

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – PROPERTY TAXES (CONTINUED)

The following summarizes the 2020-2021 levy:

Assessed Value	\$ 156,521,481
Less: Homestead Exemption	(10,198,826)
Less: BETE	<u>(1,994,810)</u>
 Total	 \$ 144,327,842
Tax Rate (Per \$1,000)	<u>21.45</u>
 Commitment	 \$ 3,095,832
Supplementals	<u>3,501</u>
 Sub-Total	 \$ 3,099,333
Less: Abatements	(6,691)
Less: Collections	<u>(3,001,677)</u>
Receivable at Year End	<u>\$ 90,965</u>
 Collection Rate	 <u>96.8%</u>

Property taxes were due on October 15, 2020, and May 15, 2021, with interest charged at a rate of 8% on delinquent accounts.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Ending Balance <u>June 30</u>
Governmental Activities				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 627,486	\$ 0	\$ 0	\$ 627,486
Building in Progress	<u>275,225</u>	<u>0</u>	<u>0</u>	<u>275,225</u>
Total Capital Assets Not Being Depreciated	<u>\$ 902,711</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 902,711</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	\$ 2,098,614	\$ 0	\$ 0	\$ 2,098,614
Machinery and Equipment	880,311	94,384	21,930	952,765
Vehicles	1,689,322	51,882	20,605	1,720,599
Infrastructure	<u>1,530,178</u>	<u>0</u>	<u>0</u>	<u>1,530,178</u>
Total Capital Assets, Being Depreciated	<u>\$ 6,198,425</u>	<u>\$ 146,266</u>	<u>\$ 42,535</u>	<u>\$ 6,302,156</u>

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance <u>July 1</u>	Additions/ <u>Completions</u>	Retirements/ <u>Adjustments</u>	Ending Balance <u>June 30</u>
<i>Less Accumulated Depreciation for</i>				
Buildings and Improvements	\$ 1,137,045	\$ 36,797	\$ 0	\$ 1,173,842
Machinery and Equipment	557,928	52,703	21,200	589,431
Vehicles	1,137,300	94,935	20,605	1,211,630
Infrastructure	<u>977,554</u>	<u>88,512</u>	<u>0</u>	<u>1,066,066</u>
Total Accumulated Depreciation	<u>\$ 3,809,827</u>	<u>\$ 272,947</u>	<u>\$ 41,805</u>	<u>\$ 4,040,969</u>
 Total Capital Assets, Being Depreciated, Net	 <u>\$ 2,388,598</u>	 <u>\$ (126,681)</u>	 <u>\$ 730</u>	 <u>\$ 2,261,187</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 3,291,309</u>	 <u>\$ (126,681)</u>	 <u>\$ 730</u>	 <u>\$ 3,163,898</u>

Depreciation expense has not been charged as a direct expense.

NOTE 5 – LONG-TERM DEBT

At June 30, 2021, bonds payable consisted of the following individual issues:

	Governmental <u>Activities</u>
Maine Municipal Bond Bank Town Office Renovations of 2003, Interest Rates 2.078% - 5.078%, Annual Principal Payment of \$32,070, Maturity 2023	\$ 96,213
Androscoggin Bank 2021 General Obligation Bond for paving, Interest Rate of 2.07%, Annual Principal and Interest Payment of \$106,298, Maturity in 2026	500,000
USDA General Obligation Bond – Interest Rate 3.5%, First Year Interest Only Payment of \$25,358; Thereafter, Annual Principal and Interest of \$41,014, Maturity in 2048	304,873
John Deere Financial Lease Purchase Agreement of 2018; Interest Rate of 3.75%; Annual Principal and Interest of \$12,662; Maturity in 2025	<u>56,663</u>
Total	<u>\$ 957,749</u>

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Changes in Outstanding Debt

Transactions for the year ended June 30, 2021, are summarized as follows:

	<u>Balance July 1</u>	<u>Issues or Additions</u>	<u>Payments or Expenditures</u>	<u>Balance June 30</u>	<u>Due Within One Year</u>
Governmental Activities					
General Obligation Bonds and Notes Payable	\$ 852,784	\$ 500,000	\$ 451,698	\$ 901,086	\$ 158,363
Capital Lease	66,777	0	10,114	56,663	10,500
Net Pension Obligation	140,049	57,209	0	197,258	0
Compensated Absences	<u>34,903</u>	<u>0</u>	<u>2,293</u>	<u>32,610</u>	<u>0</u>
 Total Governmental Activities	 <u>\$1,094,513</u>	 <u>\$ 557,209</u>	 <u>\$ 464,105</u>	 <u>\$1,187,617</u>	 <u>\$ 168,863</u>

Annual Requirements to Retire Debt Obligations

The annual aggregate maturities for each debt type for the years subsequent to June 30, 2021, are as follows:

Year Ending <u>June 30</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020/21	158,363	25,092	183,455
2021/22	161,411	20,415	181,826
2022/23	164,520	15,677	180,197
2023/24	135,673	11,639	147,312
2024/25	138,962	8,350	147,312
2026/30	36,038	4,976	41,014
2031/35	37,300	3,714	41,014
2036/40	38,605	2,409	41,014
2041/45	<u>30,214</u>	<u>1,057</u>	<u>31,271</u>
 Total	 <u>\$ 901,086</u>	 <u>\$ 93,329</u>	 <u>\$ 994,415</u>

The amount of debt that can be incurred by a municipality is limited by state statute. Total outstanding term obligations during a year can be no greater than 15% of the assessed value of taxable property as of the beginning of the fiscal year. As of June 30, 2021, the amount of outstanding term debt was equal to 0.61% of property valuation for the year then ended.

TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Capital Leases

As of June 30, 2021, the Town had capitalized an excavator with a cost of \$106,500 and accumulated depreciation of \$31,950. The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2021, were as follows:

<u>Year Ending June 30,</u>	<u>Total</u>
2022	\$ 12,662
2023	12,662
2024	12,662
2025	12,662
2026	<u>12,662</u>
Total Minimum Lease Payments	\$ 63,310
Less: Amount Representing Interest	<u>(6,647)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 56,663</u>

NOTE 6 – RETIREMENT PLANS

The Town of Mechanic Falls provides retirement pension plans for its employees through a deferred compensation plan and a defined benefit pension plan.

I. Deferred Compensation Plan – ICMA-RC

A. Description of the Plan

The government offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all government employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. Currently, nine employees participate in the International City/County Management Association Retirement Corporation (ICMA-RC) plan.

The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the government subject only to the claims of the government's general creditors. Participants' rights under the plan are equal to those of a general creditor of the government in an amount equal to the fair market value of the deferred account for each participant.

TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – RETIREMENT PLANS (CONTINUED)

I. Deferred Compensation Plan – ICMA-RC (continued)

It is the opinion of the government's legal counsel that the government has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The government believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

B. Funding Policy

Under this plan, the Town matches employee deferrals on a dollar-for-dollar basis, up to a maximum of 6.5% of compensation. Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment options is made by the participants. Total contributions on behalf of the Town were \$24,726 for the year ended June 30, 2021.

II. Deferred Compensation Plan - Hartford Insurance

A. Description of the Plan

For the fiscal year ended June 30, 2021, one employee participates in the Hartford Insurance Pension Plan. The pension plan is set up as a 457(b) Plan with a calendar year ending December 31st. Participants direct the investment of all contributions and age 50 catch-up deferrals and pre-retirement catch-up deferrals are allowed.

Distributions are permitted on account of: a) severance from employment, b) death, c) attainment of age 70 ½ years, d) unforeseeable emergency, e) withdrawal of rollover contributions excluding ROTH rollovers, or f) employed participants may take a withdrawal if their account is \$5,000 or less, have not made or received an allocation of any elective deferral contributions under the plan during the two-year period ending on the date of distribution and have not received a prior distribution under this provision.

B. Funding Policy

Under this plan, the Town matches employee deferrals on a dollar-for-dollar basis, up to a maximum of 6.5% of compensation. Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment options is made by the participants. Total contributions on behalf of the Town were \$1,396 for the year ended June 30, 2021.

TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – RETIREMENT PLANS (CONTINUED)

III. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

A. Description of the Plan

Qualifying personnel of the Town participate in the Maine Public Employees Retirement System. The plan is a multiple employer, cost-sharing pension plan. The Town has been enrolled in the MEPERS system since July 1, 1994. It is part of the COLA program within the MEPERS system plan. The Town participates in the Special Plan options. MEPERS is established under Maine law found in 5 MRSA Part 20. The authority to establish and amend benefit provisions rests with the State legislature.

B. Funding Policy

The Town makes available to all full-time employees the option to make a one-time irrevocable election to participate in the Maine Public Employees Retirement System (MEPERS), Participating Local District (“PLD”) Plan 2C and 3C. The employee shall pay, through payroll deduction(s), his/her required contribution determined by MEPERS. The Town shall pay its required contribution determined by MEPERS. This benefit shall be offered to eligible employees on the date of hire.

C. Pension Benefits

Benefit terms are established in Maine Statute. The System’s retirement programs provide defined retirement benefits based on member’s average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility of benefits upon reaching qualification) occurs upon the earning of 5 years of service credit for Town employees.

Normal retirement age of PLD members is age 60 to 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.

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 interest credited to member’s accounts is set by the System’s Board of Trustees.

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – RETIREMENT PLANS (CONTINUED)

III. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)

D. Member and Employer Contributions

Retirement benefits are funded by contributions from members and employers and by earnings on investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Member and employer contribution rates are each a percentage of applicable member compensation. Member contribution rates are defined by law or Board rule and depend on the terms of the plan under which a member is covered. Employer contributions rates are determined through actuarial valuations. For the year ended June 30, 2021, the member contribution rate was 7.35% to 8.10%, while the Town's contribution rate was 10.1%.

E. Revenue Recognition

Employer contributions to the System are recognized as additions in the period when they become due pursuant to formal commitments or statutory requirements. Investment income is recognized when earned and investment expenses are recorded when incurred.

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

At June 30, 2021, the Town reported a net pension liability of \$197,258. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by actuarial valuation as of that date. The Town 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 members. At the June 30, 2020, measurement date, the Town proportion was 0.049648%, while at the June 30, 2019, measurement date it was 0.045819%. For the fiscal year ended June 30, 2021, the Town recognized pension expense of \$53,917.

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

For the Year Ended June 30,	<u>Amount</u>
2022	\$ 41,983
2023	18,856
2024	10,903
2025	<u>10,927</u>
Total	<u>\$ 82,669</u>

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – RETIREMENT PLANS (CONTINUED)

**III. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)
(Continued)**

At June 30, 2021, the reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources are as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 11,837	\$ 2,169
Changes in Assumptions	0	0
Net Difference between Projected and Actual Earnings on Pension Plan Investments	12,836	0
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions.	23,199	0
Town Contributions Subsequent to the Measurement Date	<u>36,966</u>	<u>0</u>
Total	<u>\$ 84,838</u>	<u>\$ 2,169</u>

G. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions applied to all period included in the measurement:

- **Inflation** 2.75%
- **Salary Increases** 2.75% Plus merit component
- **Investment Rate of Return** 6.75%
- **Cost of Living Benefit Increases** 1.91%

For the Town employees, the mortality rate is based on the RP2014 Total Dataset Healthy Annuitant Mortality Table for males and females.

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

The long-term expected rate of return on pension plan investments were determined using a building-block method in which best-estimate ranges of expected future real rates or 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.

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – RETIREMENT PLANS (CONTINUED)

**III. Defined Benefit Pension Plan - Maine Public Employees Retirement System (MEPERS)
(Continued)**

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, 2020, are summarized in the following table:

<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%
	<u>100.0%</u>	

G. Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contribution will be made the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town 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 <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Proportionate Share of the Net Pension Liability	\$414,557	\$197,258	\$19,383

G. Pension Plan Financial and Actuarial Information

Additional financial information and actuarial information can be found in the Maine PERS 2020 Comprehensive Annual Financial Report available online at www.mainebers.org or by contacting the System at (207) 512-3100.

TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 – INTERFUND ACTIVITY

Interfund transfers for the year ended June 30, 2021, consisted of the following:

Transfer To	
Capital Project Funds	\$ 222,258
Special Revenue Funds	51,715
General Fund	<u>21</u>
Total	<u>\$ 273,994</u>

Transfer From	
General Fund	\$ 273,973
Capital Project Funds	<u>21</u>
Total	<u>\$ 273,994</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. There were no interfund balances at June 30, 2021.

NOTE 8 – 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; and natural disasters for which the Town carries commercial insurance.

There have been no significant reductions in insurance coverages during the fiscal year and no significant settlements that exceeded insurance coverage.

NOTE 9 – OVERLAPPING DEBT

The Town's proportionate share of RSU #16's debt is not recorded in the financial statements of the Town of Mechanic Falls. At June 30, 2021, the Town's share was 16.72% (or \$540,563) of the School Union's outstanding debt of \$3,233,033.

The Town's proportionate share of Androscoggin County's debt is not recorded in the financial statements of the Town of Mechanic Falls, as the county has no outstanding debt at December 31, 2020, the date of Androscoggin County's most recently audited financial statements.

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 10 – FUND BALANCE APPROPRIATIONS

At the Referendum Ballot held on July 14, 2021, the Townspeople voted \$195,000 of appropriations of general fund, which is reflected as the excess of budgeted expenditures over budgeted revenues as per Exhibit VII for the following:

Capital Reserves	\$ <u>195,000</u>
Total	\$ <u>195,000</u>

NOTE 11 – GOVERNMENTAL FUND BALANCES

The Town of Mechanic Falls has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. When both restricted and unrestricted resources are available for use, it is the Town’s policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned, and unassigned resources are available for use, it is the Town’s policy to use committed or assigned resources first, then unassigned resources as they are needed.

The General Fund unassigned fund balance total of \$1,450,860 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund.

The Town has adopted a fund balance policy to provide sound financial management of the Town unassigned funds. The Town’s management objective is to carry a total fund balance of three months worth of the anticipated fiscal year’s total spending. On or about January 1st of each year, the Town Manager with the advice of the Finance Director, shall present to the Town Council the amount of net excess fund balance as compared to three month’s worth of the anticipated total spending for the coming year. The Council will give preliminary guidance to the staff for use of said surplus if any in preparation of the upcoming budget.

Fund Balance per Exhibit III at year end consisted of amounts which the Town of Mechanic Falls intends to use for the following purposes:

<i>Nonspendable and Assigned</i>	<u>Non-Spendable</u>	<u>Spendable</u>	<u>Total</u>
Permanent Funds			
Cemetery Perpetual Care	\$ 500	\$ 2,951	\$ 3,451
Library Funds	500	1,395	1,895
Needy Children	499	1,468	1,967
Parks and Management	<u>256</u>	<u>4,664</u>	<u>4,920</u>
Total	\$ <u>1,755</u>	\$ <u>10,478</u>	\$ <u>12,233</u>

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 11 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments

<i>Restricted</i>	
Special Revenues	
Unemployment Fund	\$ 65,136
Insurance Reimbursements	63,620
Santa Program	6,292
Homecoming	3,929
Historical Society	4,317
Recreation Ken Grant Fund	<u>2,996</u>
Total Restricted	<u>\$ 146,290</u>

Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Board of Selectmen

<i>Committed</i>	
<i>Capital Reserves</i>	
Municipal Complex	\$ 31,499
Fire Rescue Funds	197,986
Highway Equipment	243,992
Solid Waste	41,423
Assessing/Revaluation	116,604
Library Computer	1,831
Police Cruiser	25,761
Voting Machines	8,714
Fire Department Air Bottles	40,220
Municipal Computers	2,016
Sidewalks	83,729
Debt Service	15,191
Roads	<u>17,691</u>
<i>Total Capital Reserves</i>	<u>\$ 826,657</u>
<i>Special Revenues</i>	
Police Training	\$ 20,645
Recreation Funds	22,529
Summer Recreation	<u>266</u>
	<u>\$ 43,440</u>
<i>General Fund</i>	
Appropriated From Surplus for FY 2021/22	<u>\$ 245,000</u>
Total Committed	<u>\$ 1,065,097</u>

TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – GOVERNMENTAL FUND BALANCES (CONTINUED)

Assigned Purposes, which includes balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

<i>Assigned</i>	
General Fund	
AVCOG Fee Escrow	\$ 1,429
Paving Bond	<u>30,759</u>
Total Assigned	<u>\$ 32,188</u>

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Town of Mechanic Falls participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Town has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2021, may be impaired. In the opinion of the Town, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Town Offices

On November 7, 2017, the residents of the Town of Mechanic Falls voted to authorize the Town to buy a building, renovate it, and relocate the police department, town office, and library there. The vote authorized the Town to obtain a bond for \$724,500. \$500,000 was authorized to pay for the purchase and relocation effort and \$224,500 was for the payment on the existing town office renovation bond. Subsequently at a Special Town meeting, it was voted that the \$224,500 would be used for renovation of the new building. As of the date of these financial statements, the Council has ceased renovations of the new building and authorized the sale of the property at 22 Pleasant Street. Proceeds from the sale along with amounts held in escrow will be used to pay the outstanding balance on the bond.

Pending Litigation

The Town is party to a legal claim. In the opinion of management, the ultimate disposition of this claim will not have a material effect on the financial position of the Town.

NOTE 13 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. - Budgetary Accounting

The Town of Mechanic Falls utilizes a formal budgetary accounting system to control revenues and expenditures accounted for in the General Fund. This budget is established by the Town Council and must be approved by referendum ballot.

**TOWN OF MECHANIC FALLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. - Excess of Expenditures over Appropriations

For the year ended June 30, 2021, expenditures exceeded appropriations in protection per Exhibit VII.

C. - Deficit Balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year-end. At June 30, 2021, no individual funds carry a deficit balance.

NOTE 14 – RELATED ORGANIZATION

Council has the ability to appoint Directors of the Board of Mechanic Falls Development Commission, a non-profit organization exempt from income tax under Internal Revenue Code Section 501(c)(6). The Development Commission's mission is to stimulate industrial and commercial development and expansion in the Town of Mechanic Falls by implementing policies, projects and programs that will result in increased employment and living standards in the area. As the Commission does not satisfy the requirements established under generally accepted accounting principles for treatment as a joint venture, no equity interest in the Commission is carried on the Town's books.

NOTE 15 – DATE OF MANAGEMENT'S REVIEW

Management has evaluated subsequent events through July 28, 2022, the date on which the financial statements were available to be issued.

As of the date of this report, the COVID-19 pandemic continues to spread through all parts of the world, including Maine. The ultimate impact of this global health crisis on the Town's financial condition is not knowable at this time.

SCHEDULE I

**TOWN OF MECHANIC FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY
JUNE 30, 2021**

	<u>6/30/21</u>	<u>6/30/20</u>	<u>06/30/19</u>	<u>6/30/18</u>	<u>06/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Town's Proportion of Net Pension Liability	0.049648%	0.045819%	0.035921%	0.036210%	0.030251%	0.033968%	0.032221%
Town's Proportionate Share of the Net Pension Liability	<u>\$ 197,258</u>	<u>\$ 140,049</u>	<u>\$ 98,305</u>	<u>\$ 148,257</u>	<u>\$ 160,733</u>	<u>\$ 108,374</u>	<u>\$ 49,582</u>
Town's Covered Employee Payroll	<u>\$ 366,004</u>	<u>\$ 278,188</u>	<u>\$ 209,897</u>	<u>\$ 195,359</u>	<u>\$ 159,489</u>	<u>\$ 178,019</u>	<u>\$ 171,850</u>
Town's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Employee Payroll	<u>53.90%</u>	<u>50.34%</u>	<u>46.83%</u>	<u>75.89%</u>	<u>100.78%</u>	<u>60.88%</u>	<u>28.85%</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>88.35%</u>	<u>90.62%</u>	<u>91.14%</u>	<u>86.43</u>	<u>81.61%</u>	<u>88.27%</u>	<u>94.10%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined by the actuarial valuation date which was one year prior to the audit report date. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

SCHEDULE II

**TOWN OF MECHANIC FALLS
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE TOWN PENSION CONTRIBUTIONS
JUNE 30, 2021**

	<u>6/30/21</u>	<u>6/30/20</u>	<u>06/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Contractually Required Contribution	\$ 36,966	\$ 32,070	\$ 27,819	\$ 20,150	\$ 18,559	\$ 14,195	\$ 13,885
Actual Contribution	<u>(36,966)</u>	<u>(32,070)</u>	<u>(27,819)</u>	<u>(20,150)</u>	<u>(18,559)</u>	<u>(14,195)</u>	<u>(13,885)</u>
Contribution Deficiency (Excess)	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Covered Employee Payroll	\$ <u>366,004</u>	\$ <u>320,702</u>	\$ <u>278,188</u>	\$ <u>209,897</u>	\$ <u>195,359</u>	\$ <u>159,489</u>	\$ <u>178,019</u>
Contributions as a Percentage of Covered Employee Payroll	<u>10.10%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>9.60%</u>	<u>9.5%</u>	<u>8.9%</u>	<u>7.8%</u>

Amounts presented for each fiscal year were determined as of June 30. The data above was determined for the Town's fiscal years indicated, which differs from the reporting timeframes used in Schedule I. Retroactive information is not required to be presented. A full 10-year schedule will be displayed as it becomes available.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of Benefit Terms – None

Changes to Assumptions - None