,457,169
Licenses, permits, and fees	43,016	-	43,016
Charges for services	60,503	-	60,503
Tax interest and lien costs	25,871	-	25,871
Investment income	47,877	5,922	53,799
Miscellaneous	<u>16,392</u>	<u>-</u>	<u>16,392</u>
Total revenues	8,471,713	5,922	8,477,635
Expenditures			
Administration	317,502	-	317,502
Protection/health	163,161	-	163,161
Roads/highways	715,140	-	715,140
Unclassified	10,366	6,070	16,436
Outside organizations	10,830	-	10,830
Education	6,180,824	-	6,180,824
County tax	513,977	-	513,977
Abatements	<u>18,478</u>	<u>-</u>	<u>18,478</u>
Total expenditures	<u>7,930,278</u>	<u>6,070</u>	<u>7,936,348</u>
Revenue surplus (deficit)	541,435	(148)	541,287
Other Financing Sources (Uses)			
Transfers in	-	3,000	3,000
Transfers out	<u>(3,000)</u>	<u>-</u>	<u>(3,000)</u>
Total other financing	<u>(3,000)</u>	<u>3,000</u>	<u>-</u>
Change in Fund Balance	538,435	2,852	541,287
Beginning Fund Balance, as Restated	<u>4,745,348</u>	<u>369,677</u>	<u>5,115,025</u>
Ending Fund Balance	<u>\$ 5,283,783</u>	<u>\$ 372,529</u>	<u>\$ 5,656,312</u>

**Reconciliation of the Net Changes in Total Governmental Funds
Balance to the Change in Net Position of Governmental Activities**

Statement 6

For the Year Ended December 31, 2020

Net change in total governmental funds balance, per Statement 5 \$ 541,287

Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. 59,605

The issuance of long-term debt (e.g., notes, leases) provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of repayments. 695,614

Pension expense is adjusted for changes in earnings contributions and contribution subsequent to the measurement date. 30,965

Change in unavailable property taxes (12,734)

Change in net position of governmental activities, per Statement 2 \$ 1,314,737

Note 1 Summary of Significant Accounting Policies**The Reporting Entity**

The Town of Jefferson (the Town) was established in 1807 under the laws of the State of Maine. It is located in Lincoln County and operates under a town meeting form of government. The Town's major operations include general municipal services, fire protection and other public safety, public works, and general education.

The Town's financial statements conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) promulgates GAAP for state and local governments. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB), when applicable, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Town are discussed below.

Principles Determining Scope of Reporting Entity

The Town considered all potential component units for inclusion in the basic financial statements. In accordance with GASB standards, the Town (the primary government) is financially accountable for a potential component unit if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Town. The Town also is financially accountable for organizations that are fiscally dependent on it and there is a financial benefit or burden relationship. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

Based on the application of these criteria, there are no other entities that the Town believes should be included as part of these basic financial statements.

Basis of Presentation

The Town's basic financial statements consist of government-wide financial statements that describe the Town's overall financial position and changes in financial position, and fund financial statements that provide a more detailed level of financial information.

Government-wide Financial Statements

The government-wide financial statements, composed of the Statement of Net Position and the Statement of Activities, report information on all of the non-fiduciary activities of the Town. Governmental activities are normally supported by taxes and intergovernmental revenues.

The Statement of Net Position presents the financial condition of the governmental activities of the Town at year end. The Statement of Activities points out the extent to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a function, service, program, or department. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from general revenues of the Town.

Note 1 Summary of Significant Accounting Policies (Continued)*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 comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

The Town currently uses one category of funds: governmental funds.

Governmental Funds

Major individual governmental funds are reported as separate columns in the fund financial statements. The Town's governmental funds are identified as either general, special revenue, capital projects, or permanent funds based upon the following guidelines.

The *General Fund* is the operating fund of the Town and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Non-major Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs—that is, for the benefit of the town or its citizenry. None of the Town's permanent funds is considered a major fund in the current year.

Measurement Focus and Basis of Accounting

Measurement focus refers to which of the Town's resources are being measured. Basis of accounting refers to the timing of the measurements being made, regardless of the measurement focus being applied. That is, basis of accounting determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements.

Government-wide financial statements are reported using the economic measurement focus and the accrual basis of accounting. All economic resources and claims on those economic resources are measured, including fixed assets, other non-current assets, and long-term liabilities. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the period for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The current financial resources measurement focus excludes from measurement resources such as fixed assets, other non-current assets, and long-term liabilities. Under modified accrual accounting, revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 Summary of Significant Accounting Policies (Continued)**Cash and Cash Equivalents**

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with maturities of three months or less from the date of acquisition. The Town also includes certificates of deposit, regardless of original length of maturity, in this classification, as it can readily liquidate these into cash to pay for current obligations, if necessary.

Receivables

Receivables consist of all revenues recognized by year-end (on the applicable basis of accounting) but not yet received. Management's estimation for allowances for uncollectible accounts is based on historical collection rates or, where appropriate, collection experience with specific payers.

Investments

Investments are stated at fair value (quoted market price or the best available estimate).

Capital Assets

Capital assets, which include land, land improvements, buildings, machinery and equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the government-wide financial statements. Such assets are capitalized at historical cost or estimated historical cost for assets where actual historical cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation. The Town defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life in excess of one year. Expenditures that significantly increase the service capacity or extend the useful life of existing capital assets are also capitalized. The costs of normal maintenance and repairs are not capitalized.

Capital assets are depreciated using the straight-line method over their estimated useful lives. Land and construction in progress are not depreciated. The estimated useful lives are as follows:

Buildings and improvements	40 - 100 years
Land Improvements	20 - 30 years
Equipment	5 - 30 years
Vehicles	10 - 30 years
Infrastructure	30 - 50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as expenditures in the period of acquisition. Fixed assets are not capitalized, and related depreciation is not reported.

Deferred Outflows and Inflows of Resources

In addition to assets, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred outflows of resources*. This element represents a consumption of resources that applies to a future period and, therefore, will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has deferred outflows of resources associated with the pension plan for qualifying school employees.

Note 1 Summary of Significant Accounting Policies (Continued)

In addition to liabilities, the Statement of Net Position (government-wide financial statements) and Balance Sheet (fund financial statements) will sometimes report an additional financial statement element called *deferred inflows of resources*. This element represents an acquisition of resources that applies to a future period and, therefore, will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the Town’s deferred inflows of resources consist of property taxes collected in advance and amounts related to the pension plan. In the fund financial statements, due to differences under the modified accrual basis of accounting, deferred inflows of resources include property taxes collected in advance and unavailable property taxes (property taxes not collected within 60 days after the financial statement date).

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the governmental fund financial statements, long-term debt is recognized only when due and expected to be financed from expendable financial resources.

Components of Net Position

Net position in the Statement of Net Position is required to be classified into the following three components:

Net Investment in Capital Assets is the portion of net position that consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Capital assets	\$ 17,270,783
Accumulated depreciation	(3,389,006)
Capital asset-related debt	<u>(7,651,753)</u>
Net investment in capital assets	<u>\$ 6,230,024</u>

Restricted Net Position is the portion of net position that has constraints placed on its use which are either externally imposed by debt covenants, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position is the portion of net position that does not meet the definition of either *net investment in capital assets* or *restricted net position*.

Fund Balance Components

Fund balances in the governmental funds Balance Sheet are required to be classified into five components. Classifications are hierarchical and are based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. The components of fund balance are:

Nonspendable is the portion of fund balance that represents amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.

Note 1 Summary of Significant Accounting Policies (Continued)

Restricted is the portion of fund balance that has externally enforceable legal restrictions.

Committed is the portion of fund balance that represents resources whose use is constrained by limitations that the government imposes upon itself at its highest level of decision making and that remain binding unless removed in the same manner.

Assigned is the portion of fund balance constrained by the town's "intent" to be used for specific purposes but are neither restricted nor committed. The Board of Selectmen have the authority to assign amounts to be used for specific purposes.

Unassigned is the portion of fund balance that is available for any purpose. Only the General Fund may carry a positive unassigned fund balance.

The Town has no formal revenue spending policy for programs with multiple revenue sources. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance, and, lastly, unassigned fund balance.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. These estimates and assumptions affect the reported amounts of assets, liabilities, the disclosure of contingent liabilities, and the reported revenues and expenses. Actual results could differ from these estimates

Note 2 Deposit Risk

Deposit risk is the risk that, in the event of a bank failure, the Town will not be able to recover the value of its deposits that are in the possession of an outside party.

The Town currently does not have a policy covering custodial credit risk for deposits. However, the Town maintains deposits in qualifying financial institutions that are members of the Federal Deposit Insurance Corporation (FDIC). At December 31, 2020, any deposits not covered by the FDIC were collateralized by U.S. Government Agency securities held by a third party, but not in the Town's name.

Note 3 Long-term Debt

On November 1, 2011, the Town took out a 20-year \$13,912,277 bond with the Maine Municipal Bond Bank to pay for construction of the new School Building. The interest rate on the loan is variable from 2.125% to 5.625% payable semi-annually, principal payments are made annually, and the loan matures on November 1, 2031. The Maine Department of Education currently subsidizes the debt service on the bond through the Essential Programs and Services (EPS) funding formula. During the year, debt service on the bond included \$363,673 of interest and \$695,614 of principal. The outstanding balance at year end is \$7,651,752, of which \$695,614 is due to be paid within one year.

Note 3 Long-term Debt (Continued)

The maturity schedule of the loan is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Fiscal year 2021	\$ 695,614	\$ 165,758	\$ 861,372
Fiscal year 2022	695,614	146,194	841,808
Fiscal year 2023	695,614	214,179	909,793
Fiscal year 2024	695,614	117,291	812,905
Fiscal year 2025	695,614	109,900	805,514
Fiscal years thereafter	<u>4,173,682</u>	<u>217,302</u>	<u>4,390,984</u>
	<u>\$ 7,651,752</u>	<u>\$ 970,624</u>	<u>\$ 8,622,376</u>

Note 4 Interfund Transfers and Balances

During the year, the General Fund transferred \$3,000 to the Jefferson Scholarship Fund. There were no interfund balances at year end.

Note 5 Property Taxes

The Town’s property taxes for fiscal year 2020 were committed on July 13, 2020. Taxes were due October 1, 2020. The tax commitment was based on the April 1, 2020, assessed real estate and personal property values totaling \$340,476,400.

The Town is permitted by the laws of the State of Maine to levy taxes to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$48,986.

For both government-wide financial statements and the General Fund’s financial statements, property taxes levied for the fiscal year are recorded as receivables at the time the levy is made. In the General Fund’s financial statements, however, outstanding taxes receivable that are estimated to be collected after sixty (60) days after the end of the fiscal year are recorded as unavailable property taxes (under the deferred inflows of resources financial statement element) and the year-over-year changes in this account are netted with tax revenues.

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid. Property acquired by foreclosure for non-payment of taxes is recorded at the amount of expired tax liens plus the cost involved in foreclosure. Liens and any current taxes on the same parcel are not included as part of the tax acquired property account until expiration of statutory time limits.

Note 5 Property Taxes (Continued)

The following summarizes the tax levy for fiscal year 2020.

Real estate valuation	\$ 339,729,400
Personal property valuation	<u>747,000</u>
Total valuation	340,476,400
Tax rate (per \$1,000 of valuation)	<u>14.10</u>
Tax commitment	<u>\$ 4,800,717</u>

Collection through December 31, 2020, of the current year's taxes is as follows:

Original tax commitment	\$ 4,800,717
Supplemental taxes	<u>27,454</u>
Total tax commitment	4,828,171
Less:	
Abatements of current year taxes	18,478
Current year taxes outstanding	<u>307,338</u>
Current year tax collections	<u>\$ 4,502,355</u>
Collection rate of current year taxes	93.3%

Note 6 Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. All significant losses are covered by commercial insurance. There has been no significant reduction in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 7 Overlapping Debt

The Town of Jefferson is situated in Lincoln County and is therefore subject to annual assessment of its proportional share of county expenses. Long-term debt outstanding in Lincoln County, for which the Town of Jefferson would be proportionally responsible in the event the County defaulted, is approximately \$3,511,150 at December 31, 2020. The Town of Jefferson's share would be 4.8% of the debt, or approximately \$168,535.

Note 8 Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<i>Non-depreciable assets</i>				
Land	\$ 72,850	\$ -	\$ -	\$ 72,850
<i>Depreciable assets</i>				
Buildings and improvements	14,144,383	-	-	14,144,383
Land improvements	238,173	-	-	238,173
Equipment	562,878	-	-	562,878
Vehicles	1,020,962	-	-	1,020,962
Infrastructure	878,109	353,428	-	1,231,537
	<u>16,844,505</u>	<u>353,428</u>	<u>-</u>	<u>17,197,933</u>
Total capital assets	16,917,355	353,428	-	17,270,783
<i>Accumulated Depreciation</i>				
Buildings and improvements	1,837,226	192,381	-	2,029,607
Land improvements	86,423	4,950	-	91,373
Equipment	330,097	14,970	-	345,067
Vehicles	735,757	41,057	-	776,814
Infrastructure	105,680	40,465	-	146,145
	<u>3,095,183</u>	<u>293,823</u>	<u>-</u>	<u>3,389,006</u>
Net capital assets	<u>\$ 13,822,172</u>	<u>\$ 59,605</u>	<u>\$ -</u>	<u>\$ 13,881,777</u>

Depreciation expense for the year totaled \$293,823. The expense was charged to the Town's departments as follows:

Administration	\$ 2,518
Protection/health	17,426
Roads/highways	47,426
Education	226,453
Total depreciation expense	<u>\$ 293,823</u>

Note 9 Fair Value of Investments

The Town’s investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair values in the Statements of Net Position. Realized and unrealized gains and losses are included in the change in net assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Town uses various methods including market, income, and cost approaches.

Based on these approaches, the Town often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumption about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Town utilizes valuation on the observability of the inputs used in the valuation techniques. The Town is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values.

Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

- Level 1 - Pricing inputs are quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 - Pricing inputs are observable for the assets or liabilities, either directly or indirectly, as of the reporting date, but are not the same as those used in Level 1. Fair value is derived principally from observable market data or other valuation methodologies.
- Level 3 - Pricing inputs are unobservable for the assets or liabilities and include situations where there is little, if any, market activity. The inputs into the determination of fair value require significant judgment or estimation.

The following table summarizes the levels in the fair value hierarchy into which the Town’s financial instruments fall as of December 31, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Corporate stocks	\$ 38,219	-	-	\$ 38,219

Note 10 Fund Balance Components

The governmental funds' fund balances were composed of the following at December 31, 2020:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
Permanent Funds				
Llewellyn Clary worthy poor	\$ 12,000	\$ 51,101	\$ -	\$ -
Ella Hamblin worthy poor	10,000	9,872	-	-
E. Hamblin & L. Clary worthy poor	5,219	4,487	-	-
Hopkins cemetery	1,000	396	-	-
Hall-Amy Partridge cemetery	-	1,238	-	-
David Hodgkins cemetery	-	1,044	-	-
Andrew Rice trust fund	-	2,405	-	-
Emily Clark trust fund	500	1,957	-	-
Jefferson scholarship fund	-	65,480	-	-
Clary memorial highway	45,000	18,102	-	-
Andrew Williamson scholarship	-	26,871	-	-
Levesque and Packard scholarship	-	6,042	-	-
Davis worthy and deserving poor	-	109,815	-	-
General Fund				
Education	-	1,022,803	-	-
Highway block grant	-	43,636	-	-
Animal control	-	11,355	-	-
Fire truck reserve	-	-	352,994	-
Meserve Mills Dam reserve	-	-	6,432	-
Library reserve	-	-	8,197	-
School maintenance reserve	-	-	488,900	-
School bus reserve	-	-	218,608	-
Heirloom garden reserve	-	-	1,291	-
Secondary transportation reserve	-	-	2,561	-
Land planning reserve	-	-	16,082	-
Revaluation reserve	-	-	35,870	-
Comprehensive plan reserve	-	-	11,669	-
Office expense carryforward	-	-	-	24,913
Assessors carryforward	-	-	-	62,104
Planning carryforward	-	-	-	2,878
Salt shed carryforward	-	-	-	2,529
Roads carryforward	-	-	-	134,593
Cemeteries carryforward	-	-	-	4,880
Total	<u>\$ 73,719</u>	<u>\$ 1,376,604</u>	<u>\$ 1,142,604</u>	<u>\$ 231,897</u>

The General Fund's unassigned fund balance ended the year with a balance of \$2,831,488.

Note 11 Defined Pension Benefit Plan**General Information About the Pension Plan***Plan Description*

The State Employee and Teacher (SET) Plan is a multiple-employer cost sharing plan with a special funding situation. As of June 30, 2020, there were 237 employers, including the State of Maine (the State), participating in the plan. The State is also a non-employer contributing entity in that the State pays the initial unfunded actuarial liability (IUAL) on behalf of teachers, while school districts contribute the normal cost, calculated actuarially, for their teacher members.

The plan is administered by the Maine Public Employees Retirement System (MainePERS).

Pension Benefits

Benefit terms are established in Maine statute. MainePERS' 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. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for State employees and teachers is age 60, 62 or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. 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 statute for State employee and teacher members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the System's Board of Trustees and is currently 1.92%.

Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings from 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 by the System's Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

Financial Reporting

MainePERS issues annual financial reports for the Plan which can be found online at:

<http://www.mainebers.org/Publications/Publications.htm#Annual Reports>

Note 11 Defined Pension Benefit Plan (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability, deferred inflows of resources and deferred outflows of resources related to pensions were measured at June 30, 2020, the latest measurement date available, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. These amounts are reported on the Town's financial statements as of December 31, 2020. The Town's deferred outflows of resources related to pensions balance, as of the measurement date, was increased by contributions to pensions made in the current fiscal year. These amounts were adjusted accordingly as reductions to expenses in the Statement of Activities.

At December 31, 2020, the Town reported a liability for its proportionate share of the Plan's net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the Plan's net pension liability, the related State support, and the total portion of the Plan's net pension liability that was associated with the Town were as follows:

Town's proportionate share of the pension plan's net pension liability	\$ 116,412
State's proportionate share of the pension plan's net pension liability associated with the Town	<u>1,638,419</u>
Total	<u>\$ 1,754,831</u>

The Town's proportion of the Plan's net pension liability was based on a projection of the Town's long-term share of contributions to the Plan relative to the projected contributions of all participating school districts and the State, actuarially determined. At June 30, 2020, the Town's proportion was 0.007132%, which was an increase of 0.000532% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized total pension expense of \$239,383, of which \$194,715 was paid for by the Maine Department of Education on behalf of the Town.

At December 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,723	\$ 2,466
Net difference between expected and actual investment earnings	4,827	-
Changes of assumptions	-	-
Changes in proportions	5,379	8,870
Contributions subsequent to the measurement date	<u>37,475</u>	<u>-</u>
	<u>\$ 51,404</u>	<u>\$ 11,336</u>

Note 11 Defined Pension Benefit Plan (Continued)

Differences due to changes in assumptions about future economic or demographic factors or other inputs were recognized in pension expense using a straight-line amortization method over a closed period equal to the average expected remaining service lives of active and inactive members in the Plan.

Town contributions to the Plan subsequent to the measurement date, totaling \$37,475, are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal year 2021	\$	(8,312)
Fiscal year 2022		2,379
Fiscal year 2023		4,285
Fiscal year 2024		<u>4,240</u>
	\$	<u>2,592</u>

Actuarial Methods and Assumptions

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

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. 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 expected future salary. The normal cost for each employee is the product of his pay and his normal cost rate. The normal cost for the group is the sum of the normal costs for all members.

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

Asset Valuation Method

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

Amortization

The initial UAL of the SET Plan is amortized on a level percentage of payroll over the amortization period then in effect under statutory and constitutional requirements. All other gains, losses, and changes are amortized over ten-year periods beginning on the date as of which they occur.

Note 11 Defined Pension Benefit Plan (Continued)

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

Investment Rate of Return – 6.75% per annum, compounded annually

Inflation Rate – 2.75%

Salary Increases, including Inflation – 2.75% plus merit component based on each employee's years of service

Cost of Living Benefit Increases – 2.20%

Mortality Rates – For active members and non-disabled retirees of the Plan, the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, is used. For all recipients of disability benefits, the RP2014 Total Dataset Disabled Annuitant Mortality Table, for males and females, is used.

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 arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table:

	Target Allocation	Long-term Expected Real Rate of Return
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%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate

The discount rate used to measure the collective total pension liability was 6.75% for 2020. 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 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.

Note 11 Defined Pension Benefit Plan (Continued)

Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rates

The following represents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate.

	1% Decrease 5.75%	Current Rate 6.75%	1% Increase 7.75%
Net pension liability	\$ 201,893	\$ 116,412	\$ 45,166

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MainePERS financial report.

Note 12 Subsequent Events

In preparing these financial statements, the Town has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were available to be issued, the same date as the independent auditor’s report.

Budgetary Comparison Schedule

Schedule 1

General Fund ▪ Budgetary Basis

For the Year Ended December 31, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 4,800,717	\$ 4,840,905	\$ 40,188
Excise taxes	400,000	620,622	220,622
Intergovernmental	323,922	359,358	35,436
Education subsidies, grants, and other	1,947,786	2,457,169	509,383
Licenses, permits, and fees	-	43,016	43,016
Charges for services	-	60,503	60,503
Tax interest and lien costs	-	25,871	25,871
Investment income	-	47,877	47,877
Miscellaneous	-	16,392	16,392
Total revenues	<u>7,472,425</u>	<u>8,471,713</u>	<u>999,288</u>
Expenditures			
Administration	355,786	317,502	38,284
Protection/health	171,212	163,161	8,051
Roads/highways	919,226	715,140	204,086
Unclassified	11,370	10,366	1,004
Outside organizations	10,831	10,830	1
Education	6,144,982	6,180,824	(35,842)
County tax	513,977	513,977	-
Abatements	48,986	18,478	30,508
Total expenditures	<u>8,176,370</u>	<u>7,930,278</u>	<u>246,092</u>
Revenue surplus (deficit)	(703,945)	541,435	1,245,380
Other Financing Uses			
Transfers out	<u>3,000</u>	<u>3,000</u>	<u>-</u>
Change in Fund Balance	<u>\$ (706,945)</u>	<u>\$ 538,435</u>	<u>\$ 1,245,380</u>

Schedule of Proportionate Share of the Net Pension Liability

Schedule 2

MainePERS State Employees and Teachers Plan**Employer ID: TT0935****As of the Last Seven Measurement Dates***

	2020	2019	2018	2017	2016
A Dept's proportion	0.007132%	0.006600%	0.008502%	0.009990%	0.009591%
B Dept's share	\$ 116,412	\$ 96,748	\$ 114,730	\$ 145,108	\$ 169,440
C State's share	<u>1,638,419</u>	<u>1,419,063</u>	<u>1,352,411</u>	<u>1,451,105</u>	<u>1,747,712</u>
D Total	<u>\$ 1,754,831</u>	<u>\$ 1,515,811</u>	<u>\$ 1,467,141</u>	<u>\$ 1,596,213</u>	<u>\$ 1,917,152</u>
E Covered payroll	\$ 1,392,219	\$ 1,319,938	\$ 1,320,879	\$ 1,329,644	\$ 1,274,264
F Payroll %	8.4%	7.3%	8.7%	10.9%	13.3%
G Net position %	0.0%	82.9%	80.8%	76.2%	81.2%
	2015	2014	20XX	20XX	20XX
A Dept's proportion	0.008377%	0.006874%			
B Dept's share	\$ 113,099	\$ 74,262			
C State's share	<u>1,226,054</u>	<u>985,779</u>			
D Total	<u>\$ 1,339,153</u>	<u>\$ 1,060,041</u>			
E Covered payroll	\$ 1,237,089	\$ 1,100,773			
F Payroll %	9.1%	6.7%			
G Net position %	83.9%	76.9%			

A The Department's proportion of the Plan's total net pension liability.

B The Department's proportionate share of the Plan's total net pension liability.

C The State's proportionate share of the Plan's total net pension liability associated with the Department.

D The total proportionate share of the Plan's net pension liability that is associated with the Department.

E The Department's covered-employee payroll for the fiscal year.

F The Department's proportionate share (B) as a percentage of its covered-employee payroll (E).

G The Plan's fiduciary net position as a percentage of the Plan's total pension liability.

**Date headers reflect the reporting fiscal year, but measurement dates are six months prior.*

This schedule is intended to show information for ten years. However, ten years has not yet passed since implementation of GASB 68.

Schedule of Employer Contributions
MainePERS State Employees and Teachers Plan
Employer ID: TT0935
As of the Last Seven Measurement Dates*

Schedule 3

	2020	2019	2018	2017	2016
A Required	\$ 75,632	\$ 61,926	\$ 52,420	\$ 48,555	\$ 43,743
B Actual	<u>75,632</u>	<u>61,926</u>	<u>52,420</u>	<u>48,555</u>	<u>43,743</u>
C Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
D Covered payroll	\$ 1,458,752	\$ 1,356,079	\$ 1,320,409	\$ 1,325,262	\$ 1,301,954
E Payroll %	5.2%	4.6%	4.0%	3.7%	3.4%

	2015	2014	20XX	20XX	20XX
A Required	\$ 37,799	\$ 30,977			
B Actual	<u>37,799</u>	<u>30,977</u>			
C Deficiency	<u>\$ -</u>	<u>\$ -</u>			
D Covered payroll	\$ 1,255,677	\$ 1,168,931			
E Payroll %	3.0%	2.7%			

- A** The Department's contractually required contributions to the Plan.
- B** The Department's actual contributions to the Plan.
- C** The Department's deficiency (excess) of actual contributions (B) from (over) required contributions (A)
- D** The Department's covered-employee payroll for the fiscal year.
- E** The Department's contributions (A) as a percentage of its covered-employee payroll (D).

**Date headers reflect both the reporting fiscal year and the measurement date.
 This schedule is intended to show information for ten years. However,
 ten years has not yet passed since implementation of GASB 68.*

Note 1 Budgetary Accounting

On an annual basis, the Town adopts an appropriated budget for the General Fund. Formal budgetary integration is employed as a management control device. The budget is prepared on budgetary basis of accounting which may differ from the modified accrual basis of accounting used to prepare financial statements of the General Fund. For the fiscal year 2020 financial statements, however, there are no differences between the budgetary basis of accounting and the modified accrual basis of accounting.

Note 2 Budget to Actual Results

For fiscal year 2020, the Education line was over-expended by \$35,842, primarily due to the difference between the school's fiscal year and the town's fiscal year and the timing of transactions. For more detailed information, see the school's separately prepared financial statements for financial activity and ending financial position for the school's fiscal year ended June 30, 2020.

In total, despite the Town budgeting a *deficit* of \$706,945, the actual result was that the Town realized a *surplus* of \$538,435. This difference is due to total revenues coming in above estimates by \$999,288 and total expenditures coming in under budget by \$246,092.

Schedule of Changes in Fund Balances

Schedule 4

General Fund

For the Year Ended December 31, 2020

	Beginning Balance	Revenues	Transfers In (Out)	Expenditures	Ending Balance
Restricted					
Education	\$ 791,207	\$ 6,412,420	\$ -	\$ (6,180,824)	\$ 1,022,803
Highway block grant	46,712	43,636	-	(46,712)	43,636
Animal control	<u>7,677</u>	<u>653</u>	<u>8,500</u>	<u>(5,475)</u>	<u>11,355</u>
Total restricted	845,596	6,456,709	8,500	(6,233,011)	1,077,794
Committed					
Fire truck reserve	312,684	5,310	35,000	-	352,994
Meserve Mills Dam	6,429	3	-	-	6,432
Library reserve	8,069	128	-	-	8,197
School maint reserve	476,142	12,758	-	-	488,900
School bus reserve	214,387	4,221	-	-	218,608
Heirloom garden reserve	1,287	4	-	-	1,291
Secondary transp reserve	2,511	50	-	-	2,561
Land planning reserve	16,187	107	-	(212)	16,082
Revaluation reserve	35,178	692	-	-	35,870
Comp plan reserve	<u>11,406</u>	<u>263</u>	<u>-</u>	<u>-</u>	<u>11,669</u>
Total committed	1,084,280	23,536	35,000	(212)	1,142,604
Assigned					
Office expense carryforward	18,326	-	39,200	(32,613)	24,913
Assessors carryforward	50,604	-	26,000	(14,500)	62,104
Planning carryforward	1,696	-	2,000	(818)	2,878
Salt shed carryforward	2,529	-	-	-	2,529
Roads carryforward	124,811	-	53,900	(44,118)	134,593
Cemeteries carryforward	<u>3,925</u>	<u>-</u>	<u>1,000</u>	<u>(45)</u>	<u>4,880</u>
Total assigned	201,891	-	122,100	(92,094)	231,897
Unassigned	<u>2,613,581</u>	<u>1,991,468</u>	<u>(168,600)</u>	<u>(1,604,961)</u>	<u>2,831,488</u>
Total	<u>\$ 4,745,348</u>	<u>\$ 8,471,713</u>	<u>\$ (3,000)</u>	<u>\$ (7,930,278)</u>	<u>\$ 5,283,783</u>

Schedule of Changes in Fund Balances

Schedule 5

Permanent Funds

For the Year Ended December 31, 2020

	Beginning Balance	Revenues	Transfers In (Out)	Expenditures	Ending Balance
Nonspendable					
L Clary Worthy Poor	\$ 12,000	\$ -	\$ -	\$ -	\$ 12,000
E Hamblin Worthy Poor	10,000	-	-	-	10,000
E Hamblin & L Clary Poor	5,219	-	-	-	5,219
Hopkins Cemetery (Fossett)	1,000	-	-	-	1,000
E Clark Trust Fund	500	-	-	-	500
Clary Memorial Highway	45,000	-	-	-	45,000
Restricted					
L Clary Worthy Poor	49,945	1,156	-	-	51,101
E Hamblin Worthy Poor	9,648	224	-	-	9,872
E Hamblin & L Clary Poor	4,309	178	-	-	4,487
Hopkins Cemetery (Fossett)	375	21	-	-	396
Partridge Cemetery	1,243	-	-	(5)	1,238
D Hodgkins Cemetery	1,038	6	-	-	1,044
A Rice Trust Fund	2,391	14	-	-	2,405
E Clark Trust Fund	1,937	20	-	-	1,957
Jefferson Scholarship	62,429	918	3,000	(867)	65,480
Clary Memorial Highway	16,795	1,307	-	-	18,102
A Williamson Scholarship	26,840	456	-	(425)	26,871
Levesque & Packard Schol	6,029	146	-	(133)	6,042
Davis Worthy Poor	<u>112,979</u>	<u>1,476</u>	<u>-</u>	<u>(4,640)</u>	<u>109,815</u>
Total Fund Balance					
L Clary Worthy Poor	61,945	1,156	-	-	63,101
E Hamblin Worthy Poor	19,648	224	-	-	19,872
E Hamblin & L Clary Poor	9,528	178	-	-	9,706
Hopkins Cemetery (Fossett)	1,375	21	-	-	1,396
Partridge Cemetery	1,243	-	-	(5)	1,238
D Hodgkins Cemetery	1,038	6	-	-	1,044
A Rice Trust Fund	2,391	14	-	-	2,405
E Clark Trust Fund	2,437	20	-	-	2,457
Jefferson Scholarship	62,429	918	3,000	(867)	65,480
Clary Memorial Highway	61,795	1,307	-	-	63,102
A Williamson Scholarship	26,840	456	-	(425)	26,871
Levesque & Packard Schol	6,029	146	-	(133)	6,042
Davis Worthy Poor	<u>112,979</u>	<u>1,476</u>	<u>-</u>	<u>(4,640)</u>	<u>109,815</u>
Total	<u>\$ 369,677</u>	<u>\$ 5,922</u>	<u>\$ 3,000</u>	<u>\$ (6,070)</u>	<u>\$ 372,529</u>

Schedule of Expenditures of Federal Awards

Schedule 6

Jefferson School Department

For the Year Ended June 30, 2020

Federal Grantor / Pass Through Grantor / Program Title	Federal CFDA Number	Pass Through Grantor Number	Expenditures
U.S Department of Agriculture			
Passed through the Maine Department of Education:			
Donated commodities (Note 2)	10.550	N/A	\$ 7,949
School breakfast program	10.553	13-3014	9,398
National school lunch	10.555	13-3024	<u>29,418</u>
Subtotal			<u>46,765</u>
U.S Department of Education			
Passed through the Maine Department of Education:			
Title IA - basic disadvantage	84.010	13-3107	73,038
Special education - grants to states	84.027	13-3046	84,521
Special education - preschool grants	84.027	13-6247	721
Title IIA - teacher quality	84.367	13-3042	<u>5,405</u>
Subtotal			<u>163,685</u>
Total			<u>\$ 210,450</u>

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Jefferson School Department's Schedule of Expenditures of Federal Awards conforms to generally accepted accounting principles as applicable to governmental units. The modified accrual basis of accounting is followed. This method of accounting is defined as the basis of accounting under which expenditures are recorded as incurred, and revenues are recorded when received in cash except for material and/or available revenues which are accrued to reflect properly the assessments levied and the revenues earned.

NOTE 2 - DONATED COMMODITIES

Non-monetary assistance is reported in the schedule at the fair market value of the commodities consumed.

NOTE 3 - INDIRECT COST RATE

Town of Jefferson School Department has elected not to use the 10% de minimus indirect cost rate allowed under Uniform Guidance.