

**TOWN OF HERMON, MAINE**  
**Annual Financial Report**  
**For the Year Ended June 30, 2017**

**TOWN OF HERMON, MAINE**  
**Annual Financial Report**  
**For the year ended June 30, 2017**

---

**Table of Contents**

	<u>Statements</u>	<u>Page</u>
Independent Auditor's Report		1-3
Management's Discussion and Analysis		4-14
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	17
Statement of Activities	2	18
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	19
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	21
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis – General Fund	6	22
Statement of Net Position – Proprietary Fund	7	23
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Fund	8	24
Statement of Cash Flows – Proprietary Fund	9	25
Statement of Fiduciary Net Position – Fiduciary Funds	10	26
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	11	27
Notes to Basic Financial Statements		28-47
Required Supplementary Information		48-50
	<u>Exhibits</u>	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules:		
General Fund:		
Balance Sheet	A-1	53
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Budgetary Basis	A-2	54-59
Nonmajor Governmental Funds:		
All Other Governmental Funds:		
Combining Balance Sheet	B-1	63
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	B-2	64

**TOWN OF HERMON, MAINE**  
**Annual Financial Report**  
**For the year ended June 30, 2017**

---

**Table of Contents, Continued**

	<u>Exhibits</u>	<u>Page</u>
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	C-1	67-69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	70-72
Nonmajor Capital Project Funds:		
Combining Balance Sheet	D-1	75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	76
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	79
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	80
	<u>Schedules</u>	<u>Page</u>
School Department – General Fund:		
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual – Budgetary Basis	1	83

## Independent Auditor's Report

Town Council  
Town of Hermon, Maine

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hermon, Maine, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Hermon, Maine'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*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hermon, Maine, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund 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, schedule of Town's proportionate share of the net pension liability, and schedule of Town contributions, as 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 Hermon, Maine's basic financial statements. The combining and individual fund financial statements and schedule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedule 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 fund financial statements and schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2018, on our consideration of the Town of Hermon, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hermon, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Remya Weston Ouellette". The signature is written in a cursive style with a large initial 'R'.

January 30, 2018  
South Portland, Maine



## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2017. The report is presented in a manner that fairly represents the town's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the Town's financial position, and the data is correct to the best of our knowledge and belief.

The report includes funds and accounts that the Town of Hermon is required, either by legal or fiduciary duty, to maintain in the operation of all services. The use of the additional financial statements is encouraged to more fully understand the report.

The financial information of the Town includes all municipal departments (Public Works, Public Safety, Solid Waste, Recreation and Social Services, and General Administration) and the Hermon School Department.

### **BIOGRAPHICAL INFORMATION**

The Town of Hermon is primarily a residential community, however, a portion of the Town along the Bangor border on Route 2 and Coldbrook Road has multiple business parks. The growth of Hermon's business district has led to the utilization of resources available from the City of Bangor. Specifically, Hermon's water and sewer service is Town owned and maintained, but the service for these utilities is provided through the City of Bangor.

The residential portions of Hermon are a suburb to the Bangor Region and strive to maintain a rural character. Hermon is one of the more quickly growing communities in the State, and this growth created a population increase of approximately 25% from 1990 to 2000, and this trend has not changed since 2000. The growth, both commercial and residential, in Hermon, has created a continual increase to the Town's value and allowed the Town to maintain a mil rate below surrounding communities. Hermon is also one of the largest truck towns in the State of Maine. The Town relies heavily on excise tax from commercial vehicles to also keep the mil rate lower than other neighboring communities. However, the Town Council and administration are well aware that the continued growth puts larger demands on services, and efforts from the Town are to make sure the community is prepared for long-term success.

The goal of the community is to continue the success and growth of our business parks while maintaining separation for our residential community. Hermon's residential area continues its dedication to serve Bangor as a bedroom community that allows for country, family living. However, some business is encouraged in the village area to serve the residents. We have seen growth over the last 8 years of the shopping plaza, which compliments the community very well. The plaza includes a hometown grocery store, pharmacy, salon, dentist, insurance agents, chiropractor and acupuncturist, hardware store, Family Dollar, and Subway. These businesses are very important to the community, but the bulk of services continue to be available by traveling to Bangor.

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

---

**FINANCIAL INFORMATION**

The Town administration is responsible for the accounting structure of the community. This structure includes the establishment of financial internal controls that protect the Town from loss and misuse. All accounting information is maintained and reported using generally accepted accounting principles (GAAP). Further, the administration performs constant review of all services to promote and assure optimum utilization of resources to provide the services requested by the community. All services are reviewed using a cost benefit analysis that considers the need and demand for the service provided balanced against the cost to the community as a whole.

The following is a summary of the financial highlights of the Town of Hermon for the fiscal year:

- As shown on Statement 1, the total net position as of June 30, 2017 for governmental activities of the Town of Hermon was \$23,787,136, an increase of \$831,191 when compared to the net position as of June 30, 2016 of \$22,955,945. The most significant reasons for the increase in net position were the increases in cash and equivalents (\$535,187) and accounts receivable (\$288,162). Another contributing factor is the decrease in noncurrent liabilities. The amount decreased by \$393,190 from June 30, 2016 due to the retirement of the 2007 School construction loan, principal reduction of other outstanding debt due to regular payments, and a reduction in capital leases due to regular payments made throughout the year. Additionally, neither the Town nor the School Department issued any new long-term debt or capital leases during the year.
- The Town's outstanding bonds payable decreased by \$580,215 for a total outstanding debt of \$1,559,800. As of June 30, 2017, the long-term debt of the Town consisted of a sewer construction bond that matures in November 2018 (\$179,800), and a 2015 refunding bond related to the Hermon Middle School that matures June 2020 (\$1,380,000).
- In fiscal year 2011, the Town adopted Government Accounting Standards Board Statement No. 54 (GASB 54), which reclassified how fund balance is reported. Fund balance is reported in five classifications based on the constraints placed on those funds, whether externally or internally. As such, fund balance is reported as nonspendable, restricted, committed, assigned, or unassigned. As of June 30, 2017, as shown on the Town's balance sheet for the General Fund (Exhibit A-1), the Town reported \$35,206 in nonspendable inventory and prepaid expenditures, has restricted a total of \$2,051,610 and \$217,619 for education and tax increment financing, respectively, has committed fund balance of \$395,783 for the Town's required match on the Coldbrook and Newburgh Road projects, and has assigned \$1,190,146 for future use, which leaves an unassigned fund balance of \$4,501,708 for a total fund balance of \$8,392,072. This is an increase of \$423,142 from the previous year. You may also find the list of assigned, restricted, committed, and nonspendable fund balances in the notes to the basic financial statements on page 41.
- As shown on Statement 3, total governmental fund balance as of June 30, 2017 was \$12,416,458, an increase of \$612,533. This is comprised of the General Fund (\$8,392,072), Highway Capital Reserve (\$165,969), School Capital Improvements (\$2,679,673), and All Other Nonmajor Funds (\$1,178,744).



**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

---

**OVERVIEW OF FINANCIAL STATEMENTS**

The management discussion and analysis is an introduction to the Town's basic financial statements. The financial statements are prepared using generally accepted accounting principles. The MD&A serves as a subjective explanation by the Town of the data contained in the financial statements. The three areas that the financial statements are broken into include: 1. government-wide financial statements, 2. fund financial statements, and 3. notes to the basic financial statements. Subjective analyses of the statements are also made and supplementary information is supplied to better explain the statements.

Government-wide Financial Statements

The government-wide financial statements are a total overview of the Town's financial status. They include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources and activities in a manner similar to private sector accounting. The purpose is to show Town finances in a format that is familiar to the common person.

The statement of net position is used to express the financial data required for the government-wide financial statements. This shows the total assets which include cash and cash equivalents, various receivables, inventory, prepaid expenses and capital assets such as land, buildings, equipment, and vehicles, net of accumulated depreciation. Assets and deferred outflows of resources are then reduced by the liabilities, which include current liabilities such as accounts payable, accrued payroll and benefits, prepaid taxes, and other liabilities, and noncurrent liabilities such as bonds, leases, accrued compensated absences, and the net pension liability, and deferred inflows of resources. The result is the net position of the Town.

Government-wide financial statements distinguish business-type activities from governmental activities. Business-type activities are those that are funded through user fees. It then follows that governmental activities are those that are primarily funded through taxes and governmental fees. At this time, the only business-type activity in Hermon is the Recreation Department.

Fund Financial Statements

The Town segregates accounts into three basic fund categories. Each category is determined to separate information in order to accurately report specific account activities. The determination of various funds is based upon accounting standards and legal requirements. The three fund categories for the Town are the general fund (primary fund), major capital projects funds (Highway Capital Reserve, School Capital Improvements, and the Route 2 Project fund), and other governmental funds (non-major special revenue, capital projects and permanent funds).

*General Fund*

The general fund covers essentially the same data as included in the government-wide financial statements. The difference is that fund financials focus on yearly inflows and outflows to determine a specific year's accessible resources. Capital assets, accumulated depreciation, and long-term liabilities are not included because they do not exemplify a specific year's transactions.

A budgetary comparison statement (Statement 6) is provided to show budgeted amounts as compared to the actual activity. This information is useful to determine future budgets and community planning.

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

---

*Major Capital Projects Funds*

Major capital project funds represent investment of reserve funds that are designated for different purposes. They represent long-term planning and projects that are not feasible to budget within a single year. The purpose is to spread the cost out over a specified time to reduce the overall financial burden on the Town. The Town reports three major capital project funds; Highway Capital Reserve, School Capital Improvements, and the Route 2 Project.

*Other Governmental Funds*

Other governmental funds are comprised of non-major special revenue, capital projects, and permanent funds. These funds were each individually determined to be non-major and are required to be categorized and grouped into other governmental funds. Separate schedules (Exhibits B-1 through E-2) are provided in the combining and individual fund financial statements following the notes to the basic financial statements.

Notes to Basic 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. The notes to the basic financial statements can be found on pages 28-47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information other than required supplementary information.

The combining and individual fund financial statements and schedule referred to earlier in connection with non-major governmental funds are presented following the notes. The combining and individual fund financial statements and schedule can be found beginning on page 53 of this report.

**GOVERNMENT-WIDE ANALYSIS – GOVERNMENTAL ACTIVITIES**

Net position may serve over time as a useful indicator of a government's financial health. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,787,136 as of June 30, 2017. This figure is comprised of the net investment in capital assets (\$11,434,162), restricted net position for education (\$2,051,610), tax increment financing (\$217,619), grants and other purposes (\$129,500), and permanent funds (\$8,368), and unrestricted net position (\$9,945,877).

**Net Position for the Period Ending June 30, 2017**

The current year's financial statements show a change in total assets and deferred outflows of resources compared to liabilities and deferred inflows of resources that net a 3.62% increase to total net position. The overall reasons for the percentage increase in net position are due to payment of significant bond debt and an increase in total fund balance due to higher than anticipated revenues while keeping most expenses at or below budgeted figures.

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

The following is a summary of the Statement of Net Position.

	<u>Governmental Activities</u>			
	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 12,906,038	800,115	12,105,923	1513.02%
Investments	-	11,570,736	(11,570,736)	-100.00%
Other assets	1,474,365	1,226,113	248,252	20.25%
Capital assets, net	13,064,674	13,406,436	(341,762)	-2.55%
<b>Total Assets</b>	<b>27,445,077</b>	<b>27,003,400</b>	<b>441,677</b>	<b>1.61%</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources -				
related to pensions	416,413	259,324	157,089	60.58%
<b>Total Deferred Outflows of Resources</b>	<b>416,413</b>	<b>259,324</b>	<b>157,089</b>	<b>60.58%</b>
<b>LIABILITIES</b>				
Current liabilities	1,680,943	1,491,588	189,355	12.69%
Noncurrent liabilities due within one year	620,612	649,130	(28,518)	-4.39%
Noncurrent liabilities due in more than one year	1,755,929	2,120,601	(364,672)	-17.20%
<b>Total Liabilities</b>	<b>4,057,484</b>	<b>4,261,319</b>	<b>(203,835)</b>	<b>-4.78%</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources -				
related to pensions	16,870	45,460	(28,590)	-62.89%
<b>Total Deferred Inflows of Resources</b>	<b>16,870</b>	<b>45,460</b>	<b>(28,590)</b>	<b>-62.89%</b>
<b>NET POSITION</b>				
Net investment in capital assets	11,434,162	11,126,794	307,368	2.76%
Restricted for:				
Education	2,051,610	1,859,805	191,805	10.31%
Tax increment financing	217,619	359,966	(142,347)	-39.54%
Grants and other purposes	129,500	109,511	19,989	18.25%
Nonexpendable trust principal	7,785	7,785	-	-
Expendable permanent funds	583	427	156	36.53%
Unrestricted	9,945,877	9,491,657	454,220	4.79%
<b>Total Net Position</b>	<b>\$ 23,787,136</b>	<b>22,955,945</b>	<b>831,191</b>	<b>3.62%</b>

Overall, net position for the Town's governmental activities increased by \$831,191 from 2016. During FY 2017, the Town changed banking institutions related to its reserve accounts. The reserves are still included in a consolidated account; however, the funds are no longer in investment-type accounts. Therefore, all funds related to reserves are now shown as cash and cash equivalents. Total cash and equivalents increased by \$535,187 compared to total cash and equivalents and investments in the prior year. Total liabilities decreased from the prior year by \$203,835. For these and other reasons, total net position increased from the prior year.

(207) 848-1010 (207) 848-3316 (fax)  
<http://www.hermon.net>

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2017.

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>Percent Change</u>
<b><u>Governmental Activities</u></b>				
<b>Revenues</b>				
Program revenues				
Charges for services	\$ 2,208,767	2,228,489	(19,722)	-0.88%
Operating grants and contributions	7,366,367	7,089,843	276,524	3.90%
Capital grants and contributions	1,362,337	540,526	821,811	152.04%
General revenues				
Property taxes	5,831,400	5,585,696	245,704	4.40%
Tax increment financing revenue	285,806	289,585	(3,779)	-1.30%
Excise taxes	2,841,037	3,063,058	(222,021)	-7.25%
Interest and costs on taxes	30,853	27,757	3,096	11.15%
Grants and contributions not restricted:				
State revenue sharing	151,483	157,905	(6,422)	-4.07%
Homestead exemption	145,278	97,784	47,494	48.57%
Other intergovernmental revenues	249,360	297,244	(47,884)	-16.11%
Unrestricted investment earnings	173,118	82,522	90,596	109.78%
Miscellaneous revenues	24,039	4,102	19,937	486.03%
Gain (loss) on sale of capital assets	24	(1,457)	1,481	-101.65%
Total revenues	20,669,869	19,463,054	1,206,815	6.20%
<b>Expenses</b>				
General government	1,372,163	1,032,004	340,159	32.96%
Public safety	853,092	841,914	11,178	1.33%
Public works	1,095,694	1,042,319	53,375	5.12%
Solid waste	566,185	545,676	20,509	3.76%
Recreational and social services	171,782	152,588	19,194	12.58%
Education	13,478,275	12,474,504	1,003,771	8.05%
County tax	607,131	590,255	16,876	2.86%
Unclassified	153,842	217,839	(63,997)	-29.38%
Grants and other special uses	-	806,647	(806,647)	-100.00%
Interest on debt	-	6,926	(6,926)	-100.00%
Capital maintenance expenses	1,540,514	828,775	711,739	85.88%
Total expenses	19,838,678	18,539,447	1,299,231	7.01%
Change in net position	831,191	923,607	(92,416)	-10.01%
Net position - beginning	22,955,945	22,032,338	923,607	4.19%
<b>Net position - ending</b>	<b>\$ 23,787,136</b>	<b>22,955,945</b>	<b>831,191</b>	<b>3.62%</b>

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

---

Comparatives of revenues identify a couple key changes. Overall revenues increased by \$1,206,815 from the previous year. The major increase in revenues from the previous year is due to the receipt of capital grant reimbursements related to the Route 2, Newburgh Road, and Coldbrook Road projects. These projects are funded by Federal, State, and local monies. Additionally, property taxes increased from the prior year by \$245,704. Property tax revenue is variable due to mil rates, the economy, values of homes, new construction, the commercial district growth, as well as other miscellaneous factors. Finally, operating grants and contributions increased by \$276,524, primarily due to the increase in education related grants.

Overall, expenses have increased by \$1,299,231 from 2016. The key reasons for the increase are due to expenses related to the Route 2, Newburgh Road, and Coldbrook Road Projects. However, as noted above, the majority of these expenses were reimbursed from Federal and State sources. In FY 2017, the Town reclassified expenses normally reported under grants and other special uses into the related function (i.e. public safety, public works, etc.) based on the intent of the grant funds. This is why grants and other special uses are not showing expenses for 2017, but also a key reason for the increase in education expenses.

Internally, the goal is to recognize efficiencies that mitigate the loss without increasing property taxes.

#### **Financial Analysis of the Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

#### *Governmental Funds*

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, total governmental funds reported a combined ending fund balance of \$12,416,458 (Statement 3), \$612,533 higher than the previous year. The following is a general analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds.

As shown on Statement 4, actual revenues exceeded expenditures for the general fund by \$865,765. However, transfers to other funds (\$442,623) reduced the total increase in the General Fund's fund balance to \$423,142. The Highway Capital Reserve saw an increase in fund balance of \$177,921 due to a budgeted transfer to fund the reserve that was only partially offset by current year expenditures. The School Capital Improvements fund reported a decrease in fund balance of \$89,421 as expenditures exceeded revenues in the current year. The Route 2 Project fund, which was new for FY 2017, reported revenues that equaled expenditures, and thus there was no effect on ending fund balance. Finally, all other governmental funds reported an increase in fund balance of \$100,891. This was due almost entirely from the increase in non-major capital projects from the budgeted transfers to fund those projects, which was only partially offset by current year expenditures from those projects.

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

*General Fund*

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2016. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			Percent Change
	2017	2016	Change	
<b>Revenues</b>				
Property taxes	\$ 5,851,155	\$ 5,531,442	319,713	5.78%
Tax increment financing revenue	285,806	289,585	(3,779)	-1.30%
Excise taxes	2,841,037	3,063,058	(222,021)	-7.25%
Interest on taxes	30,853	27,757	3,096	11.15%
State revenue sharing	151,483	157,905	(6,422)	-4.07%
Homestead exemption	145,278	97,784	47,494	48.57%
BETE reimbursement	238,360	219,282	19,078	8.70%
State education subsidy	5,315,741	5,200,635	115,106	2.21%
Other intergovernmental revenues	118,615	129,276	(10,661)	-8.25%
Licenses and permits	66,972	69,339	(2,367)	-3.41%
Charges for services	1,939,903	1,970,979	(31,076)	-1.58%
Interest earned	129,933	72,456	57,477	79.33%
Other revenues	563,083	602,775	(39,692)	-6.58%
<b>Total revenues</b>	<b>17,678,219</b>	<b>17,432,273</b>	<b>245,946</b>	<b>1.41%</b>
<b>Expenditures</b>				
Current:				
General government	805,910	754,924	50,986	6.75%
Public safety	736,001	740,793	(4,792)	-0.65%
Public works	1,038,136	1,006,653	31,483	3.13%
Solid waste	551,775	535,557	16,218	3.03%
Recreational and social services	154,949	143,799	11,150	7.75%
County Tax	607,131	590,255	16,876	2.86%
Tax increment financing	484,476	244,957	239,519	97.78%
Unclassified	146,211	215,819	(69,608)	-32.25%
Education	12,144,908	11,761,906	383,002	3.26%
Capital expenditures	196,938	402,700	(205,762)	-51.10%
Debt service	89,900	99,656	(9,756)	-9.79%
<b>Total expenditures</b>	<b>16,956,335</b>	<b>16,497,019</b>	<b>459,316</b>	<b>2.78%</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 721,884</b>	<b>935,254</b>	<b>(213,370)</b>	<b>-22.81%</b>

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

Overall, in 2017, revenues exceeded expenditures by \$721,884 in the General Fund. Total revenues increased by \$245,946 from 2016 primarily due to increases in property taxes, State education subsidy, Homestead reimbursement, and interest earnings. For the first year in many years, excise taxes decreased from the prior year. The Town of Hermon relies heavily on excise taxes and the Town Council recognizes the need to ensure excise taxes remain one of the Town's major revenues. There was a total increase of \$459,316 in expenditures from 2016 to 2017. Education and tax increment financing were the largest drivers in the increase in total expenditures from 2016.

Please refer to Exhibit A-2 in the financial statements for more detailed revenue and expenditure breakdown.

**Capital Assets**

	Balance 6/30/2016	Additions	Deletions	Balance 6/30/2017
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	112,695	113,404	112,695	113,404
<b>Total capital assets, not being depreciated</b>	<b>241,267</b>	<b>113,404</b>	<b>112,695</b>	<b>241,976</b>
Capital assets, being depreciated:				
Buildings and improvements	19,948,379	159,403	-	20,107,782
Equipment, furniture and fixtures	2,420,712	42,939	20,179	2,443,472
Vehicles	2,235,679	57,100	70,986	2,221,793
<b>Total capital assets, being depreciated</b>	<b>24,604,770</b>	<b>259,442</b>	<b>91,165</b>	<b>24,773,047</b>
<b>Total accumulated depreciation</b>	<b>(11,439,601)</b>	<b>(600,437)</b>	<b>89,689</b>	<b>(11,950,349)</b>
<b>Total capital assets, net</b>	<b>\$ 13,406,436</b>	<b>(227,591)</b>	<b>(114,171)</b>	<b>13,064,674</b>

Major capital asset additions incurred by the Town during FY 2017 included the following:

- 2016 Ford Explorer (\$33,771), fire truck 401 pump overhaul (\$23,329), new steps and ramp at Superintendent's office (\$13,500), and costs related to the recreation expansion in the Hermon Middle School and the Hermon Elementary School Expansion (\$113,404) that will be completed in FY 2018. In total, capital asset additions for the year ending June 30, 2017 were \$259,442.
- Current year depreciation of \$600,437, less disposals of capital assets with a net book value of \$89,689 increased total accumulated depreciation to \$11,950,349. The Town disposed of multiple pieces of equipment and vehicles with a total net book value (cost less accumulated depreciation) at June 30, 2017 of \$1,476. These assets were sold or traded-in for a total value of \$1,500. In total, these disposals resulted in a gain on sale of capital assets of \$24, as shown on Statement 2.

Additional information on the Town's capital assets can be found in the notes to the basic financial statements on page 36.

**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

**Debt Administration**

The Town's debt consists of two bonds and several capital leases. A summary of the Town's debt activity and other long-term liabilities for the year ended June 30, 2017 is as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
<b>Governmental activities:</b>					
Bonds payable	\$ 2,140,015	-	580,215	1,559,800	549,900
Capital leases payable	139,627	-	68,915	70,712	70,712
Net pension liability	422,399	261,088	-	683,487	-
Accrued compensated absences	67,690	2,048	7,196	62,542	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 2,769,731</b>	<b>263,136</b>	<b>656,326</b>	<b>2,376,541</b>	<b>620,612</b>

The Town did not issue any new bonds or capital leases during the current year. Bonds payable decreased by \$580,215 and capital leases payable decreased by \$68,915 due to regularly scheduled payments. All capital leases outstanding at June 30, 2017 are set to expire in FY 2018.

Additional information on the Town's long-term debt can be found in the notes to the basic financial statements on page 39-40.

**ECONOMIC FACTORS, TAX RATES, AND NEXT YEAR'S BUDGET**

COMMITMENT:

Commitment is the most important number to analyze because no matter what the change is in any other category, this is the one that determines if property taxes are going up. It is the amount of money Hermon needs to raise to balance the budget and it comes from two sources - real estate and personal property taxes. For fiscal year ending June 30, 2017, total commitment was \$6,118,222 as compared to June 30, 2016, which was \$5,887,259. The mil rate for 2016-2017 was 12.00, which is unchanged from the prior year.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2017-18 budget from 2016-17. These points are only the highlights and serve to summarize changes to the overall budget rather than to provide an explanation to every adjustment to the budget.

- General government is increasing by \$111,172 or 13.16%. There are miscellaneous changes throughout general government, both increases and decreases within different sub-departments that balance out to a 13.16% overall increase. General government is comprised of the Town Manager, Town Clerk, Deputy Clerks, Finance department, Assessor, Code Officer, municipal building, supplies, Town Council, Town Boards, miscellaneous expenses, and administration expenses such as all insurances including health, worker's compensation, tax bills, Hermon Connection, repairs, and audit and legal services. The largest single increase was for health insurance, which accounted for more than half of the \$111,172 increase. Another contributing factor was increasing employees' wages to start to bring wages up to market value.



**TOWN OF HERMON, MAINE**  
**Management's Discussion and Analysis, Continued**

---

- The economic development budget has increased by 15.37% or \$20,850. The two most significant increases were to the economic development salary and promotion line items.
- Public safety, which encompasses Police, Fire, Animal Control, the public safety building, and traffic lights, is increasing by 6.79%, or \$54,502. Similar to general government, there are many miscellaneous increases and decreases among line items, but the major portion to the increase is the costs for overtime wages for the Police Department due to one deputy attending the police academy for 18 weeks, full-time wages for deputies and Fire Chief, and an increase in Fire Department training and equipment.
- The Public Works Department is increasing by 1.95%, or \$17,112. Some of the increases within the department are for health insurance, community mowing, and the snowplow contract.
- The solid waste budget is decreasing by 1.12%, or \$6,300. The decrease is primarily due to eliminating the household hazardous waste program and sewer testing.
- Recreation and social services is increasing by 5.74%, or \$9,341. The largest increase is the mowing for Jackson Beach and wages and benefits.
- Debt service is remaining unchanged from the prior year. This is a result of only principal payments being due on the water and sewer extension bond for the remaining term. The other outstanding bond is budgeted and paid by the School Department.
- Reserves are being increased by \$200, or 0.04% from the prior year. The change was mainly due to the rural fire protection reserve due to being funded by developers of subdivisions for fire ponds.
- Special assessments includes county taxes and TIFs. There is a 7.26%, or \$57,299, increase for special assessments. This is mostly due to the county tax increase of \$44,099 and TIF payments to taxpayers in the TIF districts have increased by \$13,200 due to new TIF agreements and extension of other TIF agreements.
- General assistance is decreasing by 36.00%, or \$4,500. The Town has been fortunate that general assistance has been well maintained and not reaching the budgeted figures.
- The local contribution from property taxes to the School Department is going from \$4,547,222 to \$5,008,564.

**REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Manager, at P.O. Box 6300 Hermon, Maine 04402-6300 or call (207) 848-1010 or [www.hermon.net](http://www.hermon.net).

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HERMON, MAINE**  
**Statement of Net Position**  
**June 30, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,906,038	-	12,906,038
Receivables:			
Taxes - current year	309,133	-	309,133
Taxes - prior year	63,816	-	63,816
Tax liens - prior years	84,272	-	84,272
Tax acquired property	13,927	-	13,927
Accounts	1,138,018	-	1,138,018
Internal balances	(184,647)	184,647	-
Inventory	25,751	-	25,751
Prepaid expenses	24,095	-	24,095
Nondepreciable capital assets	241,976	-	241,976
Depreciable capital assets, net	12,822,698	-	12,822,698
Total assets	27,445,077	184,647	27,629,724
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - related to pensions	416,413	-	416,413
Total deferred outflows of resources	416,413	-	416,413
<b>LIABILITIES</b>			
Accounts payable	825,215	279	825,494
Accrued payroll and benefits	779,792	-	779,792
Prepaid taxes	21,555	-	21,555
Accrued interest	1,341	-	1,341
Other liabilities	53,040	-	53,040
Noncurrent liabilities:			
Due within one year	620,612	-	620,612
Due in more than one year	1,755,929	-	1,755,929
Total liabilities	4,057,484	279	4,057,763
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - related to pensions	16,870	-	16,870
Total deferred inflows of resources	16,870	-	16,870
<b>NET POSITION</b>			
Net investment in capital assets	11,434,162	-	11,434,162
Restricted for:			
Education	2,051,610	-	2,051,610
Tax increment financing	217,619	-	217,619
Grants and other purposes	129,500	-	129,500
Permanent funds:			
Nonexpendable	7,785	-	7,785
Expendable	583	-	583
Unrestricted	9,945,877	184,368	10,130,245
<b>Total net position</b>	<b>\$ 23,787,136</b>	<b>184,368</b>	<b>23,971,504</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Activities**  
**For the year ended June 30, 2017**

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 1,372,163	86,178	26,765	-	(1,259,220)	-	(1,259,220)
Public safety	853,092	14,973	8,216	-	(829,903)	-	(829,903)
Public works	1,095,694	5,160	64,260	-	(1,026,274)	-	(1,026,274)
Solid waste	566,185	214,688	-	-	(351,497)	-	(351,497)
Recreational and social services	171,782	312	6,343	-	(165,127)	-	(165,127)
Education	13,478,275	1,875,986	7,259,256	-	(4,343,033)	-	(4,343,033)
County tax	607,131	-	-	-	(607,131)	-	(607,131)
Unclassified	153,842	11,470	1,527	-	(140,845)	-	(140,845)
Capital maintenance expenses	1,540,514	-	-	1,362,337	(178,177)	-	(178,177)
Total governmental activities	19,838,678	2,208,767	7,366,367	1,362,337	(8,901,207)	-	(8,901,207)
Business-type activities:							
Recreation department	267,293	302,339	-	-	-	35,046	35,046
Total business-type activities	267,293	302,339	-	-	-	35,046	35,046
<b>Total primary government</b>	<b>\$ 20,105,971</b>	<b>2,511,106</b>	<b>7,366,367</b>	<b>1,362,337</b>	<b>(8,901,207)</b>	<b>35,046</b>	<b>(8,866,161)</b>
General revenues:							
Property taxes					\$ 5,831,400	-	5,831,400
Tax Increment Financing revenue					285,806	-	285,806
Excise taxes					2,841,037	-	2,841,037
Interest and costs on taxes					30,853	-	30,853
Grants and contributions not restricted to specific programs:							
State revenue sharing					151,483	-	151,483
Homestead exemption					145,278	-	145,278
Other intergovernmental revenues					249,360	-	249,360
Unrestricted investment earnings					173,118	-	173,118
Miscellaneous revenues					24,039	-	24,039
Gain on sale of capital assets					24	-	24
Total general revenues					9,732,398	-	9,732,398
Change in net position					831,191	35,046	866,237
Net position - beginning					22,955,945	149,322	23,105,267
<b>Net position - ending</b>					<b>\$ 23,787,136</b>	<b>184,368</b>	<b>23,971,504</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General	Highway Capital Reserve	School Capital Improvements	Route 2 Project	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 8,807,154	189,445	2,796,268	-	1,113,171	12,906,038
Receivables:						
Taxes - current year	309,133	-	-	-	-	309,133
Taxes - prior year	63,816	-	-	-	-	63,816
Tax liens - prior years	84,272	-	-	-	-	84,272
Tax acquired property	13,927	-	-	-	-	13,927
Accounts	166,419	-	-	731,713	239,886	1,138,018
Inventory	11,111	-	-	-	14,640	25,751
Prepaid expenditures	24,095	-	-	-	-	24,095
Interfund loans receivable	865,449	-	-	-	67,430	932,879
<b>Total assets</b>	<b>\$ 10,345,376</b>	<b>189,445</b>	<b>2,796,268</b>	<b>731,713</b>	<b>1,435,127</b>	<b>15,497,929</b>
<b>LIABILITIES</b>						
Accounts payable	825,215	-	-	-	-	825,215
Accrued payroll and benefits	769,151	-	-	-	10,641	779,792
Prepaid taxes	21,555	-	-	-	-	21,555
Other liabilities	53,040	-	-	-	-	53,040
Interfund loans payable	-	23,476	116,595	731,713	245,742	1,117,526
Total liabilities	1,668,961	23,476	116,595	731,713	256,383	2,797,128
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable revenue - property taxes	284,343	-	-	-	-	284,343
Total deferred inflows of resources	284,343	-	-	-	-	284,343
<b>FUND BALANCES</b>						
Nonspendable:						
Inventory	11,111	-	-	-	14,640	25,751
Prepaid expenditures	24,095	-	-	-	-	24,095
Nonexpendable principal	-	-	-	-	7,785	7,785
Restricted:						
General fund	2,269,229	-	-	-	-	2,269,229
Special revenue funds	-	-	-	-	114,860	114,860
Permanent funds	-	-	-	-	583	583
Committed	395,783	-	-	-	-	395,783
Assigned:						
General fund	1,190,146	-	-	-	-	1,190,146
Capital projects funds	-	165,969	2,679,673	-	1,049,397	3,895,039
Unassigned:						
General fund	4,501,708	-	-	-	-	4,501,708
Special revenue funds	-	-	-	-	(8,521)	(8,521)
Total fund balances	8,392,072	165,969	2,679,673	-	1,178,744	12,416,458
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,345,376</b>	<b>189,445</b>	<b>2,796,268</b>	<b>731,713</b>	<b>1,435,127</b>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						13,064,674
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.						284,343
Long-term liabilities, including bonds and capital leases payable, are not due and payable in the current period and therefore, are not reported in the funds.						
Bonds payable						(1,559,800)
Capital leases payable						(70,712)
Net pension liability, including related deferred inflows and outflows of resources						(283,944)
Accrued interest						(1,341)
Accrued compensated absences						(62,542)
<b>Net position of governmental activities</b>						<b>\$ 23,787,136</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2017**

	General	Highway Capital Reserve	School Capital Improvements	Route 2 Project	All Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 9,008,851	-	-	-	-	9,008,851
Intergovernmental	5,969,477	-	-	1,085,635	881,674	7,936,786
Maine PERS on-behalf payments	768,880	-	-	-	-	768,880
Licenses and permits	66,972	-	-	-	-	66,972
Charges for services	1,939,903	-	-	-	201,892	2,141,795
Investment income	129,933	-	27,414	-	15,771	173,118
Other	563,083	-	-	-	31,615	594,698
<b>Total revenues</b>	<b>18,447,099</b>	<b>-</b>	<b>27,414</b>	<b>1,085,635</b>	<b>1,130,952</b>	<b>20,691,100</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	805,910	-	-	-	22,301	828,211
Public safety	736,001	-	-	-	8,780	744,781
Public works	1,038,136	-	-	-	16,531	1,054,667
Solid waste	551,775	-	-	-	-	551,775
Recreational and social services	154,949	-	-	-	2,850	157,799
Education	12,001,027	-	-	-	835,413	12,836,440
County tax	607,131	-	-	-	-	607,131
Tax increment financing	484,476	-	-	-	-	484,476
Unclassified	146,211	2,582	4,849	-	200	153,842
Maine PERS on-behalf payments	768,880	-	-	-	-	768,880
Debt service	89,900	-	-	-	-	89,900
Capital outlay	196,938	69,497	111,986	1,085,635	336,609	1,800,665
<b>Total expenditures</b>	<b>17,581,334</b>	<b>72,079</b>	<b>116,835</b>	<b>1,085,635</b>	<b>1,222,684</b>	<b>20,078,567</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>865,765</b>	<b>(72,079)</b>	<b>(89,421)</b>	<b>-</b>	<b>(91,732)</b>	<b>612,533</b>
<b>Other financing sources (uses):</b>						
Transfers from other funds	-	250,000	-	-	192,623	442,623
Transfers to other funds	(442,623)	-	-	-	-	(442,623)
<b>Total other financing sources (uses)</b>	<b>(442,623)</b>	<b>250,000</b>	<b>-</b>	<b>-</b>	<b>192,623</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>423,142</b>	<b>177,921</b>	<b>(89,421)</b>	<b>-</b>	<b>100,891</b>	<b>612,533</b>
<b>Fund balances, beginning of year</b>	<b>7,968,930</b>	<b>(11,952)</b>	<b>2,769,094</b>	<b>-</b>	<b>1,077,853</b>	<b>11,803,925</b>
<b>Fund balances, end of year</b>	<b>\$ 8,392,072</b>	<b>165,969</b>	<b>2,679,673</b>	<b>-</b>	<b>1,178,744</b>	<b>12,416,458</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2017**

Net change in fund balances - total governmental funds (from Statement 4)	\$	612,533
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>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 amount by which depreciation expense (\$600,437) and the net book value of disposed assets (\$1,476) exceeded capital outlays (\$260,151).</p>		
		(341,762)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in unavailable revenue - property taxes.</p>		
		(19,755)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the increase in accrued the net pension liability with related deferred inflows and outflows of resources (\$75,409) and the decrease in accrued interest (\$1,306) and accrued compensated absences (\$5,148).</p>		
		(68,955)
<p>Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and lease 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 bond repayments (\$580,215) and capital lease repayments (\$68,915).</p>		
		649,130
<b>Change in net position of governmental activities (see Statement 2)</b>		<b>\$ 831,191</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual - Budgetary Basis**  
**General Fund**  
**For the year ended June 30, 2017**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 8,228,999	8,228,999	9,008,851	779,852
Intergovernmental	5,964,976	5,964,976	5,969,477	4,501
Licenses and permits	53,400	53,400	66,972	13,572
Charges for services	1,875,937	1,875,937	1,939,903	63,966
Interest earned	30,000	30,000	129,933	99,933
Other revenues	468,457	468,457	563,083	94,626
Total revenues	16,621,769	16,621,769	17,678,219	1,056,450
<b>Expenditures:</b>				
Current:				
General government	844,789	844,789	805,910	38,879
Public safety	802,481	802,481	736,001	66,480
Public works	878,719	1,017,070	1,038,136	(21,066)
Solid waste	563,446	563,446	551,775	11,671
Recreation and social services	160,622	160,622	154,949	5,673
County tax	607,131	607,131	607,131	-
Tax increment financing	181,800	566,800	484,476	82,324
Unclassified	303,544	303,544	146,211	157,333
Education	12,838,214	12,838,214	12,144,908	693,306
Debt service:				
Principal	89,900	89,900	89,900	-
Capital expenditures	531,734	531,734	196,938	334,796
Total expenditures	17,802,380	18,325,731	16,956,335	1,369,396
Excess (deficiency) of revenues over (under) expenditures	(1,180,611)	(1,703,962)	721,884	2,425,846
<b>Other financing sources (uses):</b>				
Use of prior year surplus - School	890,000	890,000	-	(890,000)
Use of prior year surplus - Town	733,234	1,118,234	-	(1,118,234)
Use of committed fund balance	-	138,351	-	(138,351)
Transfers out	(442,623)	(442,623)	(442,623)	-
Total other financing sources (uses)	1,180,611	1,703,962	(442,623)	(2,146,585)
Net change in fund balance, budgetary basis	-	-	279,261	279,261
<b>Reconciliation to GAAP:</b>				
Change in accrued summer salaries and benefits			143,881	
Net change in fund balance, GAAP basis			423,142	
Fund balance, beginning of year			7,968,930	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>8,392,072</b>	

*See accompanying notes to basic financial statements.*



**TOWN OF HERMON, MAINE**  
**Statement of Net Position**  
**Proprietary Fund**  
**June 30, 2017**

<b>Business-type Activities - Enterprise Fund</b>		<b>Recreation Department</b>
<b>ASSETS</b>		
Current assets:		
Interfund loans receivable	\$	184,647
Total assets		184,647
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		279
Total liabilities		279
<b>NET POSITION</b>		
Unrestricted		184,368
<b>Total net position</b>	<b>\$</b>	<b>184,368</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the year ended June 30, 2017**

<b>Business-type Activities - Enterprise Fund</b>		<b>Recreation Department</b>
Operating revenues:		
Charges for services	\$	302,339
Total operating revenues		302,339
Operating expenses:		
Payroll and related expenses		171,349
Recreation programs		95,944
Total operating expenses		267,293
Operating income		35,046
Net position, beginning of year		149,322
<b>Net position, end of year</b>	<b>\$</b>	<b>184,368</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Cash Flows - Proprietary Fund**  
**For the year ended June 30, 2017**

<b>Business-type Activities - Enterprise Fund</b>		<b>Recreation Department</b>
Cash flows from operating activities:		
Receipts from customers and users	\$	302,339
Payments to suppliers		(95,665)
Payments to employees		(171,349)
Net cash provided by operating activities		35,325
Cash flows from noncapital financing and related activities:		
Net interfund activity		(35,325)
Net cash used in noncapital financing and related activities		(35,325)
Increase (decrease) in cash		-
Cash and cash equivalents, beginning of year		-
<b>Cash and cash equivalents, end of year</b>	<b>\$</b>	<b>-</b>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		35,046
Adjustments to reconcile operating income to net cash used in operating activities:		
Increase in accounts payable		279
Net cash provided by operating activities	\$	35,325

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	<b>Agency Funds</b>	<b>Private-purpose Trusts</b>
	<b>Student Activity Funds</b>	<b>School Department Scholarships</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 163,293	191,873
<b>Total assets</b>	<b>163,293</b>	<b>191,873</b>
<b>LIABILITIES</b>		
Due to student groups	163,293	-
<b>Total liabilities</b>	<b>163,293</b>	<b>-</b>
<b>NET POSITION</b>		
Held in trust	\$ -	<b>191,873</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the year ended June 30, 2017**

	<b>Private-purpose Trusts</b>
	<b>School Department Scholarships</b>
Additions	\$ 1,373
Deductions	-
Change in net position	1,373
Net position, beginning of year	190,500
<b>Net position, end of year</b>	<b>\$ 191,873</b>

*See accompanying notes to basic financial statements.*

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

---

**A. Reporting Entity**

The Town of Hermon operates under an elected Town Council and Town Manager form of government. The Town's School Department operates under an elected School Committee. The Town's major operations include public works, public safety, public services, education, and general administrative services.

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Town of Hermon, Maine. The decision to include a potential component unit was made by applying the criteria set forth in accounting principles generally accepted in the United States of America, which defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Additionally, certain organizations warrant inclusion as part of the financial reporting entity because of the nature and significance of their relationship with the primary government, including their ongoing financial support of the primary government or component unit. Based on the application of these criteria, there were no potential component units required to be included in this report.

**B. Basis of Presentation – Government-wide Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise fund. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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 or capital 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 the general revenues of the Town.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**C. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the government’s funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government’s primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Highway Capital Reserve Fund* is used to account for road construction and repairs.

The *School Capital Improvements Fund* is used to account for major capital purchases by the School Department (school buses, equipment, etc.), and construction of schools.

The *Route 2 Project Fund* is used to account for the revenues and expenditures associated with the sidewalks, paving and drainage improvements along Route 2 in association with the Maine DOT.

The government reports the following major enterprise fund:

The *Recreation Department Fund* is used to account for revenues generated from the variety of services provided by Hermon Recreation on a user basis. The expenses related to these programs are to be covered with revenues generated. Costs covered are program related expenses, food costs, payroll, clothing/uniforms, and equipment purchases.

Additionally, the Town reports the following fund type:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town’s fiduciary funds include the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

Private-purpose trust funds are used to account for resources legally held in trust for the benefit of others.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**D. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and 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 year 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.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as 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. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.



**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**E. Cash and Investments**

Cash includes amounts in demand deposits as well as time deposits and certificates of deposit owned by the Town. Investments are stated at fair value. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

**F. Interfund Loans Receivable/Payable**

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e., the noncurrent portion of interfund loans).

**G. Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Town utilizes the consumption method for prepaid items in which items purchased are recorded as an asset and the recognition of the expenditure is deferred until the period the prepaid item is actually consumed or used.

**H. Inventory**

Inventory in the School Lunch Program consists of food and supplies and is valued at the lower of cost or market (first-in, first-out basis) and is offset with a nonspendable fund balance for inventories. Inventories of the School Lunch Fund include the value of the U.S. Department of Agriculture commodities donated to the Fund. Inventory in the General Fund consists of parts and supplies for the use of public works and is carried at cost (first-in, first-out basis).

**I. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

For the primary government, straight-line depreciation is computed using the following estimated useful lives:

Buildings and improvements	15-50 years
Equipment and furniture	7-20 years
Vehicles	5-15 years
Infrastructure	20-100 years

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

---

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

---

**J. Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statement of net position and balance sheet will sometimes report separate sections for deferred outflows of resources and deferred inflows of resources. These separate financial statement elements, deferred outflows of resources and deferred inflows of resources, represent a consumption or acquisition of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) or inflow of resources (revenue) until that time. The governmental funds only report a deferred inflow of resources, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred outflows and inflows that relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan. They also include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

**K. Compensated Absences**

Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. All vacation and sick time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**L. 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. Bond premiums and discounts, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources in the year of issuance. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures if material to the financial statements.

**M. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is used in governmental funds. All encumbrances, if any, generally lapse at year-end, or are shown as assigned fund balance.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

**N. Use of Estimates**

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**O. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**P. Fund Equity**

It is the intent of the Town to maintain a minimum fund balance of one month, 8.33%, of operating expenditures with a targeted balance of two months, or 16.66%. The maximum fund balance is not to exceed 25% of the operating expenditures. Any amount in excess of 25% is to be appropriated to reserve accounts for use on future, specific projects. The Town Council may recommend transfers to the Town that would reduce the balance below 25%, but no transfers shall be made that would reduce the balance to less than 8.33%.

Governmental fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.
- *Assigned* – resources that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

---

The Town Council has the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. Likewise, the Town Council or a body or official delegated by the Town Council may assign fund balance, including unspent budgeted amounts, for specific purposes in the General Fund at year-end based on Department requests.

Although not a formal policy, when both restricted and unrestricted resources are available for use, it is the Town's intent 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 practice to use committed or assigned resources first, and then unassigned resources, as they are needed.

---

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

---

**A. Budgetary Information**

A budget is adopted for the General Fund only, and is adopted on a basis consistent with generally accepted accounting principles (GAAP), except for accrued summer salaries and benefits for teachers and Maine Public Employees Retirement on-behalf payments. Maine Public Employees Retirement contributions are made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$768,880. These amounts have been included as revenue and expenditures/expenses in the General Fund on Statement 4 (GAAP basis) and on the Statement of Activities. There is no effect on fund balance or net position at the end of the year.

Through June 30, 2017, the Town did not budget for expenditures related to summer salaries and benefits for teachers on an accrual basis.

**B. Deficit Fund Balance**

For the year ended June 30, 2017, the following funds had deficit fund balances:

Local entitlement	\$ 7,639
Transition grant	882

These deficits are expected to be funded by future revenues or transfers from the General Fund.

**C. Excess of Expenditures over Appropriations**

For the year ended June 30, 2017, expenditures exceeded appropriations for the following:

Public works – general	\$ 4,849
Public works – roads	38,663
Public works – salt shed/storage	397
Solid waste – household waste	8,176
Recreation – Jackson Beach	486
Economic development	1,304

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

DEPOSITS

---

*Custodial Credit Risk-Town Deposits:* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2017, the Town reported deposits of \$13,261,204 with a bank balance of \$13,764,761. Of the Town's bank balances of \$13,764,761, none was exposed to custodial credit risk. The entire bank balance was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

Deposits have been reported as follows:

Reported in governmental funds	\$ 12,906,038
Reported in fiduciary funds	<u>355,166</u>
<b>Total deposits</b>	<b><u>\$ 13,261,204</u></b>

---

PROPERTY TAX

---

Property taxes for the current period were committed on September 28, 2016, on the assessed value listed as the prior April 1, for all real and personal property located in the Town. Payment of taxes was due on April 1, 2017. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after this date.

The Town is permitted by the laws of the State of Maine to levy taxes up 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 \$111,552 for the period ended June 30, 2017.

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 taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as unavailable revenues.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

PROPERTY TAX, CONTINUED

---

The following summarizes the 2017 and 2016 levies:

	<u>2017</u>	<u>2016</u>
Assessed value	\$ 509,851,800	490,604,900
Tax rate (per \$1,000)	12.00	12.00
Commitment	6,118,222	5,887,259
Supplemental taxes assessed	44,032	1,967
	6,162,254	5,889,226
Less:		
Collections and abatements	5,853,121	5,524,344
<b>Receivable at June 30</b>	<b>\$ 309,133</b>	<b>364,882</b>
Due date	April 1, 2017	April 1, 2016
Interest rate on delinquent taxes	7.0%	7.0%
Collection rate	94.98%	93.80%

---

CAPITAL ASSETS

---

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Balance</u> <u>June 30,</u> <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30,</u> <u>2017</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	112,695	113,404	112,695	113,404
<b>Total capital assets, not being depreciated</b>	<b>241,267</b>	<b>113,404</b>	<b>112,695</b>	<b>241,976</b>
Capital assets, being depreciated:				
Buildings and building improvements	19,948,379	159,403	-	20,107,782
Equipment, furniture and fixtures	2,420,712	42,939	20,179	2,443,472
Vehicles	2,235,679	57,100	70,986	2,221,793
<b>Total capital assets being depreciated</b>	<b>24,604,770</b>	<b>259,442</b>	<b>91,165</b>	<b>24,773,047</b>
Less accumulated depreciation for:				
Buildings and building improvements	8,626,370	361,436	-	8,987,806
Equipment, furniture and fixtures	1,613,582	101,664	20,179	1,695,067
Vehicles	1,199,649	137,337	69,510	1,267,476
<b>Total accumulated depreciation</b>	<b>11,439,601</b>	<b>600,437</b>	<b>89,689</b>	<b>11,950,349</b>
<b>Total capital assets being depreciated, net</b>	<b>13,165,169</b>	<b>(340,995)</b>	<b>(1,476)</b>	<b>12,822,698</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 13,406,436</b>	<b>(227,591)</b>	<b>114,171</b>	<b>13,064,674</b>

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**CAPITAL ASSETS, CONTINUED**

---

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 24,196
Public safety	107,300
Public works	41,546
Education	400,039
Solid waste	14,410
Recreation and social services	12,946
<b>Total depreciation expense – governmental activities</b>	<b>\$ 600,437</b>

---

**INTERFUND BALANCES**

---

Individual interfund receivables and payables at June 30, 2017 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$ 865,449</u>	<u>-</u>
<u>Highway Capital Reserve Fund</u>	<u>-</u>	<u>23,476</u>
<u>School Capital Improvements Fund</u>	<u>-</u>	<u>116,595</u>
<u>Recreation Department – Proprietary Fund</u>	<u>184,647</u>	<u>-</u>
<u>Route 2 Project Fund</u>	<u>-</u>	<u>731,713</u>
Nonmajor special revenue funds:		
Adult Education	15,837	-
Title IIA	-	29,082
Title IA	-	19,383
Local Entitlement	-	43,053
Pre-K Local Entitlement	-	32
ARRA MARTI	250	-
Ticket to Ride Grant	1,098	-
School Lunch Fund	-	1,050
PEPG Grant	705	-
Transition Grant	-	882
Comp. Grant	7,550	-
Library Grant	3,277	-
Bangor Wellness Grant	2,352	-
Fire Department Gear Grant	179	-
Coldbrook/Newburgh Road Grant	-	138,351
Maine Forest Service Grants	3,278	-
Cemetery Reserve	-	6,282
Veterans Memorial Project	-	851
Medical Reimbursement	-	2,276
Athletic Complex	834	-
<u>Total nonmajor special revenue funds</u>	<u>35,360</u>	<u>241,242</u>

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**INTERFUND BALANCES, CONTINUED**

---

Nonmajor capital project funds:		
Recreation Facilities	\$ 32,070	-
Sewer Maintenance	-	4,500
Total nonmajor capital project fund	32,070	4,500
<b>Totals</b>	<b>\$ 1,117,526</b>	<b>1,117,526</b>

The purpose of interfund loans is to charge revenues and expenditures/expenses to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

---

**INTERFUND TRANSFERS**

---

Individual fund transfers for the year ended June 30, 2017 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
<u>General Fund</u>	<u>\$ -</u>	<u>442,623</u>
<u>Highway Capital Reserve</u>	<u>250,000</u>	<u>-</u>
Nonmajor special revenue funds:		
Adult Education	3,123	-
School Lunch Fund	35,000	-
Cemetery Reserve	8,500	-
Total nonmajor special revenue funds	46,623	-
Nonmajor capital project funds:		
Public Works Facilities	77,000	-
Recreation Facilities	22,500	-
Municipal Building	8,000	-
Sewer Maintenance	28,500	-
Fire Station Reserve	10,000	-
Total nonmajor capital project funds	146,000	-
<b>Totals</b>	<b>\$ 442,623</b>	<b>442,623</b>

These transfers were budgeted transfers to fund certain activities.



**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

**CHANGES IN LONG-TERM LIABILITIES**

Long-term liability activity for the year ended June 30, 2017 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 2,140,015	-	580,215	1,559,800	549,900
Capital leases payable	139,627	-	68,915	70,712	70,712
Net pension liability	422,399	261,088	-	683,487	-
Accrued compensated absences	67,690	2,048	7,196	62,542	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 2,769,731</b>	<b>263,136</b>	<b>656,326</b>	<b>2,376,541</b>	<b>620,612</b>

**LONG-TERM DEBT**

**Bonds Payable**

Bonds payable at June 30, 2017 is comprised of the following:

	<u>Amount of Original issue</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
General obligation bonds:				
1998 sewer construction	\$ 1,798,000	4.13-4.83%	11/1/2018	179,800
2015 refunding	1,840,000	1.37%	11/1/2019	1,380,000
<b>Total</b>				<b>\$ 1,559,800</b>

The annual debt service requirements to amortize bonds payable are as follows:

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2018	\$ 549,900	16,629	566,529
2019	549,900	10,810	560,710
2020	460,000	3,795	463,795
<b>Totals</b>	<b>\$ 1,559,800</b>	<b>31,234</b>	<b>1,591,034</b>

**CAPITAL LEASES**

The Town has entered into several lease agreements as a lessee for the financing of vehicles and equipment. These obligations have been recorded in the entity-wide financial statements at the present value of future minimum lease payments. The following is a summary vehicles and equipment capitalized under capital lease agreements by the Town as of June 30, 2017:

Equipment (photocopiers)	\$ 76,040
Vehicles (School buses)	165,127

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**CAPITAL LEASES, CONTINUED**

---

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2017:

Year ended	
<u>June 30,</u>	
<u>2018</u>	<u>\$ 72,555</u>
Total minimum lease payments	72,555
<u>Less amounts representing interest</u>	<u>(1,843)</u>
<b>Present value of future minimum</b>	
<b>    <u>lease payments</u></b>	<b><u>\$ 70,712</u></b>

---

**STATUTORY DEBT LIMIT**

---

In accordance with 30-A MRSA, Section 5702, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its state assessed valuation. At June 30, 2017, the Town's outstanding debt did not exceed these limits.

---

**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 either carries commercial insurance, participates in public entity risk pools, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association (MMA).

Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2017.

---

**FUND BALANCES**

---

The General Fund unassigned fund balance total of \$4,501,708 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. Unassigned fund balances totaling (\$8,521) are also reported for two grants within the nonmajor special revenue funds that have negative fund balances as of June 30, 2017, as shown on Statement 3.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**FUND BALANCES, CONTINUED**

---

As of June 30, 2017, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund:				
Nonspendable – inventory	\$ 11,111	-	-	-
Nonspendable – prepaid expenditures	24,095	-	-	-
Restricted for education	-	2,051,610*	-	-
Restricted for Tax Increment Financing	-	217,619	-	-
Coldbrook/Newburgh Road grant match	-	-	395,783	-
Assigned for:				
Appropriated to the 2018 budget	-	-	-	430,224
Police equipment	-	-	-	24,501
Municipal unemployment	-	-	-	29,537
Legal liability	-	-	-	30,249
Fire equipment	-	-	-	88,245
Public land acquisition	-	-	-	27,329
Planning and ordinance	-	-	-	70,067
Credit reserve	-	-	-	14,330
Economic development	-	-	-	127,414
Fire station repair/maintenance	-	-	-	2,235
Technology	-	-	-	10,817
Bicentennial	-	-	-	4,253
Jackson Beach reserve	-	-	-	4,308
Transfer station reserve	-	-	-	2,956
Elementary school	-	-	-	297,944
Rural fire protection	-	-	-	9,936
Veteran’s Memorial Park reserve	-	-	-	5,859
Sick leave reserve	-	-	-	9,942
Total general fund	35,206	2,269,229	395,783	1,190,146
Highway capital reserve fund	-	-	-	165,969
School capital improvements fund	-	-	-	2,679,673
Other governmental funds:				
Inventory	14,640	-	-	-
Grants and other purposes	-	114,860	-	-
Capital outlay	-	-	-	1,049,397
Permanent funds – principal	7,785	-	-	-
Permanent funds – unexpended income	-	583	-	-
Total other governmental funds	22,425	115,443	-	1,049,397
<b>Grand totals</b>	<b>\$ 57,631</b>	<b>2,384,672</b>	<b>395,783</b>	<b>5,085,185</b>

\*Of the total restricted for education of \$2,051,610, the School Department has allocated \$800,295 to various reserves (unemployment, fuel, tax rate stabilization, school bus) and have budgeted \$600,000 for the FY 2018 budget to reduce taxes.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

---

***General Information about the Pension Plan***

**Plan Description** - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) and teaching-certified employees of the Town are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at [www.maineopers.org](http://www.maineopers.org).

**Benefits Provided** - The PLD and SET Plans 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. For PLD members, normal retirement age is 60 or 65. For SET Plan members, normal retirement age is 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. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

**Contributions** - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

**PLD Plan** - Employees are required to contribute 8.0% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2017, was 6.5% of annual payroll. Contributions to the pension plan from the Town were \$10,896 for the year ended June 30, 2017.

**SET Plan** - Maine statute requires the State to contribute a portion of the Town's contractually required contributions. Employees are required to contribute 7.65% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2017, was 13.38% of annual payroll of which 3.36% of payroll was required from the Town and 10.02% was required from the State. Contributions to the pension plan from the Town were \$209,963 for the year ended June 30, 2017.

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

The net pension liabilities were measured as of June 30, 2016, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town's proportion of the net pension liabilities were based on projections of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

**PLD Plan** - At June 30, 2017, the Town reported a liability of \$413,471 for its proportionate share of the net pension liability. At June 30, 2016, the Town's proportion of the PLD Plan was 0.0778%.

**SET Plan** - At June 30, 2017, the Town reported a liability for its proportionate share of the 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 net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 270,016
State's proportionate share of the net pension liability associated with the Town	8,709,868
<b>Total</b>	<b>\$ 8,979,884</b>

At June 30, 2016, the Town's proportion of the SET Plan was 0.0153%

For the year ended June 30, 2017, the Town recognized pension expense of \$52,853 for the PLD Plan and pension expense of \$869,555 and revenue of \$626,139 for support provided by the State for the SET Plan. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	16,870
Changes of assumptions	37,390	-
Net difference between projected and actual earnings on pension plan investments	140,094	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	18,070	-
Town contributions subsequent to the measurement date	220,859	-
<b>Total</b>	<b>\$ 416,413</b>	<b>16,870</b>

\$220,859 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2018	\$ 26,554
2019	29,432
2020	85,501
2021	37,197

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

**MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED**

**Actuarial Assumptions** - The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	2.75%	2.75%
Salary Increases, per year	2.75% to 9.0%	2.75% to 14.5%
Investment return, per annum, compounded annually	6.875%	6.875%
Cost of living benefit increases, per annum	2.20%	2.20%

Mortality rates were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period June 30, 2012 to June 30, 2015.

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 asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	5.7%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	5.2%
Infrastructure	10%	5.3%
Hard assets	5%	5.0%
Fixed income	25%	2.9%
<b><u>Total</u></b>	<b><u>100%</u></b>	

**Discount Rate** - The discount rate used to measure the total pension liability was 6.875% for both the PLD Plan and SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 liabilities.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

---

**Sensitivity of the Town's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate -**

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.875% for both the PLD Plan and SET Plan, 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 (5.875% for both the PLD Plan SET Plan) or 1 percentage-point higher (7.875% for both the PLD Plan and SET Plan) than the current rate:

<u>PLD Plan</u>	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
Town's proportionate share of the net pension liability	\$ 686,287	\$ 413,471	\$ 156,624
<u>SET Plan</u>	1% Decrease <u>(5.875%)</u>	Current Discount Rate <u>(6.875%)</u>	1% Increase <u>(7.875%)</u>
Town's proportionate share of the net pension liability	\$ 432,365	\$ 270,016	\$ 134,700

**Pension Plan Fiduciary Net Position** - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

**Payables to the Pension Plan** - None as of June 30, 2017.

---

DEFERRED COMPENSATION PLAN

---

The Town of Hermon offers all its employees not participating in Maine Public Employees Retirement System a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 (The School Department offers its employees a 403(b) plan). The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the Town's financial statements.

The School Department does not contribute to the 403(b) plan and thus there are no employer contribution requirements. The Town is required to contribute 5.0% of an employee's compensation for the year for employees participating in the 457 plan. Employees under either plan are permitted to contribute to the plan up to applicable Internal Revenue Code limits. For the year ended June 30, 2017, the Town recognized pension expense of \$40,828.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. Therefore, there is no forfeiture provision.

**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

**JOINT VENTURE**

The Town is a member of a non-profit corporation, the Municipal Review Committee, Inc. (MRC), whose mission is to ensure the continuing availability of long-term, reliable, safe, and environmentally-sound methods of solid waste disposal. The Town's proportionate interest in the net position of the MRC on December 31, 2016, the date of MRC's most recent audited financial statements, was \$590,496 (1.88%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

As of December 31, 2016, the MRC in turn owned 25.52% of the limited partnership interests in Penobscot Energy Recovery Company (PERC). Allocation of PERC ownership interests among the members of the MRC is based upon their respective shares of cumulative performance credits and other cash flows and reserves. At June 30, 2017, the Town's proportionate interest in PERC was 0.48%.

**NET POSITION**

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds and capital leases payable and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2017:

	<u>Governmental activities</u>
Capital assets	\$ 25,015,023
Accumulated depreciation	(11,950,349)
Bonds payable	(1,559,800)
Capital leases payable	(70,712)
<b>Total net investment in capital assets</b>	<b>\$ 11,434,162</b>

**PRIOR PERIOD ADJUSTMENT**

During 2017, it was discovered that a budgeted transfer of \$50,000 from the Town to the School Department to fund the Department's tax stabilization reserve was not recorded until the current fiscal year. However, these funds were budgeted in 2016 and, therefore, should have been reflected in the financial statements of the prior year. Due to the fact that the School Department's general fund is included in the general fund of the Town for financial statement reporting, there is no net effect the Town's general fund balance. If this amount was properly shown in the prior year, the School Department's fund balance would have been \$50,000 higher, and the Town's unassigned fund balance would have been \$50,000 lower.

School Department's budgetary basis fund balance as of July 1, 2016 has been restated as follows:

	<u>School Department Budgetary Fund Balance</u>
Budgetary fund balance as previously reported	\$ 2,724,186
<u>Transfer from Town to School reserve fund balance</u>	<u>50,000</u>
<b>Budgetary fund balance, as restated</b>	<b>\$ 2,774,186</b>



**TOWN OF HERMON, MAINE**  
**Notes to Basic Financial Statements, Continued**

---

**CREDIT ENHANCEMENT AGREEMENTS**

---

GASB Statement 77, *Tax Abatement Disclosures*, defines tax abatement, for financial reporting purposes, as a reduction in tax revenue resulting from “an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take specific action after the agreement has been entered that contributes to economic development or benefits the governments or the citizens of those governments.” While not called ‘tax abatements’, the Town of Hermon does currently have Credit Enhancement Agreements (CEAs) which fit this definition.

The Town of Hermon has entered into several Credit Enhancement Agreements (CEAs) with individual organizations as permitted within its TIF District development programs, established under the State of Maine Title 30-A. The CEA’s outline conditions for the reimbursement of a percentage of tax revenues generated through the increased values of certain parcels within the district. The agreements and payments are intended to promote economic development through real estate development and job creation, as well as infrastructure improvements and business incentives within the Town’s TIF Districts. Based on compliance with the terms of the agreement, and the calculation methods established in the CEAs, the Town returns to the organization a portion of the taxes paid.

For the fiscal year ended June 30, 2017, the Town remitted a total of \$109,239 in Credit Enhancement payments, including the following, each of which exceeded 10 percent of the total amount remitted:

\$39,079 (35.77%) was disbursed to Hermon Holdings, LLC based on the Credit Enhancement Agreement in which Hermon Holdings agreed to design, construct, and equip a new 24,000 square foot store facility and a 2,400 square foot Credit Union facility in the District, as well as a water quality improvement project. The original CEA became effective July 30, 2009 for a period of ten years, however, an amendment to the CEA extended the term to 17 years ending in fiscal year 2025.

\$23,956 (21.93%) was disbursed to Brushfire, LLC based on the Credit Enhancement Agreement in which Brushfire, LLC agreed to construct and equip a 39,375 square foot manufacturing facility. The CEA became effective April 15, 2015 for a period of 15 years ending in fiscal year 2030.

**TOWN OF HERMON, MAINE**  
**Required Supplementary Information**

**Schedule of Town's Proportionate Share of the Net Pension Liability**  
**Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan**  
**(SET)**

Last 10 Fiscal Years\*

	<u>2017</u> **	<u>2016</u> **	<u>2015</u> **
<b><u>PLD Plan</u></b>			
Town's proportion of the net pension liability	0.0778%	0.0659%	0.0665%
Town's proportionate share of the net pension liability	\$ 413,471	210,201	102,291
Town's covered payroll	88,298	121,396	119,016
Town's proportionate share of the net pension liability as a percentage of its covered payroll	468.27%	173.15%	85.95%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	88.27%	94.10%
<b><u>SET Plan</u></b>			
Town's proportion of the net pension liability	0.0153%	0.0157%	0.0178%
Town's proportionate share of the net pension liability	\$ 270,016	212,198	192,299
State's proportionate share of the net pension liability associated with the Town	8,709,868	6,641,782	5,330,683
<b><u>Total</u></b>	<b><u>\$ 8,979,884</u></b>	<b><u>6,853,980</u></b>	<b><u>5,522,982</u></b>
Town's covered payroll	\$ 5,967,610	5,804,673	5,728,803
Town's proportion share of the net pension liability as a percentage of its covered payroll	4.52%	3.66%	3.36%
Plan fiduciary net position as a percentage of the total pension liability	76.21%	81.18%	83.91%

\* Only three years of information available.

\*\* The amounts presented for each fiscal year were determined as of the prior fiscal year.

**TOWN OF HERMON, MAINE**  
**Required Supplementary Information, Continued**

**Schedule of Town Contributions**

**Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)**

Last 10 Fiscal Years\*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>PLD Plan</u></b>				
Contractually required contribution	\$ 10,896	4,945	4,977	4,047
Contributions in relation to the contractually required contribution	(10,896)	(4,945)	(4,977)	(4,047)
<b><u>Contribution deficiency (excess)</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Town's covered payroll	167,641	88,298	121,396	119,016
Contributions as a percentage of covered payroll	6.50%	5.60%	4.10%	3.40%
<b><u>SET Plan</u></b>				
Contractually required contribution	\$ 209,963	200,512	153,824	151,813
Contributions in relation to the contractually required contribution	(209,963)	(200,512)	(153,824)	(151,813)
<b><u>Contribution deficiency (excess)</u></b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Town's covered payroll	\$ 6,248,881	5,967,610	5,804,673	5,728,803
Contributions as a percentage of covered payroll	3.36%	3.36%	2.65%	2.65%

\* Only four years of information available.

**TOWN OF HERMON, MAINE**  
**Notes to Required Supplementary Information**

---

**Changes of Benefit Terms** - None

**Changes of Assumptions** - The following are changes in actuarial assumptions used in the most recent valuation:

	<u>2017</u>	<u>2016</u>
Discount rate	6.875%	7.125%
Inflation rate	2.75%	3.5%
Salary increases – PLD Plan	2.75% to 9.0%	3.5% to 9.5%
Salary increases – SET Plan	2.75% to 14.5%	3.5% to 13.5%
Cost of living increase	2.20%	2.55%
Long-term expected real rate of return on assets:		
US equities	5.7%	5.2%
Real estate	5.2%	3.7%
Infrastructure	5.3%	4.0%
Hard assets	5.0%	4.8%
Fixed income	2.9%	0.7%

In addition, mortality rates were previously based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA, which, in the most recent valuation, changed to mortality rates that were based on the RP2014 Total Data Set Healthy Annuity Mortality Table.

## **GENERAL FUND**

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges, and capital improvement costs which are not paid through other funds.

**TOWN OF HERMON, MAINE**  
**Balance Sheet - General Fund**  
**June 30, 2017**

	<b>2017</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,807,154
Receivables:	
Taxes - current year	309,133
Taxes - prior years	63,816
Tax liens - prior years	84,272
Tax acquired property	13,927
Accounts	166,419
Inventory	11,111
Prepaid expenditures	24,095
Interfund loans receivables	865,449
<b>Total assets</b>	<b>\$ 10,345,376</b>
<b>LIABILITIES</b>	
Accounts payable	825,215
Accrued payroll and benefits	769,151
Prepaid taxes	21,555
Other liabilities	53,040
<b>Total liabilities</b>	<b>1,668,961</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	284,343
<b>Total deferred inflows of resources</b>	<b>284,343</b>
<b>FUND BALANCE</b>	
Nonspendable - inventory	11,111
Nonspendable - prepaid expenditures	24,095
Restricted for education	2,051,610
Restricted for TIF	217,619
Committed	395,783
Assigned - Town	1,190,146
Unassigned - Town	4,501,708
<b>Total fund balance</b>	<b>8,392,072</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 10,345,376</b>

**TOWN OF HERMON, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis**  
**For the year ended June 30, 2017**

	2017		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 5,622,393	5,851,155	228,762
Tax increment financing revenue	285,806	285,806	-
Excise taxes	2,290,800	2,841,037	550,237
Interest on taxes	30,000	30,853	853
Total taxes	8,228,999	9,008,851	779,852
Intergovernmental:			
State education subsidy	5,325,258	5,315,741	(9,517)
State agency client	20,000	29,615	9,615
Homestead reimbursement	141,294	145,278	3,984
BETE reimbursement	238,174	238,360	186
Medicaid reimbursements	13,000	10,720	(2,280)
State revenue sharing	145,000	151,483	6,483
General assistance	5,750	1,527	(4,223)
Snowmobile reimbursement	2,500	1,993	(507)
Payment in lieu of taxes	11,000	11,000	-
URIP funds	63,000	63,760	760
Total intergovernmental	5,964,976	5,969,477	4,501
Licenses and permits:			
Vehicle registration fees	29,000	31,357	2,357
Animal control fees	2,000	2,209	209
Planning/zoning fees	1,000	5,450	4,450
Plumbing fees	11,400	12,915	1,515
Building permits	10,000	15,041	5,041
Total licenses and permits	53,400	66,972	13,572

**TOWN OF HERMON, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis, Continued**

	2017		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
School tuition and fees	\$ 1,630,001	1,674,094	44,093
Solid waste and recycling	210,736	214,688	3,952
Public safety	5,000	14,973	9,973
Public works revenues	-	2,660	2,660
Recreation and social services	-	312	312
Wireless fees	10,000	11,470	1,470
Cable franchise	19,000	19,206	206
Cemetery maintenance	1,000	2,500	1,500
Sewer fees	200	-	(200)
Total charges for services	1,875,937	1,939,903	63,966
Interest earned	30,000	129,933	99,933
Total interest earned	30,000	129,933	99,933
Other revenues:			
School Department	450,857	537,544	86,687
Miscellaneous	17,600	25,539	7,939
Total other revenues	468,457	563,083	94,626
Total revenues	16,621,769	17,678,219	1,056,450



**TOWN OF HERMON, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis, Continued**

	2017		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Administration	\$ 243,034	230,067	12,967
Town manager	104,296	99,545	4,751
Town clerk	52,839	51,363	1,476
Finance	101,344	100,559	785
Assessor	100,472	99,279	1,193
Code enforcement	56,014	55,673	341
Assistant clerks	107,771	100,771	7,000
Municipal building	20,317	12,925	7,392
Town office	9,610	8,929	681
Town council	15,885	14,582	1,303
Town boards	8,502	7,711	791
Other expenditures	24,705	24,506	199
Total general government	844,789	805,910	38,879
Public safety:			
Police department	383,838	325,632	58,206
Fire department	322,314	318,009	4,305
Utilities	96,329	92,360	3,969
Total public safety	802,481	736,001	66,480
Public works:			
General	197,889	202,738	(4,849)
Roads	744,293	782,956	(38,663)
Town garage	4,150	1,795	2,355
Trucks/tractor	34,946	24,380	10,566
Salt shed/storage	2,450	2,847	(397)
Cemetery	33,342	23,420	9,922
Total public works	1,017,070	1,038,136	(21,066)

**TOWN OF HERMON, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis, Continued**

	2017		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Solid waste:			
Landfill	\$ 24,862	15,296	9,566
Household waste	486,736	494,912	(8,176)
Sewer	51,848	41,567	10,281
Total solid waste	563,446	551,775	11,671
Recreation and social services:			
Recreation	129,183	123,114	6,069
Social services	15,450	15,450	-
Library	8,000	7,910	90
Jackson Beach	7,989	8,475	(486)
Total recreation and social services	160,622	154,949	5,673
County tax	607,131	607,131	-
Tax increment financing	566,800	484,476	82,324
Unclassified:			
Economic development	54,006	55,310	(1,304)
General assistance	12,500	3,716	8,784
Wireless	81,686	78,757	2,929
Municipal unemployment	5,000	159	4,841
Legal liability	-	5,840	(5,840)
Planning and maintenance	3,000	11	2,989
Credit reserve	-	11	(11)
Bicentennial Celebration	-	5	(5)
Rural fire protection	1,800	2,402	(602)
Veterans Memorial Park reserve	3,000	-	3,000
Sick leave reserve	6,000	-	6,000
School tax stabilization reserve	25,000	-	25,000
Overlay	111,552	-	111,552
Total unclassified	303,544	146,211	157,333

**TOWN OF HERMON, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis, Continued**

	2017		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Education:			
Regular instruction	\$ 5,495,287	5,330,922	164,365
Special education instruction	1,870,363	1,723,790	146,573
Career and technical education	201,850	201,850	-
Other instruction	425,556	362,812	62,744
Student and staff support	1,268,792	1,210,982	57,810
System administration	363,879	336,704	27,175
School administration	683,329	665,344	17,985
Transportation	582,403	468,436	113,967
Facilities maintenance	1,396,188	1,307,416	88,772
Debt service	550,567	536,652	13,915
Total education	12,838,214	12,144,908	693,306
Capital expenditures:			
Police equipment	20,500	52,587	(32,087)
Fire equipment	53,000	49,050	3,950
Land acquisition	2,500	4	2,496
Technology	10,000	14,694	(4,694)
Jackson Beach	2,500	3,012	(512)
Economic development	139,000	69,793	69,207
Elementary school	292,234	1	292,233
Transfer station	12,000	7,797	4,203
Total capital expenditures	531,734	196,938	334,796
Debt service - Town only:			
Principal	89,900	89,900	-
Total debt service - Town	89,900	89,900	-
Total expenditures	18,325,731	16,956,335	1,369,396
Excess (deficiency) of revenues over (under) expenditures	(1,703,962)	721,884	2,425,846

**TOWN OF HERMON, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual - Budgetary Basis, Continued**

	2017		Variance positive (negative)
	Budget	Actual	
Other financing sources (uses):			
Use of prior year surplus - School	\$ 890,000	-	(890,000)
Use of prior year surplus - Town	1,118,234	-	(1,118,234)
Use of committed fund balance - Town	138,351	-	(138,351)
Transfers out:			
Transfer to capital project funds	(396,000)	(396,000)	-
Transfer to special revenue funds	(46,623)	(46,623)	-
Total other financing sources (uses)	1,703,962	(442,623)	(2,146,585)
Net change in fund balances, budgetary basis	-	279,261	279,261
Fund balance, beginning of year - budgetary basis		8,833,311	
Fund balance, end of year - budgetary basis		9,112,572	
Reconciliation to GAAP:			
Accrued summer salaries and benefits		(720,500)	
<b>Fund balance, end of year (GAAP basis)</b>		<b>\$ 8,392,072</b>	

**ALL OTHER GOVERNMENTAL FUNDS**

**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2017**

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 82,976	1,021,827	8,368	1,113,171
Accounts receivable	239,886	-	-	239,886
Inventory	14,640	-	-	14,640
Interfund loans receivable	35,360	32,070	-	67,430
<b>Total assets</b>	<b>\$ 372,862</b>	<b>1,053,897</b>	<b>8,368</b>	<b>1,435,127</b>
<b>LIABILITIES</b>				
Accrued payroll and benefits	10,641	-	-	10,641
Interfund loans payable	241,242	4,500	-	245,742
<b>Total liabilities</b>	<b>251,883</b>	<b>4,500</b>	<b>-</b>	<b>256,383</b>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	14,640	-	-	14,640
Nonexpendable principal	-	-	7,785	7,785
Restricted	114,860	-	583	115,443
Assigned	-	1,049,397	-	1,049,397
Unassigned	(8,521)	-	-	(8,521)
<b>Total fund balances</b>	<b>120,979</b>	<b>1,049,397</b>	<b>8,368</b>	<b>1,178,744</b>
<b>Total liabilities and fund balances</b>	<b>\$ 372,862</b>	<b>1,053,897</b>	<b>8,368</b>	<b>1,435,127</b>

**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2017**

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 881,674	-	-	881,674
Charges for services	201,892	-	-	201,892
Investment income	1,093	14,522	156	15,771
Other	31,615	-	-	31,615
<b>Total revenues</b>	<b>1,116,274</b>	<b>14,522</b>	<b>156</b>	<b>1,130,952</b>
Expenditures:				
Current:				
General government	22,301	-	-	22,301
Public safety	8,780	-	-	8,780
Public works	16,531	-	-	16,531
Recreation and social services	2,850	-	-	2,850
Education	835,413	-	-	835,413
Unclassified	-	200	-	200
Capital outlay	276,702	59,907	-	336,609
<b>Total expenditures</b>	<b>1,162,577</b>	<b>60,107</b>	<b>-</b>	<b>1,222,684</b>
Excess (deficiency) of revenues over (under) expenditures	(46,303)	(45,585)	156	(91,732)
Other financing sources:				
Transfer from other funds	46,623	146,000	-	192,623
<b>Total other financing sources</b>	<b>46,623</b>	<b>146,000</b>	<b>-</b>	<b>192,623</b>
Net change in fund balances	320	100,415	156	100,891
Fund balances, beginning of year	120,659	948,982	8,212	1,077,853
<b>Fund balances, end of year</b>	<b>\$ 120,979</b>	<b>1,049,397</b>	<b>8,368</b>	<b>1,178,744</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

Special revenue funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.



**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2017**

		Adult Education	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Rural Low Income	ARRA MARTI
<b>ASSETS</b>								
Cash and cash equivalents	\$	-	-	-	-	-	-	-
Accounts receivable		-	29,452	19,383	43,053	32	-	-
Inventory		-	-	-	-	-	-	-
Interfund loans receivable		15,837	-	-	-	-	-	250
<b>Total assets</b>	<b>\$</b>	<b>15,837</b>	<b>29,452</b>	<b>19,383</b>	<b>43,053</b>	<b>32</b>	<b>-</b>	<b>250</b>
<b>LIABILITIES</b>								
Accrued payroll and benefits		-	-	-	7,639	-	-	-
Interfund loans payable		-	29,082	19,383	43,053	32	-	-
<b>Total liabilities</b>		<b>-</b>	<b>29,082</b>	<b>19,383</b>	<b>50,692</b>	<b>32</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>								
Nonspendable:								
Inventory		-	-	-	-	-	-	-
Restricted		15,837	370	-	-	-	-	250
Unassigned		-	-	-	(7,639)	-	-	-
<b>Total fund balances (deficits)</b>		<b>15,837</b>	<b>370</b>	<b>-</b>	<b>(7,639)</b>	<b>-</b>	<b>-</b>	<b>250</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$</b>	<b>15,837</b>	<b>29,452</b>	<b>19,383</b>	<b>43,053</b>	<b>32</b>	<b>-</b>	<b>250</b>

**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2017**

	Ticket to Ride Grant	School Lunch Fund	PEPG Grant	Transition Grant	Comp. Grant	Library Grant	Bangor Wellness Grant	Fire Department Gear Grant	MMA Grants
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	2,875	-	-	-	-	-	-	-
Accounts receivable	-	9,615	-	-	-	-	-	-	-
Inventory	-	14,640	-	-	-	-	-	-	-
Interfund loans receivable	1,098	-	705	-	7,550	3,277	2,352	179	-
<b>Total assets</b>	<b>\$ 1,098</b>	<b>27,130</b>	<b>705</b>	<b>-</b>	<b>7,550</b>	<b>3,277</b>	<b>2,352</b>	<b>179</b>	<b>-</b>
<b>LIABILITIES</b>									
Accrued payroll and benefits	-	3,002	-	-	-	-	-	-	-
Interfund loans payable	-	1,050	-	882	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>4,052</b>	<b>-</b>	<b>882</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES (DEFICITS)</b>									
Nonspendable:									
Inventory	-	14,640	-	-	-	-	-	-	-
Restricted	1,098	8,438	705	-	7,550	3,277	2,352	179	-
Unassigned	-	-	-	(882)	-	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>1,098</b>	<b>23,078</b>	<b>705</b>	<b>(882)</b>	<b>7,550</b>	<b>3,277</b>	<b>2,352</b>	<b>179</b>	<b>-</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$ 1,098</b>	<b>27,130</b>	<b>705</b>	<b>-</b>	<b>7,550</b>	<b>3,277</b>	<b>2,352</b>	<b>179</b>	<b>-</b>

**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**June 30, 2017**

		Colbrook/ Newburgh Road Grant	Maine Forest Service Grants	MEMA Grant	Cemetery Reserve	Veterans Memorial Park	Medical Reimbursement	Athletic Complex	Totals
<b>ASSETS</b>									
Cash and cash equivalents	\$	-	-	-	50,565	4,326	10,991	14,219	82,976
Accounts receivable		138,351	-	-	-	-	-	-	239,886
Inventory		-	-	-	-	-	-	-	14,640
Interfund loans receivable		-	3,278	-	-	-	-	834	35,360
<b>Total assets</b>	<b>\$</b>	<b>138,351</b>	<b>3,278</b>	<b>-</b>	<b>50,565</b>	<b>4,326</b>	<b>10,991</b>	<b>15,053</b>	<b>372,862</b>
<b>LIABILITIES</b>									
Accrued payroll and benefits		-	-	-	-	-	-	-	10,641
Interfund loans payable		138,351	-	-	6,282	851	2,276	-	241,242
<b>Total liabilities</b>		<b>138,351</b>	<b>-</b>	<b>-</b>	<b>6,282</b>	<b>851</b>	<b>2,276</b>	<b>-</b>	<b>251,883</b>
<b>FUND BALANCES (DEFICITS)</b>									
Nonspendable:									
Inventory		-	-	-	-	-	-	-	14,640
Restricted		-	3,278	-	44,283	3,475	8,715	15,053	114,860
Unassigned		-	-	-	-	-	-	-	(8,521)
<b>Total fund balances (deficits)</b>		<b>-</b>	<b>3,278</b>	<b>-</b>	<b>44,283</b>	<b>3,475</b>	<b>8,715</b>	<b>15,053</b>	<b>120,979</b>
<b>Total liabilities and fund balances (deficits)</b>	<b>\$</b>	<b>138,351</b>	<b>3,278</b>	<b>-</b>	<b>50,565</b>	<b>4,326</b>	<b>10,991</b>	<b>15,053</b>	<b>372,862</b>

**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2017**

	Adult Education	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Rural Low Income	ARRA MARTI
Revenues:							
Intergovernmental	\$ -	47,167	137,184	199,867	32	27,211	-
Charges for services	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	-	47,167	137,184	199,867	32	27,211	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	-
Education	3,123	46,797	137,184	207,506	32	27,211	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	3,123	46,797	137,184	207,506	32	27,211	-
Excess (deficiency) of revenues over (under) expenditures	(3,123)	370	-	(7,639)	-	-	-
Other financing sources:							
Transfer from other funds	3,123	-	-	-	-	-	-
Total other financing sources	3,123	-	-	-	-	-	-
Net change in fund balances	-	370	-	(7,639)	-	-	-
Fund balances (deficits), beginning of year	15,837	-	-	-	-	-	250
<b>Fund balances (deficits), end of year</b>	<b>\$ 15,837</b>	<b>370</b>	<b>-</b>	<b>(7,639)</b>	<b>-</b>	<b>-</b>	<b>250</b>

**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2017**

	Ticket to Ride Grant	School Lunch Fund	PEPG Grant	Transition Grant	Comp. Grant	Library Grant	Bangor Wellness Grant	Fire Department Gear Grant	MMA Grants
<b>Revenues:</b>									
Intergovernmental	\$ -	175,429	-	9,866	-	-	-	-	1,106
Charges for services	-	201,892	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>377,321</b>	<b>-</b>	<b>9,866</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,106</b>
<b>Expenditures:</b>									
<b>Current:</b>									
General government	-	-	-	-	-	-	100	-	-
Public safety	-	-	-	-	-	-	-	564	1,106
Public works	-	-	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	-	-	-
Education	-	403,694	-	9,866	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>403,694</b>	<b>-</b>	<b>9,866</b>	<b>-</b>	<b>-</b>	<b>100</b>	<b>564</b>	<b>1,106</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>(26,373)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100)</b>	<b>(564)</b>	<b>-</b>
<b>Other financing sources:</b>									
Transfer from other funds	-	35,000	-	-	-	-	-	-	-
<b>Total other financing sources</b>	<b>-</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>-</b>	<b>8,627</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(100)</b>	<b>(564)</b>	<b>-</b>
Fund balances (deficits), beginning of year	1,098	14,451	705	(882)	7,550	3,277	2,452	743	-
<b>Fund balances (deficits), end of year</b>	<b>\$ 1,098</b>	<b>23,078</b>	<b>705</b>	<b>(882)</b>	<b>7,550</b>	<b>3,277</b>	<b>2,352</b>	<b>179</b>	<b>-</b>

**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Special Revenue Funds**  
**For the year ended June 30, 2017**

	Colbrook/ Newburgh Road Grant	Maine Forest Service Grants	MEMA Grant	Cemetery Reserve	Veterans Memorial Park	Medical Reimbursement	Athletic Complex	Totals
<b>Revenues:</b>								
Intergovernmental	\$ 276,702	-	7,110	-	-	-	-	881,674
Charges for services	-	-	-	-	-	-	-	201,892
Investment income	-	-	-	752	54	127	160	1,093
Other	-	-	-	500	-	26,765	4,350	31,615
<b>Total revenues</b>	<b>276,702</b>	<b>-</b>	<b>7,110</b>	<b>1,252</b>	<b>54</b>	<b>26,892</b>	<b>4,510</b>	<b>1,116,274</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	-	-	-	-	-	22,201	-	22,301
Public safety	-	-	7,110	-	-	-	-	8,780
Public works	-	-	-	16,246	285	-	-	16,531
Recreation and social services	-	-	-	-	-	-	2,850	2,850
Education	-	-	-	-	-	-	-	835,413
Capital outlay	276,702	-	-	-	-	-	-	276,702
<b>Total expenditures</b>	<b>276,702</b>	<b>-</b>	<b>7,110</b>	<b>16,246</b>	<b>285</b>	<b>22,201</b>	<b>2,850</b>	<b>1,162,577</b>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(14,994)	(231)	4,691	1,660	(46,303)
<b>Other financing sources:</b>								
Transfer from other funds	-	-	-	8,500	-	-	-	46,623
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>46,623</b>
Net change in fund balances	-	-	-	(6,494)	(231)	4,691	1,660	320
Fund balances (deficits), beginning of year	-	3,278	-	50,777	3,706	4,024	13,393	120,659
<b>Fund balances (deficits), end of year</b>	<b>\$ -</b>	<b>3,278</b>	<b>-</b>	<b>44,283</b>	<b>3,475</b>	<b>8,715</b>	<b>15,053</b>	<b>120,979</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **CAPITAL PROJECT FUNDS**

Capital projects funds are used to account for the purchase or construction of capital assets other than those accounted for in other funds.

**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
**June 30, 2017**

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Totals
<b>ASSETS</b>						
Cash and cash equivalents	\$ 94,289	233,475	22,398	593,688	77,977	1,021,827
Interfund loans receivable	-	32,070	-	-	-	32,070
<b>Total assets</b>	<b>\$ 94,289</b>	<b>265,545</b>	<b>22,398</b>	<b>593,688</b>	<b>77,977</b>	<b>1,053,897</b>
<b>LIABILITIES</b>						
Interfund loans payable	-	-	-	4,500	-	4,500
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,500</b>	<b>-</b>	<b>4,500</b>
<b>FUND BALANCES</b>						
Assigned	94,289	265,545	22,398	589,188	77,977	1,049,397
<b>Total fund balances</b>	<b>94,289</b>	<b>265,545</b>	<b>22,398</b>	<b>589,188</b>	<b>77,977</b>	<b>1,049,397</b>
<b>Total liabilities and fund balances</b>	<b>\$ 94,289</b>	<b>265,545</b>	<b>22,398</b>	<b>593,688</b>	<b>77,977</b>	<b>1,053,897</b>



**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Project Funds**  
**For the year ended June 30, 2017**

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Totals
Revenues:						
Investment income	\$ 1,417	4,820	259	7,156	870	14,522
Total revenues	1,417	4,820	259	7,156	870	14,522
Expenditures:						
Current:						
Unclassified	36	58	4	92	10	200
Capital outlay	7,491	51,716	-	-	700	59,907
Total expenditures	7,527	51,774	4	92	710	60,107
Excess (deficiency) of revenues over (under) expenditures	(6,110)	(46,954)	255	7,064	160	(45,585)
Other financing sources:						
Transfer from other funds	77,000	22,500	8,000	28,500	10,000	146,000
Total other financing sources	77,000	22,500	8,000	28,500	10,000	146,000
Net change in fund balances	70,890	(24,454)	8,255	35,564	10,160	100,415
Fund balances, beginning of year	23,399	289,999	14,143	553,624	67,817	948,982
<b>Fund balances, end of year</b>	<b>\$ 94,289</b>	<b>265,545</b>	<b>22,398</b>	<b>589,188</b>	<b>77,977</b>	<b>1,049,397</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **PERMANENT FUNDS**

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Permanent Funds**  
**June 30, 2017**

	Pike	Nowell	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,263	1,105	8,368
<b>Total assets</b>	<b>\$ 7,263</b>	<b>1,105</b>	<b>8,368</b>
<b>LIABILITIES</b>			
Interfund loans payable	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Nonexpendable principal	6,785	1,000	7,785
Restricted	478	105	583
<b>Total fund balances</b>	<b>7,263</b>	<b>1,105</b>	<b>8,368</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,263</b>	<b>1,105</b>	<b>8,368</b>

**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Permanent Funds**  
**For the year ended June 30, 2017**

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 142	14	156
Total revenues	142	14	156
Expenditures:			
Current:			
Unclassified	-	-	-
Total expenditures	-	-	-
Net change in fund balances	142	14	156
Fund balances, beginning of year	7,121	1,091	8,212
<b>Fund balances, end of year</b>	<b>\$ 7,263</b>	<b>1,105</b>	<b>8,368</b>

## **SCHEDULE**

**TOWN OF HERMON, MAINE**  
**School Department - General Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance -**  
**Budget and Actual - Budgetary Basis**  
**For the year ended June 30, 2017**

	2017		Variance positive (negative)
	Budget	Actual	
<b>Revenues:</b>			
State education subsidy	\$ 5,325,258	5,315,741	(9,517)
State agency client	20,000	29,615	9,615
Tuition and fees	1,630,001	1,674,094	44,093
Medicaid reimbursements	13,000	10,720	(2,280)
Investment earnings	-	41,020	41,020
Other revenues	450,857	537,544	86,687
<b>Total revenues</b>	<b>7,439,116</b>	<b>7,608,734</b>	<b>169,618</b>
<b>Expenditures:</b>			
<b>Current:</b>			
Regular instruction	5,495,287	5,330,922	164,365
Special education instruction	1,870,363	1,723,790	146,573
Career and technical education	201,850	201,850	-
Other instruction	425,556	362,812	62,744
Student and staff support	1,268,792	1,210,982	57,810
System administration	363,879	336,704	27,175
School administration	683,329	665,344	17,985
Transportation	582,403	468,436	113,967
Facilities maintenance	1,396,188	1,307,416	88,772
Debt service	550,567	536,652	13,915
<b>Total expenditures</b>	<b>12,838,214</b>	<b>12,144,908</b>	<b>693,306</b>
<b>Other financing sources (uses):</b>			
Town appropriation	4,547,221	4,547,221	-
Utilization of prior year surplus	890,000	-	(890,000)
Transfer in from Town	-	25,000	25,000
Transfer to school lunch program	(35,000)	(35,000)	-
Transfer to adult education	(3,123)	(3,123)	-
<b>Total other financing sources</b>	<b>5,399,098</b>	<b>4,534,098</b>	<b>(865,000)</b>
<b>Net change in fund balance</b>	<b>-</b>	<b>(2,076)</b>	<b>(2,076)</b>
Fund balance, beginning of year (budgetary basis) - as restated		2,774,186	
Fund balance, end of year (budgetary basis)		2,772,110	
<b>Reconciliation to GAAP:</b>			
Accrued summer salaries and benefits		(720,500)	
<b>Fund balance, end of year (GAAP basis)</b>	<b>\$</b>	<b>2,051,610</b>	