

TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2018

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For the year ended June 30, 2018

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		28-49
Required Supplementary Information		50-54
	<u>Exhibits</u>	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules:		
General Fund:		
Balance Sheet	A-1	57
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual – Budgetary Basis	A-2	58-62
Town Reserves - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	A-3	63
Nonmajor Governmental Funds:		
All Other Governmental Funds:		
Combining Balance Sheet	B-1	67
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	B-2	68

TOWN OF HERMON, MAINE
Annual Financial Report
For the year ended June 30, 2018

Table of Contents, Continued

	<u>Exhibits</u>	<u>Page</u>
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	C-1	71-73
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	74-76
Nonmajor Capital Project Funds:		
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D	79
Nonmajor Permanent Funds:		
Combining Balance Sheet	E-1	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E-2	84
	<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	87
School Department Reserves - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	2	88
Schedule of Expenditures of Federal Awards	3	91

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, 2018, 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, 2018, 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.

Change in Accounting Principal

As described in the notes to the financial statements, in 2018, the Town adopted new accounting guidance, *GASBS No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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, schedule of pension contributions, schedule of Town's proportionate share of the net OPEB liability, and schedule of OPEB 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Maine Department of Education, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2019, 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.



March 20, 2019
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, 2018. 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 10 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, Dunkin Donuts, 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, 2018 for governmental activities of the Town of Hermon was \$24,635,868, an increase of \$894,937 when compared to the restated net position as of June 30, 2017 of \$23,740,931. The most significant reasons for the increase in net position were the increases in cash and equivalents (\$1,729,898) and capital assets (\$4,878,496). Capital assets largest increase is due to the Elementary School expansion project. With that said, the large increase in current liabilities is due to a short-term note (\$5,000,000) for the Elementary School expansion construction. This short-term note will be bonded in the spring of 2019.
- The Town's outstanding bonds, notes, and capital leases payable decreased by \$355,914 for a total outstanding debt of \$1,274,598. As of June 30, 2018, the long-term debt of the Town consisted of a sewer construction bond that matures in November 2018 (\$89,900), and a 2015 refunding bond related to the Hermon Middle School that matures June 2020 (\$920,000). The Town also had a note payable for a Plow Truck (\$49,970) that will mature April 1, 2019 and the School has two bus note payables (\$67,000, respectively) that will mature August 1, 2019.
- 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, 2018, as shown on the Town's balance sheet for the General Fund (Exhibit A-1), the Town reported \$34,548 in nonspendable inventory and prepaid expenditures, has restricted a total of \$2,204,275 and \$434,831 for education and tax increment financing, respectively, has committed fund balance of \$161,096 for Town reserve accounts, and has assigned \$425,000 for the 18-19 FY budget, which leaves an unassigned fund balance of \$4,417,988 for a total fund balance of \$7,677,738. This is a decrease of \$188,308 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 40.

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 (School Capital Improvements), 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 one major capital project fund; School Capital Improvements.

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 28-49 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 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 57 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 \$24,635,868 as of June 30, 2018. This figure is comprised of the net investment in capital assets (\$11,668,572), restricted net position for education (\$2,204,275), tax increment financing (\$434,831), grants and other purposes (\$117,967), and permanent funds (\$8,527), and unrestricted net position (\$10,201,696).

Net Position for the Period Ending June 30, 2018

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 3.77% 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.

	<i>Governmental Activities</i>			
	2018	2017 (Restated)	Change	% Change
ASSETS				
Cash and cash equivalents	\$ 14,635,936	\$ 12,906,038	1,729,898	13.40%
Other assets	604,618	1,474,365	(869,747)	-58.99%
Capital assets, net	17,943,170	13,064,674	4,878,496	37.34%
Total Assets	33,183,724	27,445,077	5,738,647	17.29%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources -				
related to pensions	383,495	416,413	(32,918)	-7.91%
related to OPEB	6,717	-	6,717	
Total Deferred Outflows of Resources	390,212	416,413	(26,201)	-6.29%
LIABILITIES				
Current liabilities	6,875,091	1,680,943	5,194,148	309.00%
Noncurrent liabilities due within one year	689,606	620,612	68,994	11.12%
Noncurrent liabilities due in more than one year	1,334,300	1,802,134	(467,834)	-25.96%
Total Liabilities	8,898,997	4,103,689	4,795,308	116.85%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources -				
related to pensions	25,969	16,870	9,099	53.94%
related to OPEB	13,102	-	13,102	
Total Deferred Inflows of Resources	39,071	16,870	22,201	131.60%
NET POSITION				
Net investment in capital assets	11,668,572	11,434,162	234,410	2.05%
Restricted for:				
Education	2,204,275	2,051,610	152,665	7.44%
Tax increment financing	434,831	217,619	217,212	99.81%
Grants and other purposes	117,967	129,500	(11,533)	-8.91%
Nonexpendable trust principal	7,785	7,785	-	-
Expendable permanent funds	742	583	159	27.27%
Unrestricted	10,201,696	9,899,672	302,024	3.05%
Total Net Position	\$ 24,635,868	23,740,931	894,937	3.77%

Overall, net position for the Town's governmental activities increased by \$894,937 from restated 2017. 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 \$1,729,898 compared to total cash and equivalents and investments in the prior year. Total net capital assets increased by \$4,878,496 and total liabilities increases from the prior year by \$4,841,513, both mainly due to the Elementary School expansion project. For these and other reasons, total net position increased from the prior year.

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, 2018.

	<u>Governmental Activities</u>			Percent Change
	2018	2017	Change	
Revenues				
Program revenues				
Charges for services	\$ 3,041,145	2,208,767	832,378	37.69%
Operating grants and contributions	6,923,925	7,366,367	(442,442)	-6.01%
Capital grants and contributions	466,086	1,362,337	(896,251)	-65.79%
General revenues				
Property taxes	6,375,113	5,831,400	543,713	9.32%
Tax increment financing revenue	-	285,806	(285,806)	-100.00%
Excise taxes	2,585,477	2,841,037	(255,560)	-9.00%
Interest and costs on taxes	-	30,853	(30,853)	-100.00%
Grants and contributions not restricted:				
State revenue sharing	161,233	151,483	9,750	6.44%
Homestead exemption	486,138	145,278	340,860	234.63%
Other intergovernmental revenues	-	249,360	(249,360)	-100.00%
Unrestricted investment earnings	156,232	173,118	(16,886)	-9.75%
Miscellaneous revenues	17,096	24,039	(6,943)	-28.88%
Gain (loss) on sale of capital assets	-	24	(24)	-100.00%
Total revenues	20,212,445	20,669,869	(457,424)	-2.21%
Expenses				
General government	1,416,564	1,372,163	44,401	3.24%
Public safety	978,009	853,092	124,917	14.64%
Public works	1,040,246	1,095,694	(55,448)	-5.06%
Solid waste	549,815	566,185	(16,370)	-2.89%
Recreational and social services	220,290	171,782	48,508	28.24%
Education	14,076,769	13,478,275	598,494	4.44%
County tax	651,229	607,131	44,098	7.26%
Unclassified	-	153,842	(153,842)	-100.00%
Capital maintenance expenses	384,586	1,540,514	(1,155,928)	-75.04%
Total expenses	19,317,508	19,838,678	(521,170)	-2.63%
Change in net position	894,937	831,191	63,746	7.67%
Net position - beginning, restated	23,740,931	22,909,740	831,191	3.63%
Net position - ending	\$ 24,635,868	23,740,931	894,937	3.77%

Comparatives of revenues identify a couple key changes. Overall revenues decreased by \$457,423 from the previous year. A major decrease in revenues from the previous year is due to the capital grants related to the Route 2, Newburgh Road, and Coldbrook Road projects being completed. Additionally, property taxes increased from the prior year by \$543,713. 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. Excise taxes showed a decrease of \$255,560 mainly due to the loss of Ryder trucks that are interstate fleet and

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

are now being registered in another state rather than the Town of Hermon. Charges for services increased by \$832,378 primarily due Education revenues and insurance claim revenues. Finally, operating grants and contributions decreased by \$442,442, largely due to the decrease in education related grants.

Overall, expenses have decrease by \$521,170 from 2017. The key reasons for the decrease 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.

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 \$8,092,899 (Statement 3), \$4,323,559 less 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 \$422,535. However, transfers to other funds (\$946,907) and use of notes and lease proceeds reduced the total General Fund's fund balance by \$188,308. The ending fund balance for the general fund was \$7,677,738. The School Capital Improvements fund reported a decrease in fund balance of \$4,197,433 as expenditures exceeded revenues in the current year due to the Elementary School expansion project leaving a fund balance deficit of \$1,517,760. Finally, all other governmental funds reported an increase in fund balance of \$62,182. 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 2017. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			Percent Change
	<u>2018</u>	<u>2017</u>	<u>Change</u>	
Revenues				
Property taxes	\$ 6,342,780	\$ 5,851,155	491,625	8.40%
Tax increment financing revenue	-	285,806	(285,806)	-100.00%
Excise taxes	2,585,477	2,841,037	(255,560)	-9.00%
Payment in lieu of taxes	11,000	-	11,000	100.00%
Interest on taxes	30,824	30,853	(29)	-0.09%
State revenue sharing	161,233	151,483	9,750	6.44%
Homestead exemption	195,287	145,278	50,009	34.42%
BETE reimbursement	290,851	238,360	52,491	22.02%
State education subsidy	5,249,693	5,315,741	(66,048)	-1.24%
Other intergovernmental revenues	111,414	118,615	(7,201)	-6.07%
Licenses and permits	63,647	66,972	(3,325)	-4.96%
Charges for services	2,621,786	1,939,903	681,883	35.15%
Interest earned	96,769	129,933	(33,164)	-25.52%
Other revenues	93,240	563,083	(469,843)	-83.44%
Total revenues	17,854,001	17,678,219	175,782	0.99%
Expenditures				
Current:				
General government	863,970	805,910	58,060	7.20%
Economic development	148,900	-	148,900	100.00%
Public safety	857,488	736,001	121,487	16.51%
Public works	930,476	1,038,136	(107,660)	-10.37%
Solid waste	534,878	551,775	(16,897)	-3.06%
Recreational and social services	187,349	154,949	32,400	20.91%
County tax	651,229	607,131	44,098	7.26%
Tax increment financing	199,606	484,476	(284,870)	-58.80%
General assistance	4,240	-	4,240	100.00%
Education	12,526,676	12,144,908	381,768	3.14%
Capital expenditures	-	196,938	(196,938)	-100.00%
Debt service	89,900	89,900	-	0.00%
Total expenditures	16,994,712	16,810,124	184,588	1.10%
Excess of revenues over expenditures	\$ 859,289	868,095	(8,806)	-1.01%

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

Overall, in 2018, revenues exceeded expenditures by \$859,289 in the General Fund. Total revenues increased by \$175,782 from 2017 primarily due to increases in property taxes, Homestead & BETE reimbursement, and charges for services. For the second year in a row, 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 \$184,588 in expenditures from 2017 to 2018. Education increased by \$381,768 from the prior year. General government showed an increase of \$58,060 and public safety increased by \$121,487. The departments that showed decreases were Public Works, Solid Waste, tax increment financing, and capital expenditures. Some of the decreases were due to completing capital projects that carried over from 2017.

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

Capital Assets

	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	113,404	4,235,871	17,360	4,331,915
Total capital assets, not being depreciated	241,976	4,235,871	17,360	4,460,487
Capital assets, being depreciated:				
Buildings and improvements	20,107,782	69,200	-	20,176,982
Equipment, furniture and fixtures	2,443,472	236,933	25,248	2,655,157
Vehicles	2,221,793	467,151	338,912	2,350,032
Infrastructure	-	565,293	-	565,293
Total capital assets, being depreciated	24,773,047	1,338,577	364,160	25,747,464
Total accumulated depreciation	11,950,349	642,723	328,291	12,264,781
Total capital assets, net	\$ 13,064,674	4,931,725	53,229	17,943,170

Major capital asset additions incurred by the Town during FY 2018 included the following:

- 2017 Ford Explorer Police vehicle (\$33,104), 2017 Ford Explorer for the Fire Department (\$29,706), 2018 Western Star Plow Truck (158,435), Jaws of Life (\$25,773), Upgrade Heating Controls at the High School (\$69,200), and the Elementary School Expansion (construction in progress) (\$4,207,243). In total, capital asset additions for the year ending June 30, 2018 were \$5,557,088.
- Current year depreciation of \$642,723, less disposals of capital assets with a accumulated depreciation of \$328,291 increased total accumulated depreciation to \$12,264,781. The Town disposed of multiple pieces of equipment and vehicles which resulted in the June 30, 2018 net capital assets (cost less accumulated depreciation) at June 30, 2018 of \$17,943,170.

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

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

Debt Administration

The Town's debt consists of one bond and one capital lease. A summary of the Town's debt activity and other long-term liabilities for the year ended June 30, 2018 is as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Bonds and notes payable	\$ 1,559,800	234,000	599,930	1,193,870	667,360
Capital leases payable	70,712	102,064	92,048	80,728	22,246
Net pension liability	683,487	-	42,573	640,914	-
Net OPEB Liability	46,205	-	6,079	40,126	-
Accrued compensated absences	62,542	9,054	3,328	68,268	-
Governmental activities long-term liabilities	\$ 2,422,746	345,118	743,958	2,023,906	689,606

The Town did not issue any new bonds during the current year. Bonds and notes payable decreased by \$365,930 and capital leases payable increased by \$10,016. The Town entered into a note for a plow truck in the amount of \$100,000 and the School Dept. entered into two notes for two new buses that total \$134,000.

Additional information on the Town's long-term debt can be found in the notes to the basic financial statements on page 38-39.

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, 2018, total commitment was \$6,359,137 as compared to June 30, 2017, which was \$6,118,222. The mil rate for 2017-18 was 12.20, which is an increase of 0.20 from the prior year.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2018-19 budget from 2017-18. 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 decreasing by \$30,183 or -3.16%. There are miscellaneous changes throughout general government, both increases and decreases within different sub-departments that balance out to a -3.16% overall decrease. 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

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

- Connection, repairs, and audit and legal services. The largest single increase was for worker's compensation insurance. Due to changes in staffing health insurance decreased by \$18,596.
- The economic development budget has decreased by 0.48% or \$470. The two most significant changes was the increase for economic development director salary and benefits and the decrease in the promotion line items.
 - Public safety, which encompasses Police, Fire, Animal Control, the public safety building, and traffic lights, is increasing by 1.43%, or \$12,253. Similar to general government, there are many miscellaneous increases and decreases among line items. The contract with the Penobscot Sheriff's office decreased by \$29,833, however, this was just a shift of bringing the part time deputies onto the Town's payroll rather than being paid thru the contract. The part time wages for deputies shows an increase of \$22,745, a net savings of \$7,088. The Fire Dept most notable change was a decrease in training in the amount of \$8,100. Several firefighters took a special course in the prior FY.
 - The Public Works Department is increasing by 7.36%, or \$14,497. The larger increases within the department are for winter sand, salt, sidewalk mowing, and the snowplow contract.
 - The solid waste budget is increasing by 0.16%, or \$880. The increase is primarily due to adding electricity charges to the transfer station attendant's building, decrease in MRC fees, and an increase to pump station maintenance.
 - Recreation and social services is decreasing by 16.28%, or \$27,992. The largest decrease was due to the retirement of a long time part time employee, which the position will not be filled.
 - 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 decreased by \$59,000, or 10.74% from the prior year. The decrease was mainly due to less funding to the sewer maintenance reserve, school tax stabilization reserve, Jackson Beach Reserve, planning and ordinance reserve, and the veteran's memorial reserve.
 - Special assessments include county taxes and TIFs. There is a 1.67%, or \$13,318, increase for special assessments. This is mostly due to the county tax increase of \$58,318 and TIF payments to taxpayers in the TIF districts have decreased by \$45,000 due to the loss of Ryder revenue and the agreement terms not being met by Ryder.
 - General assistance is decreasing by 37.50%, or \$3,000. The Town has been fortunate that general assistance has been well maintained and not reaching the budgeted figures.

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.

BASIC FINANCIAL STATEMENTS

TOWN OF HERMON, MAINE
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,635,936	-	14,635,936
Receivables:			
Taxes	529,780	-	529,780
Accounts	289,623	-	289,623
Internal balances	(255,014)	255,014	-
Inventory	17,846	-	17,846
Prepaid expenses	22,383	-	22,383
Nondepreciable capital assets	4,460,487	-	4,460,487
Depreciable capital assets, net	13,482,683	-	13,482,683
Total assets	33,183,724	255,014	33,438,738
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - related to pensions	383,495	-	383,495
Deferred outflows of resources - related to OPEB	6,717	-	6,717
Total deferred outflows of resources	390,212	-	390,212
LIABILITIES			
Accounts payable	989,355	-	989,355
Accrued payroll and benefits	795,730	-	795,730
Prepaid taxes	23,601	-	23,601
Other liabilities	64,117	-	64,117
Accrued interest	2,288	-	2,288
Promissory note	5,000,000	-	5,000,000
Noncurrent liabilities:			
Due within one year	689,606	-	689,606
Due in more than one year	1,334,300	-	1,334,300
Total liabilities	8,898,997	-	8,898,997
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - related to pensions	25,969	-	25,969
Deferred inflows of resources - related to OPEB	13,102	-	13,102
Total deferred inflows of resources	39,071	-	39,071
NET POSITION			
Net investment in capital assets	11,668,572	-	11,668,572
Restricted for:			
Education	2,204,275	-	2,204,275
Tax increment financing	434,831	-	434,831
Grants and other purposes	117,967	-	117,967
Permanent funds:			
Nonexpendable	7,785	-	7,785
Expendable	742	-	742
Unrestricted	10,201,696	255,014	10,456,710
Total net position	\$ 24,635,868	255,014	24,890,882

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2018

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	\$ 1,416,564	114,015	5,324	-	(1,297,225)	-	(1,297,225)
Public safety	978,009	49,275	-	-	(928,734)	-	(928,734)
Public works	1,040,246	22,570	65,792	-	(951,884)	-	(951,884)
Solid waste	549,815	292,241	-	-	(257,574)	-	(257,574)
Recreational and social services	220,290	18,030	6,702	-	(195,558)	-	(195,558)
Education	14,076,769	2,545,014	6,846,107	-	(4,685,648)	-	(4,685,648)
County tax	651,229	-	-	-	(651,229)	-	(651,229)
Capital maintenance expenses	384,586	-	-	466,086	81,500	-	81,500
Total governmental activities	19,317,508	3,041,145	6,923,925	466,086	(8,886,352)	-	(8,886,352)
Business-type activities:							
Recreation department	266,294	336,940	-	-	-	70,646	70,646
Total business-type activities	266,294	336,940	-	-	-	70,646	70,646
Total primary government	\$ 19,583,802	3,378,085	6,923,925	466,086	(8,886,352)	70,646	(8,815,706)
General revenues:							
Property taxes					\$ 6,375,113	-	6,375,113
Excise taxes					2,585,477	-	2,585,477
Grants and contributions not restricted to specific programs:							
State revenue sharing					161,233	-	161,233
Homestead and BETE exemptions					486,138	-	486,138
Unrestricted investment earnings					156,232	-	156,232
Miscellaneous revenues					17,096	-	17,096
Total general revenues					9,781,289	-	9,781,289
Change in net position					894,937	70,646	965,583
Net position - beginning, restated					23,740,931	184,368	23,925,299
Net position - ending					\$ 24,635,868	255,014	24,890,882

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2018

	General	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 7,194,532	5,634,786	1,806,618	14,635,936
Receivables:				
Taxes - current year	369,646	-	-	369,646
Taxes - prior year	56,969	-	-	56,969
Tax liens - prior years	98,104	-	-	98,104
Tax acquired property	5,061	-	-	5,061
Accounts	150,692	-	138,931	289,623
Inventory	12,165	-	5,681	17,846
Prepaid expenditures	22,383	-	-	22,383
Interfund loans receivable	1,090,313	-	151,123	1,241,436
Total assets	\$ 8,999,865	5,634,786	2,102,353	16,737,004
LIABILITIES				
Accounts payable	163,990	817,768	7,597	989,355
Accrued payroll and benefits	795,567	-	163	795,730
Prepaid taxes	23,601	-	-	23,601
Other liabilities	64,117	-	-	64,117
Interfund loans payable	-	1,334,778	161,672	1,496,450
Short-term promissory note	-	5,000,000	-	5,000,000
Total liabilities	1,047,275	7,152,546	169,432	8,369,253
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	274,852	-	-	274,852
Total deferred inflows of resources	274,852	-	-	274,852
FUND BALANCES				
Nonspendable	34,548	-	7,994	42,542
Restricted	2,639,106	-	118,500	2,757,606
Committed	161,096	-	1,807,309	1,968,405
Assigned	425,000	-	-	425,000
Unassigned	4,417,988	(1,517,760)	(882)	2,899,346
Total fund balances (deficit)	7,677,738	(1,517,760)	1,932,921	8,092,899
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,999,865	5,634,786	2,102,353	
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.				17,943,170
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.				274,852
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 and notes payable				(1,193,870)
Capital leases payable				(80,728)
Net pension liability, including related deferred inflows and outflows of resources				(283,388)
Net OPEB liability, including related deferred inflows and outflows of resources				(46,511)
Accrued interest				(2,288)
Accrued compensated absences				(68,268)
Net position of governmental activities				\$ 24,635,868

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, 2018

	General	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 8,970,081	-	-	8,970,081
Intergovernmental	6,008,478	-	1,084,130	7,092,608
Maine PERS on-behalf payments	862,102	-	-	862,102
Licenses and permits	63,647	-	-	63,647
Charges for services	2,621,786	-	221,130	2,842,916
Investment income	108,843	24,343	23,046	156,232
Other	105,564	-	128,786	234,350
Total revenues	18,740,501	24,343	1,457,092	20,221,936
Expenditures:				
Current:				
General government	881,136	-	18,446	899,582
Economic development	231,517	-	-	231,517
Public safety	857,488	-	-	857,488
Public works	930,476	-	5,495	935,971
Solid waste	534,878	-	-	534,878
Recreational and social services	187,349	-	18,948	206,297
County tax	651,229	-	-	651,229
Tax increment financing	199,606	-	-	199,606
General assistance	4,240	-	-	4,240
Education	12,551,981	-	865,064	13,417,045
Maine PERS on-behalf payments	862,102	-	-	862,102
Debt service	89,900	-	-	89,900
Capital outlay	336,064	4,221,776	1,433,864	5,991,704
Total expenditures	18,317,966	4,221,776	2,341,817	24,881,559
Excess (deficiency) of revenues over (under) expenditures	422,535	(4,197,433)	(884,725)	(4,659,623)
Other financing sources (uses):				
Capital lease and note proceeds	336,064	-	-	336,064
Transfers from other funds	-	-	946,907	946,907
Transfers to other funds	(946,907)	-	-	(946,907)
Total other financing sources (uses)	(610,843)	-	946,907	336,064
Net change in fund balances	(188,308)	(4,197,433)	62,182	(4,323,559)
Fund balances, beginning of year, restated	7,866,046	2,679,673	1,870,739	12,416,458
Fund balances (deficit), end of year	\$ 7,677,738	(1,517,760)	1,932,921	8,092,899

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, 2018

Net change in fund balances - total governmental funds (from Statement 4) \$ (4,323,559)

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This the amount by which capital outlay (\$5,557,088) exceeded depreciation expense (\$642,723) and the net book value of disposed assets (\$35,869). 4,878,496

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. (9,491)

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 the net OPEB liability with related deferred inflows and outflows of resources (\$306), accrued interest (\$947), and accrued compensated absences (\$5,726), netted with the decrease in the net pension liability with related deferred inflows and outflows of resources (\$556). (6,423)

Bond, notes, 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, note, 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 by which bond and note repayments (\$599,930) and capital lease repayments (\$92,048) exceeded note proceeds (\$234,000) and capital lease proceeds (\$102,064). 355,914

Change in net position of governmental activities (see Statement 2) \$ 894,937

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, 2018

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 8,789,137	8,789,137	8,970,081	180,944
Intergovernmental	5,745,197	5,745,197	6,008,478	263,281
Licenses and permits	56,000	56,000	63,647	7,647
Charges for services	2,314,667	2,314,667	2,621,786	307,119
Interest earned	40,764	40,764	96,769	56,005
Other revenues	50,500	50,500	93,240	42,740
Total revenues	16,996,265	16,996,265	17,854,001	857,736
Expenditures:				
Current:				
General government	955,960	955,960	863,970	91,990
Economic development	156,542	156,542	148,900	7,642
Public safety	856,983	856,983	857,488	(505)
Public works	895,831	895,831	930,476	(34,645)
Solid waste	557,146	557,146	534,878	22,268
Recreation and social services	171,963	181,763	187,349	(5,586)
County tax	651,230	651,230	651,229	1
Tax increment financing	195,000	253,424	199,606	53,818
General assistance	8,000	8,000	4,240	3,760
Education	13,066,797	13,066,797	12,526,676	540,121
Debt service:				
Principal	89,900	89,900	89,900	-
Total expenditures	17,605,352	17,673,576	16,994,712	678,864
Excess (deficiency) of revenues over (under) expenditures	(609,087)	(677,311)	859,289	1,536,600
Other financing sources (uses):				
Use of prior year surplus - School	960,000	960,000	-	(960,000)
Use of prior year surplus - Town	430,224	835,807	-	(835,807)
Use of TIF funds	293,542	351,966	-	(351,966)
Appropriated for TIF funds	(428,403)	(428,403)	-	428,403
Transfers out	(587,124)	(982,907)	(982,907)	-
Total other financing sources (uses)	668,239	736,463	(982,907)	(1,719,370)
Net change in fund balance, budgetary basis	59,152	59,152	(123,618)	(182,770)
Reconciliation to GAAP:				
Changes in committed balances (reserves)			(39,385)	
Change in accrued summer salaries and benefits			(25,305)	
Net change in fund balance, GAAP basis			(188,308)	
Fund balance, beginning of year, restated			7,866,046	
Fund balance, end of year	\$		7,677,738	

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Net Position
Proprietary Fund
June 30, 2018

Business-type Activities - Enterprise Fund		Recreation Department
ASSETS		
Current assets:		
Interfund loans receivable	\$	255,014
Total assets		255,014
LIABILITIES		
Current liabilities:		
Accounts payable		-
Total liabilities		-
NET POSITION		
Unrestricted		255,014
Total net position	\$	255,014

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, 2018

Business-type Activities - Enterprise Fund		Recreation Department
Operating revenues:		
Charges for services	\$	336,940
Total operating revenues		336,940
Operating expenses:		
Payroll and related expenses		193,029
Recreation programs		73,265
Total operating expenses		266,294
Operating income		70,646
Net position, beginning of year		184,368
Net position, end of year	\$	255,014

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Fund
For the year ended June 30, 2018

Business-type Activities - Enterprise Fund		Recreation Department
Cash flows from operating activities:		
Receipts from customers and users	\$	336,940
Payments to suppliers		(73,544)
Payments to employees		(193,029)
Net cash provided by operating activities		70,367
Cash flows from noncapital financing and related activities:		
Net interfund activity		(70,367)
Net cash used in noncapital financing and related activities		(70,367)
Increase (decrease) in cash		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	\$	-
Reconciliation of operating income to net cash provided by operating activities:		
Operating income		70,646
Adjustments to reconcile operating income to net cash used in operating activities:		
Decrease in accounts payable		(279)
Net cash provided by operating activities	\$	70,367

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency Funds	Private-purpose Trusts
	Student Activity Funds	School Department Scholarships
ASSETS		
Cash and cash equivalents	\$ 164,887	193,622
Total assets	164,887	193,622
LIABILITIES		
Due to student groups	164,887	-
Total liabilities	164,887	-
NET POSITION		
Held in trust	\$ -	193,622

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, 2018

	Private-purpose Trusts
	School Department Scholarships
Additions	\$ 2,249
Deductions	500
Change in net position	1,749
Net position, beginning of year	191,873
Net position, end of year	\$ 193,622

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 *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 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. 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 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 and OPEB liabilities, which include the Town's contributions subsequent to the measurement date, which is recognized as a reduction of the net pension and OPEB liabilities 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.

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 certain revenues and expenditures within reserve funds, 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 \$862,102. 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.

B. Deficit Fund Balance

For the year ended June 30, 2018, the following funds had deficit fund balances:

School capital improvements	\$ 1,517,760
Transition grant	882

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

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations for the following:

Public safety	\$ 505
Public works	34,645
Recreation and social services	5,586

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, 2018, the Town reported deposits of \$14,994,445 with a bank balance of \$16,007,893. None of the Town's bank balance was exposed to custodial credit risk as 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.

PROPERTY TAX

Property taxes for the current period were committed on September 29, 2017, 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 2, 2018. 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 \$59,152 for the period ended June 30, 2018.

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.

The following summarizes the 2018 and 2017 levies:

	<u>2018</u>	<u>2017</u>
Assessed value	\$ 521,240,800	509,851,800
Tax rate (per \$1,000)	12.20	12.00
Commitment	6,359,137	6,118,222
Supplemental taxes assessed	6,799	44,032
	6,365,936	6,162,254
Less:		
Collections and abatements	5,996,290	5,853,121
Receivable at June 30	\$ 369,646	309,133
Due date	April 2, 2018	April 1, 2017
Interest rate on delinquent taxes	7.0%	7.0%
Collection rate	94.19%	94.98%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, <u>2017</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2018</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	113,404	4,235,871	17,360	4,331,915
<u>Total capital assets, not being depreciated</u>	<u>241,976</u>	<u>4,235,871</u>	<u>17,360</u>	<u>4,460,487</u>
Capital assets, being depreciated:				
Buildings and building improvements	20,107,782	69,200	-	20,176,982
Equipment, furniture and fixtures	2,443,472	236,933	25,248	2,655,157
Vehicles	2,221,793	467,151	338,912	2,350,032
Infrastructure	-	565,293	-	595,293
<u>Total capital assets being depreciated</u>	<u>24,773,047</u>	<u>1,338,577</u>	<u>364,160</u>	<u>25,747,464</u>
Less accumulated depreciation for:				
Buildings and building improvements	8,987,806	363,999	-	9,351,805
Equipment, furniture and fixtures	1,695,067	119,429	22,095	1,792,401
Vehicles	1,267,476	148,856	306,196	1,110,136
Infrastructure	-	10,439	-	10,439
<u>Total accumulated depreciation</u>	<u>11,950,349</u>	<u>642,723</u>	<u>328,291</u>	<u>12,264,781</u>
<u>Total capital assets being depreciated, net</u>	<u>12,822,698</u>	<u>695,854</u>	<u>35,869</u>	<u>13,482,683</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 13,064,674</u>	<u>4,931,725</u>	<u>53,229</u>	<u>17,943,170</u>

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

Governmental activities:	
General government	\$ 24,119
Public safety	115,896
Public works	71,443
Solid waste	14,937
Recreation and social services	13,081
Education	403,247
<u>Total depreciation expense – governmental activities</u>	<u>\$ 642,723</u>

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

CONSTRUCTION COMMITMENTS

The Town has entered into contracts in connection with the elementary school. The following is a summary of the commitments at June 30, 2018:

	<u>Contract Total</u>	<u>Percentage Complete</u>	<u>Billed to Date</u>	<u>Balance Remaining</u>
School construction	\$ 4,868,183	80.4%	3,914,150	954,033
School roof	578,414	63.4%	366,547	211,867

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2018, the balances of interfund loans receivable/payable and transfers were as follows:

<u>Fund</u>	<u>Interfund loans receivable</u>	<u>Interfund loans payable</u>	<u>Transfers in (out)</u>
General fund	\$ 1,090,313	-	(946,907)
School capital improvements	-	1,334,778	-
Special revenue funds:			
Adult education	15,837	-	3,124
Title IIA	-	2,990	-
Local entitlement	-	112,856	-
Pre-K local entitlement	-	620	-
Rural low income	-	12,079	-
ARRA MARTI	250	-	-
Ticket to ride grant	1,098	-	-
School lunch fund	-	31,411	35,000
PEPG grant	705	-	-
Transition grant	-	882	-
Library grant	3,277	-	-
Comp. grant	7,550	-	-
Bangor wellness grant	2,043	-	-
Fire Department gear grant	179	-	-
Coldbrook/Newburgh Road grant	-	-	395,783
Maine Forest Services grant	2,450	-	-
Cemetery reserve	-	2	8,500
Medical reimbursement	-	832	-
Athletic complex	835	-	-
Capital project funds	116,899	-	504,500
Recreation fund	255,014	-	-
Totals	\$ 1,496,450	1,496,450	-

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 were budgeted to fund certain activities, capital projects, and reserves.

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, 2018 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds and notes payable	\$ 1,559,800	234,000	599,930	1,193,870	667,360
Capital leases payable	70,712	102,064	92,048	80,728	22,246
Net pension liability	683,487	-	42,573	640,914	-
Net OPEB liability	46,205	-	6,079	40,126	-
Accrued compensated absences	62,542	9,054	3,328	68,268	-
Governmental activities long-term liabilities	\$ 2,422,746	345,118	743,958	2,023,906	689,606

LONG-TERM DEBT

Bonds and Notes Payable

Bonds and notes payable at June 30, 2018 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 and notes:				
1998 sewer construction bonds	\$ 1,798,000	4.13-4.83%	11/1/2018	89,900
2015 refunding bonds	1,840,000	1.37%	11/1/2019	920,000
2018 bus note	67,000	2.95%	8/1/2019	67,000
2018 bus note	67,000	2.95%	8/1/2019	67,000
2019 truck note	100,000	1.74%	4/1/2019	49,970
Total				\$ 1,193,870

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2019	\$ 667,360	12,702	680,062
2020	526,510	5,784	532,294
Totals	\$ 1,193,870	18,486	1,212,356

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

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, 2018:

Equipment (photocopiers)	\$ 55,657
Vehicles	46,406

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, 2018:

Year ended	
<u>June 30,</u>	
2019	\$ 25,160
2020	25,160
2021	25,160
<u>2022</u>	<u>12,021</u>
Total minimum lease payments	87,501
<u>Less amounts representing interest</u>	<u>(6,773)</u>
Present value of future minimum	
<u>lease payments</u>	<u>\$ 80,728</u>

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, 2018, the Town's outstanding debt did not exceed these limits.

SHORT-TERM DEBT

The Town issued a promissory note for interim financing until long-term debt is issued. The promissory note was for \$5,000,000 with an interest rate of 1.49% and is due on November 1, 2018. Promissory note activity for the year ended June 30, 2018 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Deletions</u>	Ending <u>balance</u>
<u>Promissory note</u>	\$ -	5,000,000	-	<u>5,000,000</u>

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

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, 2018.

FUND BALANCES

As of June 30, 2018, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund:				
Inventory and prepaid	\$ 34,548	-	-	-
Education*	-	2,204,275	-	-
Tax increment financing districts	-	434,831	-	-
Appropriated to the 2019 budget	-	-	-	425,000
Municipal unemployment	-	-	31,616	-
Legal liability	-	-	19,222	-
Credit reserve	-	-	34,784	-
Economic development	-	-	44,755	-
Bicentennial	-	-	4,309	-
Rural fire protection	-	-	9,801	-
Sick leave reserve	-	-	16,073	-
Hermon Veterans Memorial	-	-	(169)	-
Boston Post	-	-	705	-
Total general fund	34,548	2,639,106	161,096	425,000
Other governmental funds:				
Inventory	209	-	-	-
Grants and other purposes	-	117,758	-	-
Capital outlay	-	-	1,807,309	-
Permanent funds – principal	7,785	-	-	-
Permanent funds – unexpended income	-	742	-	-
Total other governmental funds	7,994	118,500	1,807,309	-
Grand totals	\$ 42,542	2,757,606	1,968,405	425,000

*Of the total restricted for education of \$2,204,275, the School Department has committed \$835,874 to various reserves (unemployment, fuel, tax rate stabilization, school bus) and has budgeted \$600,000 for the FY 2019 budget to reduce taxes (assigned fund balance). The remainder of \$768,401 is considered the School Department's unassigned fund balance.

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.

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, 2018, was 7.0% of annual payroll. Contributions to the pension plan from the Town were \$20,001 for the year ended June 30, 2018.

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, 2018, was 15.05% of annual payroll of which 3.97% of payroll was required from the Town and 11.08% was required from the State. Contributions to the pension plan from the Town were \$250,003 for the year ended June 30, 2018.

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, 2017, 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, 2018, the Town reported a liability of \$422,772 for its proportionate share of the net pension liability. At June 30, 2017, the Town's proportion of the PLD Plan was 0.1033%.

SET Plan - At June 30, 2018, 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	\$ 218,142
State's proportionate share of the net pension liability	
associated with the Town	7,294,373
Total	\$ 7,512,515

At June 30, 2017, the Town's proportion of the SET Plan was 0.015%

For the year ended June 30, 2018, the Town recognized pension expense of \$75,217 for the PLD Plan and pension expense of \$891,973 and revenue of \$697,742 for support provided by the State for the SET Plan. At June 30, 2018, 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	\$ -	11,137
Changes of assumptions	32,568	-
Net difference between projected and actual earnings on pension plan investments	-	14,832
Changes in proportion and differences between Town contributions and proportionate share of contributions	80,923	-
Town contributions subsequent to the measurement date	270,004	-
Total	\$ 383,495	25,969

\$270,004 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, 2019. 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>	
2019	\$ 28,233
2020	95,456
2021	4,294
2022	(40,461)

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, 2017 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, 2017 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, 2017 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30.0%	6.0%
US government	7.5%	2.3%
Private equity	15.0%	7.6%
Real estate	10.0%	5.2%
Infrastructure	10.0%	5.3%
Natural resources	5.0%	5.0%
Traditional credit	7.5%	3.0%
Alternative credit	5.0%	4.2%
Diversifiers	10.0%	5.9%

Discount Rate - The discount rate used to measure the 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	\$ 848,211	\$ 422,772	\$ 102,483
 <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	\$ 382,744	\$ 218,142	\$ 82,214

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, 2018.

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. Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. Therefore, there is no forfeiture provision. For the year ended June 30, 2018, the Town recognized pension expense of \$60,224.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the OPEB Plans

Plan Description - The Town sponsors two post-retirement benefit plans providing group term life insurance to retiring employees. For municipal employees and certain School Department employees the Town contributes to the Group Life Insurance Plan for Participating Local District (PLD). Teachers also participate in the Group Term Life Insurance Plan for State Employees and Teachers (SET). Both plans are a cost-sharing multiple-employer defined benefit OPEB plan administered by the Maine Public Employees Retirement System (MPERS). The MPERS Board of Trustees has the authority to establish and amend the benefit terms and financing requirements for each plan. MPERS issues a publicly available financial reports that are available at www.maineopers.org.

Benefits Provided - Under each plan, MPERS provides basic group life insurance benefits, during retirement, to retirees who participated in the plan prior to retirement for a minimum of 10 years. The level of coverage is initially set to an amount equal to the retirees average final compensation. The initial amount of basic life is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions - Premium rates are determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims.

PLD OPEB Plan - The Town is required to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. Contributions to the PLD OPEB plan from the Town were \$0 for the year ended June 30, 2018. Employees are not required to contribute to the PLD OPEB plan.

SET OPEB Plan - The State of Maine is required to remit the total dollar amount of each year's annual required contribution. Contributions to the OPEB plan by the State of Maine on-behalf of the Town were \$23,676 for the year ended June 30, 2018. Employers and employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability for each plan was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined.

PLD OPEB Plan - At June 30, 2018, the Town reported a liability of \$40,126 for its proportionate share of the net OPEB liability. At June 30, 2017, the Town's proportion was 0.24%.

SET OPEB Plan - At June 30, 2018, the Town reported no liability related to the plan. The State of Maine's proportionate share of the net OPEB liability associated with the Town was \$261,241 as of June 30, 2018. At June 30, 2017, the Town's proportion was 0.00%.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

For the year ended June 30, 2018, the Town recognized OPEB expense of \$306 for the PLD OPEB Plan. For the year ended June 30, 2018, the Town recognized OPEB expense of \$23,676 and also revenues of \$23,676 for support provided by the State related to the SET OPEB plan. At June 30, 2018, the Town reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB plan. At June 30, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	11,181
Net difference between projected and actual earnings on OPEB plan investments	-	1,921
Changes in proportion and differences between Town Contributions and proportionate share of contributions	6,717	-
Total	\$ 6,717	13,102

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

Year ended June 30:	
2019	\$ (1,373)
2020	(1,373)
2021	(1,373)
2022	(1,373)
2023	(893)

Actuarial Assumptions - The total OPEB liability in the June 30, 2017 actuarial valuations was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

	PLD OPEB Plan	SET OPEB Plan
Inflation	2.75%	2.75%
Salary increases	2.75% - 9.00%	2.75% - 14.50%
Investment rate of return	6.875%	6.875%

Mortality rates for each plan were based on the RP2014 Total Dataset Healthy Annuitant Mortality Table, for males and females, with adjustments ranging 104% to 120% based on actuarially determined demographic differences.

The actuarial assumptions used in the June 30, 2017 valuations were based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

The long-term expected rate of return on both OPEB plan investments was determined using a building-block method which best estimates ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major class of assets. These ranges are combined to produce 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Public equities	70.0%	6.0%
Real estate	5.0%	5.2%
Traditional credit	16.0%	3.0%
US Government Securities	9.0%	2.3%

Discount Rate - The rate used to measure the total OPEB liability for the PLD OPEB plan was 5.41% which is a blend of the assumed long-term expected rate of return of 6.875% and a municipal bond index rate of 3.58%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2017. Projections of the plan's fiduciary net position indicate that it is not expected to be sufficient to make projected benefit payments for current members beyond 2052. Therefore, the portion of the future projected benefit payments after 2052 are discounted at the municipal bond index rate. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined.

The rate used to measure the total OPEB liability for the SET OPEB plan was 6.875%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at contractually required rates, actuarially determined. Based on this assumption, the OPEB plans fiduciary net position was projected to be available to make all projected OPEB payments for current and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Town's proportionate share of the net PLD OPEB plan liability calculated using the discount rate of 5.41%, as well as what the Town's proportionate share of the net PLD OPEB plan liability would be if it were calculated using a discount rate that is 1 percentage-point lower (4.41%) or 1 percentage-point higher (6.41%) than the current rate:

	1% Decrease (4.41%)	Discount Rate (5.41%)	1% Increase (6.41%)
Net OPEB liability	\$ 53,852	40,126	29,290

Sensitivity of the Town's proportionate share of the net SET OPEB plan liability to the changes in the discount rate are not presented as the Town does not have any liability related to this plan given that the SET OPEB plan is 100% funded by contributions from the State of Maine.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB), CONTINUED

OPEB Plan Fiduciary Net Position - Detailed information about both the PLD and SET OPEB plan's fiduciary net positions are available in a separately issued MPERS financial report.

NEW PRONOUNCEMENTS AND RESTATEMENTS OF NET POSITION AND FUND BALANCE

For the fiscal year ended June 30, 2018, the Town has elected to implement Statement No. 75 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*. As a result of implementing GASB Statement No. 75, the Town has restated beginning net position in the government-wide statement of net position to account for the addition of the Town's net OPEB liability of \$46,205 which effectively decreased the Town's net position as of July 1, 2017 by \$46,205.

For the fiscal year ended June 30, 2018, the Town reclassified certain reserve accounts from the general fund to capital project funds. The total amount reclassified reduced the fund balance of the general fund by \$526,026 and increased fund balance of capital project funds by \$526,026.

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 March 31, 2018, the date of MRC's most recent audited financial statements, was \$556,178 (1.87%). On March 31, 2018, the charter municipalities and the Penobscot Energy Recovery Company (PERC) terminated the waste disposal agreements. The Town of Hermon, Maine is a departing municipality and will receive their share of the fiduciary fund's net position in accordance with applicable agreements. The Town will no longer participate in the joint venture or the solid waste managing activities of MRC. Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

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, 2018:

	Governmental activities
Capital assets	\$ 30,207,951
Accumulated depreciation	(12,264,781)
Promissory note	(5,000,000)
Bonds payable	(1,193,870)
Capital leases payable	(80,728)
Total net investment in capital assets	\$ 11,668,572

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, 2018, the Town remitted a total of \$85,258 in Credit Enhancement payments, including the following, each of which exceeded 10 percent of the total amount remitted:

\$24,800 (29.09%) 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.

\$21,274 (24.95%) 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.

RELATED PARTY TRANSACTIONS

During the year, the School Department purchased technology equipment and services from Nightscape Tech LLC, which is owned by two employees of the School Department, one of which is the head of the information system department. The School Department purchased \$80,978 of equipment and services during the year ended June 30, 2018. The School Committee is fully aware and has approved the business relationship with Nightscape Tech LLC. The company follows the same policies, procedures, and approval processes all other vendors are subject to when purchasing decisions are made.

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>2018**</u>	<u>2017**</u>	<u>2016**</u>	<u>2015**</u>
<u>PLD Plan</u>				
Town's proportion of the net pension liability	0.1033%	0.0778%	0.0659%	0.0665%
Town's proportionate share of the net pension liability	\$ 422,772	413,471	210,201	102,291
Town's covered payroll	167,641	88,298	121,396	119,016
Town's proportionate share of the net pension liability as a percentage of its covered payroll	252.19%	468.27%	173.15%	85.95%
Plan fiduciary net position as a percentage of the total pension liability	86.43%	81.61%	88.27%	94.10%
<u>SET Plan</u>				
Town's proportion of the net pension liability	0.0150%	0.0153%	0.0157%	0.0178%
Town's proportionate share of the net pension liability	\$ 218,142	270,016	212,198	192,299
State's proportionate share of the net pension liability associated with the Town	7,294,373	8,709,868	6,641,782	5,330,683
<u>Total</u>	<u>\$ 7,512,515</u>	<u>8,979,884</u>	<u>6,853,980</u>	<u>5,522,982</u>
Town's covered payroll	\$ 6,248,889	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	3.49%	4.52%	3.66%	3.36%
Plan fiduciary net position as a percentage of the total pension liability	80.78%	76.21%	81.18%	83.91%

* Only four 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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan</u>					
Contractually required contribution	\$20,001	10,896	4,945	4,977	4,047
Contributions in relation to the contractually required contribution	(20,001)	(10,896)	(4,945)	(4,977)	(4,047)
<u>Contribution deficiency (excess)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Town's covered payroll	285,724	167,641	88,298	121,396	119,016
Contributions as a percentage of covered Payroll	7.00%	6.50%	5.60%	4.10%	3.40%
<u>SET Plan</u>					
Contractually required contribution	\$250,003	209,963	200,512	153,824	151,813
Contributions in relation to the contractually required contribution	(250,003)	(209,963)	(200,512)	(153,824)	(151,813)
<u>Contribution deficiency (excess)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Town's covered payroll	\$6,297,314	6,248,889	5,967,610	5,804,673	5,728,803
Contributions as a percentage of covered Payroll	3.97%	3.36%	3.36%	2.65%	2.65%

* Only five years of information available.

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net OPEB Liability
Last 10 Fiscal Years*

	2018
<u>PLD OPEB Plan</u>	
Town's proportion of the net OPEB liability	0.24%
Town's proportionate share of the net OPEB liability	\$ 40,126
Town's covered-employee payroll	167,641
Town's proportionate share of the net OPEB liability as a percentage of covered-employee payroll	23.94%
Plan fiduciary net position as a percentage of the total OPEB liability	47.42%
<u>SET OPEB Plan</u>	
Town's proportion of the net OPEB liability	0.00%
Town's proportionate share of the net OPEB liability	\$ -
State's proportionate share of the net OPEB liability associated with the Town	261,241
Total	\$ <u>261,241</u>
Plan fiduciary net position as a percentage of the total OPEB liability	47.29%

* Only one year of information available. Amounts presented for each fiscal year were determined as of the end of the previous fiscal year.

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

Schedule of Town's OPEB Contributions
Last 10 Fiscal Years*

	<u>2018</u>
<u>PLD OPEB Plan</u>	
Contractually required contribution	\$ -
Contributions in relation to the contractually required contribution	-
Contribution deficiency (excess)	\$ <u>-</u>
Town's covered-employee payroll	\$ 285,724
Contributions as a percentage of covered-employee payroll	0.00%

* *Only one year of information available.*

TOWN OF HERMON, MAINE
Notes to Required Supplementary Information

Net OPEB Liability

Changes of Benefit Terms - None

Changes of Assumptions - None

Net Pension Liability

Changes of Benefit Terms - None

Changes of Assumptions:

The PLD and SET Plans changed the discount rate of 7.125%, inflation rate of 3.5%, and the cost of living increase of 2.55% in the 2015 valuation to 6.875%, 2.75%, and 2.20%, respectively in the 2016 valuation. The PLD Plan changed the salary increases in the 2015 valuation of 3.5% - 9.5% to 2.75% - 9.0% in the 2016 valuation. The SET Plan changed the salary increases in the 2015 valuation of 3.5% - 13.5% to 2.75% - 14.5% in the 2016 valuation. In addition, mortality rates were previously based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA, which, in the 2016 valuation, was changed to mortality rates that were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table.

The PLD Plan changed the discount rate from 7.25% in the 2014 valuation to 7.125% in the 2015 valuation. The PLD Plan also changed the cost of living benefits increase from 3.12% in the 2014 valuation to 2.55% in the 2015 valuation.

The SET Plan changed the discount rate from 7.25% in the 2013 valuation to 7.125% in the 2014 valuation.

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, 2018

	2018
ASSETS	
Cash and cash equivalents	\$ 7,194,532
Receivables:	
Taxes - current year	369,646
Taxes - prior years	56,969
Tax liens - prior years	98,104
Tax acquired property	5,061
Accounts	150,692
Inventory	12,165
Prepaid expenditures	22,383
Interfund loans receivables	1,090,313
Total assets	\$ 8,999,865
LIABILITIES	
Accounts payable	163,990
Accrued payroll and benefits	795,567
Prepaid taxes	23,601
Other liabilities	64,117
Total liabilities	1,047,275
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	274,852
Total deferred inflows of resources	274,852
FUND BALANCE	
Nonspendable - inventory and prepaid	34,548
Restricted for education	2,204,275
Restricted for TIF	434,831
Committed for Town reserves	161,096
Assigned for subsequent budget	425,000
Unassigned - Town	4,417,988
Total fund balance	7,677,738
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,999,865

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, 2018

	2018		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 6,359,137	6,342,780	(16,357)
Excise taxes	2,389,000	2,585,477	196,477
Payment in lieu of taxes	11,000	11,000	-
Interest on taxes	30,000	30,824	824
Total taxes	8,789,137	8,970,081	180,944
Intergovernmental:			
State education subsidy	5,014,627	5,249,693	235,066
State agency client	20,000	19,824	(176)
Medicaid reimbursements	1,000	20,753	19,753
State revenue sharing	158,000	161,233	3,233
Homestead reimbursement	191,417	195,287	3,870
BETE reimbursement	290,653	290,851	198
Snowmobile reimbursement	2,500	2,767	267
URIP funds	63,000	65,792	2,792
General assistance	4,000	2,278	(1,722)
Total intergovernmental	5,745,197	6,008,478	263,281
Licenses and permits:			
Town Clerk agent fees	29,000	32,294	3,294
Dogl fees	2,000	2,121	121
Building permits	10,500	11,677	1,177
Plumbing fees	13,500	13,455	(45)
Planning/zoning fees	1,000	4,100	3,100
Total licenses and permits	56,000	63,647	7,647

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

	2018		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
School tuition and fees	\$ 1,600,000	1,840,702	240,702
Other School charges for services	465,731	510,563	44,832
Hermon connection	2,000	1,485	(515)
Cemetery maintenance	2,000	3,515	1,515
Cable franchise	19,000	20,068	1,068
Sewer assessments	200	100	(100)
Wireless tower fees	10,000	11,814	1,814
Public safety	5,000	42,275	37,275
Public works revenues	-	9,637	9,637
Solid waste and recycling	210,736	181,560	(29,176)
Recreation and social services	-	67	67
Total charges for services	2,314,667	2,621,786	307,119
Interest earned	40,764	96,769	56,005
Total interest earned	40,764	96,769	56,005
Other revenues:			
School Department	35,000	76,144	41,144
Miscellaneous	15,500	17,096	1,596
Total other revenues	50,500	93,240	42,740
Total revenues	16,996,265	17,854,001	857,736

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

	2018		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Administration	\$ 300,846	260,349	40,497
Town manager	106,267	104,931	1,336
Town clerk	56,530	56,815	(285)
Finance	148,933	137,708	11,225
Assessor	111,756	111,021	735
Code enforcement	65,138	47,150	17,988
Assistant clerks	84,165	75,092	9,073
Municipal building	21,303	15,195	6,108
Town office	9,610	7,627	1,983
Town council	15,408	15,614	(206)
Town boards	8,502	7,554	948
Other expenditures	27,502	24,914	2,588
Total general government	955,960	863,970	91,990
Economic development:			
Economic development	98,542	90,900	7,642
Technology	58,000	58,000	-
Total economic development	156,542	148,900	7,642
Public safety:			
Police department	414,331	391,455	22,876
Fire department	343,173	364,370	(21,197)
Utilities	99,479	101,663	(2,184)
Total public safety	856,983	857,488	(505)

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

	2018		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Public works:			
General	\$ 196,985	231,459	(34,474)
Roads	630,499	645,287	(14,788)
Town garage	4,300	3,012	1,288
Trucks/tractor	33,676	25,186	8,490
Salt shed/storage	3,300	1,465	1,835
Cemetery	27,071	24,067	3,004
Total public works	895,831	930,476	(34,645)
Solid waste:			
Landfill	24,862	14,534	10,328
Household waste	481,736	471,473	10,263
Sewer	50,548	48,871	1,677
Total solid waste	557,146	534,878	22,268
Recreation and social services:			
Recreation	136,896	142,130	(5,234)
Social services	25,250	25,213	37
Library	8,000	8,000	-
Jackson Beach	11,617	12,006	(389)
Total recreation and social services	181,763	187,349	(5,586)
County tax	651,230	651,229	1
Tax increment financing	253,424	199,606	53,818
General assistance	8,000	4,240	3,760
Education	13,066,797	12,526,676	540,121

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

	2018		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Debt service - Town only:			
Principal	\$ 89,900	89,900	-
Total debt service - Town	89,900	89,900	-
Total expenditures	17,673,576	16,994,712	678,864
Excess (deficiency) of revenues over (under) expenditures	(677,311)	859,289	1,536,600
Other financing sources (uses):			
Use of prior year surplus - School	960,000	-	(960,000)
Use of prior year surplus - Town	835,807	-	(835,807)
Use of TIF funds	351,966	-	(351,966)
Appropriated for TIF funds	(428,403)	-	428,403
Transfer to reserves	(549,000)	(549,000)	-
Transfer to other funds	(433,907)	(433,907)	-
Total other financing sources (uses)	736,463	(982,907)	(1,719,370)
Net change in fund balances, budgetary basis	59,152	(123,618)	(182,770)
Reconciliation to GAAP:			
Changes in committed balances (reserves)		(39,385)	
Change in accrued summer salaries and benefits		(25,305)	
Net change in fund balances, GAAP basis		(188,308)	
Fund balance, beginning of year, restated		7,866,046	
Fund balance, end of year		\$ 7,677,738	

TOWN OF HERMON, MAINE
Town Reserves - General Fund
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

		Fund balances beginning of year	Revenues		Expenditures		Transfers In (Out)	Fund balances end of year
			Investment Income	Other	General Government	Economic Development		
02	Municipal unemployment	\$ 26,676	355	-	415	-	5,000	31,616
03	Legal liability reserve	30,249	400	5,324	16,751	-	-	19,222
15	Credit reserve	34,330	454	-	-	-	-	34,784
16	Economic development	127,414	(42)	-	-	82,617	-	44,755
26	Bicentennial	4,253	56	-	-	-	-	4,309
31	Rural fire protection	2,670	131	7,000	-	-	-	9,801
34	Sick leave	9,942	131	-	-	-	6,000	16,073
5-01	Hermon Veterans Memorial	(170)	1	-	-	-	-	(169)
5-04	Boston Post	695	10	-	-	-	-	705
Total Town reserves		\$ 236,059	1,496	12,324	17,166	82,617	11,000	161,096

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 107,681	1,690,410	8,527	1,806,618
Accounts receivable	138,931	-	-	138,931
Inventory	5,681	-	-	5,681
Interfund loans receivable	34,224	116,899	-	151,123
Total assets	\$ 286,517	1,807,309	8,527	2,102,353
LIABILITIES				
Accounts payable	7,597	-	-	7,597
Accrued payroll and benefits	163	-	-	163
Interfund loans payable	161,672	-	-	161,672
Total liabilities	169,432	-	-	169,432
FUND BALANCES				
Nonspendable	209	-	7,785	7,994
Restricted	117,758	-	742	118,500
Committed	-	1,807,309	-	1,807,309
Unassigned	(882)	-	-	(882)
Total fund balances	117,085	1,807,309	8,527	1,932,921
Total liabilities and fund balances	\$ 286,517	1,807,309	8,527	2,102,353

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,084,130	-	-	1,084,130
Charges for services	221,130	-	-	221,130
Investment income	56	22,831	159	23,046
Other	18,205	110,581	-	128,786
Total revenues	1,323,521	133,412	159	1,457,092
Expenditures:				
Current:				
General government	18,446	-	-	18,446
Public works	5,495	-	-	5,495
Recreation and social services	18,948	-	-	18,948
Education	865,064	-	-	865,064
Capital outlay	861,869	571,995	-	1,433,864
Total expenditures	1,769,822	571,995	-	2,341,817
Excess (deficiency) of revenues over (under) expenditures	(446,301)	(438,583)	159	(884,725)
Other financing sources:				
Transfer from other funds	442,407	504,500	-	946,907
Total other financing sources	442,407	504,500	-	946,907
Net change in fund balances	(3,894)	65,917	159	62,182
Fund balances, beginning of year, restated	120,979	1,741,392	8,368	1,870,739
Fund balances, end of year	\$ 117,085	1,807,309	8,527	1,932,921

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
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2018

	Adult Education	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Rural Low Income	ARRA MARTI
ASSETS							
Cash and cash equivalents	\$ -	-	-	-	-	-	-
Accounts receivable	-	2,990	-	112,856	620	12,079	-
Inventory	-	-	-	-	-	-	-
Interfund loans receivable	15,837	-	-	-	-	-	250
Total assets	\$ 15,837	2,990	-	112,856	620	12,079	250
LIABILITIES							
Accounts payable	-	-	-	-	-	-	-
Accrued payroll and benefits	-	-	-	-	-	-	-
Interfund loans payable	-	2,990	-	112,856	620	12,079	-
Total liabilities	-	2,990	-	112,856	620	12,079	-
FUND BALANCES (DEFICITS)							
Nonspendable	-	-	-	-	-	-	-
Restricted	15,837	-	-	-	-	-	250
Unassigned	-	-	-	-	-	-	-
Total fund balances (deficits)	15,837	-	-	-	-	-	250
Total liabilities and fund balances (deficits)	\$ 15,837	2,990	-	112,856	620	12,079	250

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2018

		School						
	Ticket to	Lunch	PEPG	Transition	Library	Comp.	Bangor	Fire Department
	Ride Grant	Fund	Grant	Grant	Grant	Grant	Wellness Grant	Gear Grant
ASSETS								
Cash and cash equivalents	\$ -	24,141	-	-	-	-	-	-
Accounts receivable	-	9,558	-	-	-	-	-	-
Inventory	-	5,681	-	-	-	-	-	-
Interfund loans receivable	1,098	-	705	-	3,277	7,550	2,043	179
Total assets	\$ 1,098	39,380	705	-	3,277	7,550	2,043	179
LIABILITIES								
Accounts payable	-	7,597	-	-	-	-	-	-
Accrued payroll and benefits	-	163	-	-	-	-	-	-
Interfund loans payable	-	31,411	-	882	-	-	-	-
Total liabilities	-	39,171	-	882	-	-	-	-
FUND BALANCES (DEFICITS)								
Nonspendable	-	209	-	-	-	-	-	-
Restricted	1,098	-	705	-	3,277	7,550	2,043	179
Unassigned	-	-	-	(882)	-	-	-	-
Total fund balances (deficits)	1,098	209	705	(882)	3,277	7,550	2,043	179
Total liabilities and fund balances (deficits)	\$ 1,098	39,380	705	-	3,277	7,550	2,043	179

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2018

	Colbrook/ Newburgh Road Grant	Route 2 Project	Maine Forest Service Grants	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Veterans Memorial Park	Totals
ASSETS								
Cash and cash equivalents	\$ -	-	-	56,708	8,102	15,447	3,283	107,681
Accounts receivable	-	-	828	-	-	-	-	138,931
Inventory	-	-	-	-	-	-	-	5,681
Interfund loans receivable	-	-	2,450	-	-	835	-	34,224
Total assets	\$ -	-	3,278	56,708	8,102	16,282	3,283	286,517
LIABILITIES								
Accounts payable	-	-	-	-	-	-	-	7,597
Accrued payroll and benefits	-	-	-	-	-	-	-	163
Interfund loans payable	-	-	-	2	832	-	-	161,672
Total liabilities	-	-	-	2	832	-	-	169,432
FUND BALANCES (DEFICITS)								
Nonspendable	-	-	-	-	-	-	-	209
Restricted	-	-	3,278	56,706	7,270	16,282	3,283	117,758
Unassigned	-	-	-	-	-	-	-	(882)
Total fund balances (deficits)	-	-	3,278	56,706	7,270	16,282	3,283	117,085
Total liabilities and fund balances (deficits)	\$ -	-	3,278	56,708	8,102	16,282	3,283	286,517

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	Adult Education	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Rural Low Income	ARRA MARTI
Revenues:							
Intergovernmental	\$ -	34,155	173,135	220,375	5,578	20,095	-
Charges for services	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Total revenues	-	34,155	173,135	220,375	5,578	20,095	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	-
Education	3,124	34,525	173,135	212,736	5,578	20,095	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	3,124	34,525	173,135	212,736	5,578	20,095	-
Excess (deficiency) of revenues over (under) expenditures	(3,124)	(370)	-	7,639	-	-	-
Other financing sources:							
Transfer from other funds	3,124	-	-	-	-	-	-
Total other financing sources	3,124	-	-	-	-	-	-
Net change in fund balances	-	(370)	-	7,639	-	-	-
Fund balances (deficits), beginning of year	15,837	370	-	(7,639)	-	-	250
Fund balances (deficits), end of year	\$ 15,837	-	-	-	-	-	250

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	Ticket to Ride Grant	School Lunch Fund	PEPG Grant	Transition Grant	Library Grant	Comp. Grant	Bangor Wellness Grant	Fire Department Gear Grant
Revenues:								
Intergovernmental	\$ -	163,049	-	-	-	-	-	-
Charges for services	-	193,749	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Other	-	1,204	-	-	-	-	-	-
Total revenues	-	358,002	-	-	-	-	-	-
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	309	-
Education	-	415,871	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	-	415,871	-	-	-	-	309	-
Excess (deficiency) of revenues over (under) expenditures	-	(57,869)	-	-	-	-	(309)	-
Other financing sources:								
Transfer from other funds	-	35,000	-	-	-	-	-	-
Total other financing sources	-	35,000	-	-	-	-	-	-
Net change in fund balances	-	(22,869)	-	-	-	-	(309)	-
Fund balances (deficits), beginning of year	1,098	23,078	705	(882)	3,277	7,550	2,352	179
Fund balances (deficits), end of year	\$ 1,098	209	705	(882)	3,277	7,550	2,043	179

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	Colbrook/ Newburgh Road Grant	Route 2 Project	Maine Forest Service Grants	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Veterans Memorial Park	Totals
Revenues:								
Intergovernmental	\$ 370,026	96,060	1,657	-	-	-	-	1,084,130
Charges for services	-	-	-	9,418	-	17,963	-	221,130
Investment income	-	-	-	-	-	-	56	56
Other	-	-	-	-	17,001	-	-	18,205
Total revenues	370,026	96,060	1,657	9,418	17,001	17,963	56	1,323,521
Expenditures:								
Current:								
General government	-	-	-	-	18,446	-	-	18,446
Public works	-	-	-	5,495	-	-	-	5,495
Recreation and social services	-	-	1,657	-	-	16,734	248	18,948
Education	-	-	-	-	-	-	-	865,064
Capital outlay	765,809	96,060	-	-	-	-	-	861,869
Total expenditures	765,809	96,060	1,657	5,495	18,446	16,734	248	1,769,822
Excess (deficiency) of revenues over (under) expenditures	(395,783)	-	-	3,923	(1,445)	1,229	(192)	(446,301)
Other financing sources:								
Transfer from other funds	395,783	-	-	8,500	-	-	-	442,407
Total other financing sources	395,783	-	-	8,500	-	-	-	442,407
Net change in fund balances	-	-	-	12,423	(1,445)	1,229	(192)	(3,894)
Fund balances (deficits), beginning of year	-	-	3,278	44,283	8,715	15,053	3,475	120,979
Fund balances (deficits), end of year	\$ -	-	3,278	56,706	7,270	16,282	3,283	117,085

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
Nonmajor Capital Project Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

		Fund balances beginning of year, restated	Revenues		Expenditures	Transfers In (Out)	Fund balances end of year
			Investment Income	Other	Capital		
01	Police equipment	\$ 24,501	324	-	35,518	20,500	9,807
05	Fire equipment	88,245	1,167	-	55,579	53,000	86,833
06	Highway capital	165,969	2,504	-	123,669	250,000	294,804
08	Public works facility	94,289	1,246	-	126,667	77,000	45,868
09	Recreation facilities	265,545	3,086	-	39,468	(27,500)	201,663
11	Municipal building	22,398	296	-	1,750	8,000	28,944
12	Sewer maintenance	589,188	7,847	110,581	174,232	28,500	561,884
13	Public land acquisition	27,329	361	-	2,863	2,500	27,327
14	Planning and ordinance	59,872	926	-	-	3,000	63,798
17	Public safety building	77,977	1,031	-	2,252	10,000	86,756
18	Fire station repair/maintenance	2,235	30	-	-	-	2,265
19	Technology	5,511	(99)	-	-	10,000	15,412
28	Jackson Beach reserve	4,308	57	-	6,847	60,000	57,518
29	Transfer station reserve	2,956	39	-	3,150	5,000	4,845
30	Elementary school reserve	305,210	3,938	-	-	1,500	310,648
32	Veteran's Memorial Park	5,859	78	-	-	3,000	8,937
Total		\$ 1,741,392	22,831	110,581	571,995	504,500	1,807,309

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
Nonmajor Permanent Funds
Combining Balance Sheet
June 30, 2018

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 7,408	1,119	8,527
Total assets	\$ 7,408	1,119	8,527
LIABILITIES			
Interfund loans payable	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Nonspendable:			
Nonexpendable principal	6,785	1,000	7,785
Restricted	623	119	742
Total fund balances	7,408	1,119	8,527
Total liabilities and fund balances	\$ 7,408	1,119	8,527

TOWN OF HERMON, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2018

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 145	14	159
Total revenues	145	14	159
Expenditures:			
Current:			
Unclassified	-	-	-
Total expenditures	-	-	-
Net change in fund balances	145	14	159
Fund balances, beginning of year	7,263	1,105	8,368
Fund balances, end of year	\$ 7,408	1,119	8,527

SCHOOL DEPARTMENT

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, 2018

	2018		Variance positive (negative)
	Budget	Actual	
Revenues:			
State education subsidy	\$ 5,014,627	5,249,693	235,066
State agency client	20,000	19,824	(176)
Tuition and fees	1,600,000	1,840,702	240,702
Charges for services	465,731	510,563	44,832
Medicaid reimbursements	1,000	20,753	19,753
Investment earnings	-	1,489	1,489
Other revenues	35,000	76,144	41,144
Total revenues	7,136,358	7,719,168	582,810
Expenditures:			
Current:			
Regular instruction	5,624,744	5,422,125	202,619
Special education instruction	2,032,870	1,858,677	174,193
Career and technical education	201,613	201,613	-
Other instruction	406,286	390,814	15,472
Student and staff support	1,277,530	1,217,339	60,191
System administration	353,648	338,516	15,132
School administration	714,528	673,389	41,139
Transportation	565,778	563,009	2,769
Facilities maintenance	1,382,126	1,353,521	28,605
Debt service	507,674	507,673	1
Total expenditures	13,066,797	12,526,676	540,121
Other financing sources (uses):			
Town appropriation	5,008,563	4,988,024	(20,539)
Utilization of prior year surplus	600,000	-	(600,000)
Transfer in from reserves	360,000	-	(360,000)
Transfer to school lunch program	(35,000)	(35,000)	-
Transfer to adult education	(3,124)	(3,124)	-
Total other financing sources	5,930,439	4,949,900	(980,539)
Net change in fund balance - budgetary basis	-	142,392	142,392
Reconciliation to GAAP:			
Change in committed balances (reserves)		35,578	
Change in accrued summer salaries and benefits		(25,305)	
Net change in fund balance - GAAP basis		152,665	
Fund balance beginning of year		2,051,610	
Fund balance, end of year	\$	2,204,275	

TOWN OF HERMON, MAINE
School Department Reserves - General Fund
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

	Fund balances beginning of year	Revenues		Expenditures	Transfers In (Out)	Fund balances end of year
		Investment Income	Other			
Tax stabilization reserve	\$ 504,981	6,675	-	-	25,000	536,656
School unemployment reserve	38,604	510	-	-	-	39,114
School fuel reserve	203,660	2,692	-	-	-	206,352
School bus purchase reserves	53,050	701	-	-	-	53,751
Total School Department reserves	\$ 800,295	10,578	-	-	25,000	835,873

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF HERMON, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2018

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Pass- through/ Grantor Number	Total Federal Expenditures	CFDA/ Cluster Totals	Passed Through to Subrecipients
U. S. Department of Education, Passed through Maine Department of Education:					
Title IA Disadvantaged Special Education Cluster:	84.010	3107	\$ 173,135		-
Local Entitlement	84.027	3046	212,736		-
Local Entitlement - Preschool	84.173	6247	5,578		-
Total Special Education Cluster				218,314	
Title IV - Rural Low Income	84.358	3005	20,095		-
Title IIA - Supporting Effective Instruction	84.367	3042	34,525		-
Total U. S. Department of Education			446,069		-
U. S. Department of Transportation, Passed through Maine Department of Transportation:					
Highway Planning and Construction Cluster	20.205	019414.00	68,258	68,258	-
Total U. S. Department of Transportation			68,258		-
U. S. Department of Agriculture, Passed through Maine Forest Service:					
Cooperative Forestry Assistance	10.664	N/A	1,657		-
Passed through Maine Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3024	118,721		-
National School Lunch Program - Breakfast Program	10.553	3014	21,416		-
National School Lunch Program - Donated Commodities	10.555	3024	17,708		-
Total Child Nutrition Cluster				157,845	
Total U. S. Department of Agriculture			159,502		-
Totals			\$ 673,829		-