

TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2019

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For the year ended June 30, 2019

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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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules pertaining to the net pension and OPEB liabilities, 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 December 23, 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.

A handwritten signature in cursive script, reading "Remya Weston Ouellette".

December 23, 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, 2019. 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 was one of the more quickly growing communities in the State, and this growth created a population increase of approximately 25% from 1990 to 2000. Growth has slowed some since, but still averages about 18% growth each year. 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 15 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, 2019 for governmental activities of the Town of Hermon was \$24,616,531, an increase of \$1,700,165 when compared to the restated net position as of June 30, 2018 of \$22,916,366. There were numerous factors contributing to the increase in net position, including increases in fund balances of the General Fund and School Department Operations Fund. The Town of Hermon chose to restate their financial statements separating the Town financials from the School's to allow a better understanding of the financial status for each entity. We believe this will benefit the citizens, Town Council, and School Committee.
- The Town's outstanding bonds payable increased by \$4,550,100 for a total of outstanding bond debt of \$5,560,000 as of June 30, 2019. As of June 30, 2019, the Town no longer has any bonds or notes payable. The 1998 sewer construction bond was paid in full in the 18-19 fiscal year. The School Department currently has a 2015 refunding bond related to the Hermon Middle School that matures June 2020 (\$460,000) and a new bond for the Elementary School expansion project in the amount of \$5,100,000. The School Department also has four notes payable for three buses and one truck.
- 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, 2019, as shown on the Town's balance sheet for the General Fund (Exhibit A-1), the Town reported \$34,032 in nonspendable inventory and prepaid expenditures, has restricted a total of \$679,526 for tax increment financing, has committed fund balance of \$78,603 for Town reserve accounts, and has assigned \$525,000 for the 19-20 FY budget, which leaves an unassigned fund balance of \$4,986,282 for a total fund balance of \$6,303,443. This is an increase of \$829,980 from the previous year. The School Department fund balance listing can be found on Exhibit B-1. The School Departments fund balance increased by 534,351 from the prior year ending at 2,738,626 as of June 30, 2019. Of this, \$951,172 is committed reserve accounts, \$600,000 was assigned to the 19-20 budget, leaving \$1,187,454 as unassigned. 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 four 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 four fund categories for the Town are the general fund, School Department operations, major capital projects funds (School Capital Improvements), and other governmental funds (non-major special revenue, capital projects, and permanent funds).

General Fund and School Department Operations

The general fund and School Department operations 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 C-1 through F-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 28-52 of this report.

Other Information

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

The combining and individual fund financial statements and schedule referred to earlier in connection with non-major governmental funds are presented following the notes. The combining and individual fund financial statements and schedule can be found beginning on page 61 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 \$24,616,531 as of June 30, 2019. This figure is comprised of the net investment in capital assets (\$13,212,124), restricted net position for education (\$2,738,626), tax increment financing (\$679,526), grants and other purposes (\$151,270), and permanent funds (\$8,697), and unrestricted net position (\$7,826,288).

Net Position for the Period Ending June 30, 2019

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 7.42% increase to total net position.

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

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

Governmental Activities

	2019	2018 (Restated)	Change	% Change
ASSETS				
Cash and cash equivalents	\$ 13,824,271	14,635,936	(811,665)	-5.55%
Receivables:			-	
Taxes	349,625	529,780	(180,155)	-34.01%
Accounts	674,067	289,623	384,444	132.74%
Internal balances	(273,817)	(255,014)	(18,803)	7.37%
Inventory	19,240	17,846	1,394	7.81%
Prepaid expenses	22,532	22,383	149	0.67%
Nondepreciable capital assets	131,806	4,460,487	(4,328,681)	-97.05%
Depreciable capital assets, net	18,867,239	13,482,683	5,384,556	39.94%
Total assets	33,614,963	33,183,724	431,239	1.30%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - related to pensions	514,142	383,495	130,647	34.07%
Deferred outflows of resources - related to OPEB	79,473	68,686	10,787	15.70%
Total deferred outflows of resources	593,615	452,181	141,434	31.28%
LIABILITIES				
Accounts payable	231,525	989,355	(757,830)	-76.60%
Accrued payroll and benefits	877,746	795,730	82,016	10.31%
Prepaid taxes	32,359	23,601	8,758	37.11%
Other liabilities	53,994	5,064,117	(5,010,123)	-98.93%
Accrued interest	12,053	2,288	9,765	426.79%
Noncurrent liabilities:			-	
Due within one year	594,830	689,606	(94,776)	-13.74%
Due in more than one year	7,601,873	3,115,771	4,486,102	143.98%
Total liabilities	9,404,380	10,680,468	(1,276,088)	-11.95%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - related to pensions	111,957	25,969	85,988	331.12%
Deferred inflows of resources - related to OPEB	75,710	13,102	62,608	477.85%
Total deferred inflows of resources	187,667	39,071	148,596	380.32%
NET POSITION				
Net investment in capital assets	13,212,124	11,668,572	1,543,552	13.23%
Restricted for:			-	
Education	2,738,626	2,204,275	534,351	24.24%
Tax increment financing	679,526	434,831	244,695	56.27%
Grants and other purposes	151,270	117,967	33,303	28.23%
Permanent funds:			-	
Nonexpendable	7,785	7,785	-	0.00%
Expendable	912	742	170	22.91%
Unrestricted	7,826,288	8,482,194	(655,906)	-7.73%
Total net position	\$ 24,616,531	22,916,366	1,700,165	7.42%

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

Overall net position for the Town's governmental activities increased by \$1,700,165 from 2018. 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 decreased by \$811,665 compared to total cash and equivalents in the prior year. Total net capital assets increased by \$5,384,556 and nondepreciable capital assets decreased by \$4,328,681, and long term liabilities due in more than one year increased from the prior year by \$4,486,102, all of which almost all is due to the Elementary School expansion project.

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2019.

Governmental Activities

	2019	2018	Change	% Change
REVENUES				
Program revenues:				
Charges for Services	\$ 3,309,801	3,041,145	268,656	8.83%
Operating grants and contributions	7,877,405	6,923,925	953,480	13.77%
Capital grants and contributions	-	466,086	(466,086)	-100.00%
General revenues:				
Property taxes	6,428,552	6,375,113	53,439	0.84%
Excise taxes	2,693,803	2,585,477	108,326	4.19%
Grants and contributions not restricted:				
State revenue sharing	172,745	161,233	11,512	7.14%
Homestead and BETE exemption	520,077	486,138	33,939	6.98%
Unrestricted investment earnings	240,479	156,232	84,247	53.92%
Miscellaneous revenues	34,719	17,096	17,623	103.08%
Total revenues	21,277,581	20,212,445	1,065,136	5.27%
Expenses				
General government	1,147,043	1,416,564	(269,521)	-19.03%
Public safety	976,056	978,009	(1,953)	-0.20%
Public works	1,076,221	1,040,246	35,975	3.46%
Solid waste	436,128	549,815	(113,687)	-20.68%
Recreational and social services	220,504	220,290	214	0.10%
Education	14,816,109	14,076,769	739,340	5.25%
County Tax	709,548	651,229	58,319	8.96%
Interest on debt	129,731	-	129,731	100.00%
Capital maintenance expenses	66,076	384,586	(318,510)	-82.82%
Total expenses	19,577,416	19,317,508	259,908	1.35%
Change in net position	1,700,165	894,937		

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

Comparatives of revenues identify a couple key changes. Overall revenues increased by \$1,065,136 from the previous year. The largest factor was the increase of \$951,649 from the prior year in operating grants and contributions for the School Department. Additionally, property taxes increased from the prior year by \$53,439. 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 an increase of \$108,326 when compared to 2018. This is positive for the Town because Ryder moved registering their interstate fleet to another State at the end of the 16-17 fiscal year, which resulted in a lost of an average of \$375,000 per year in revenue. Charges for services increased by \$268,656. This is primarily due to the Town choosing to stay with PERC rather than sign on to the new trash facility, Fiberight, which resulted in a payout for the Town from the MRC.

Overall, expenses have increased by \$259,908 from 2018. The main reasons for the increase are education expenses were up \$739,340 from 2018 and interest on debt of \$129,731. Most of the Town departments saw reductions in expenses from the prior year.

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, Town General Fund (\$6,303,443) and the School Department (\$2,738,626) reported a combined ending fund balance of \$9,042,069 (Statement 3), \$1,364,331 more 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 and transfers for the general fund by \$829,980, which includes the local portion of real estate taxes paid to the School Department. The ending fund balance for the general fund was \$6,303,443. School Department's revenues and transfers exceed expenses by \$534,351 resulting in an ending fund balance of \$2,738,626. The elementary school expansion was completed and a new bond was issued in the amount of \$5,100,000 in May 2019 from the Maine Municipal Bond Bank. The bond proceeds paid off the short term note of \$5,000,000 plus \$109,156 in accrued interest that was used to finance the project until a total cost of the project was known. Finally, all other governmental funds reported an increase in fund balance of \$27,238. 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.

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2018. The information is gathered from Statement 6, Exhibit A-2, and Exhibit B-2.

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

	<u>Actual Activity</u>			Percent Change
	2019	2018	Change	
Revenues				
Property taxes	\$ 6,458,892	\$ 6,342,780	116,112	1.83%
Excise taxes	2,693,803	2,585,477	108,326	4.19%
Payment in lieu of taxes	11,000	11,000	-	0.00%
Interest on taxes	35,096	30,824	4,272	13.86%
State revenue sharing	172,745	161,233	11,512	7.14%
Homestead exemption	238,686	195,287	43,399	22.22%
BETE reimbursement	281,391	290,851	(9,460)	-3.25%
State education subsidy	6,053,750	5,249,693	804,057	15.32%
Other intergovernmental revenues	108,154	111,414	(3,260)	-2.93%
Licenses and permits	71,144	63,647	7,497	11.78%
Charges for services	3,037,719	2,621,786	415,933	15.86%
Interest earned	177,719	96,769	80,950	83.65%
Other revenues	79,678	93,240	(13,562)	-14.55%
Total revenues	19,419,777	17,854,001	1,565,776	8.77%
Expenditures				
Current:				
General government	860,866	863,970	(3,104)	-0.36%
Economic development	119,977	148,900	(28,923)	-19.42%
Public safety	851,619	857,488	(5,869)	-0.68%
Public works	970,029	930,476	39,553	4.25%
Solid waste	420,472	534,878	(114,406)	-21.39%
Recreational and social services	182,106	187,349	(5,243)	-2.80%
County tax	709,548	651,229	58,319	8.96%
Tax increment financing	176,183	199,606	(23,423)	-11.73%
General assistance	2,363	4,240	(1,877)	-44.27%
Education	12,486,498	12,019,003	467,495	3.89%
Debt service	560,710	597,573	(36,863)	-6.17%
Total expenditures	17,340,371	16,994,712	345,659	2.03%
Excess of revenues over expenditures	\$ 2,079,406	\$ 859,289	1,220,117	

Overall, in 2019, revenues exceeded expenditures by \$2,079,406 in the General Fund. Total revenues increased by \$1,565,776 from 2018 primarily due to increases in property taxes, excise taxes, Homestead & BETE reimbursement, State education subsidy, School tuition and fees (charges for services), and the MRC payout. 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 \$345,569 in expenditures from 2018 to 2019. Education increased by \$467,495 from the prior year. The departments that showed decreases were general government, economic development, public safety, solid waste, recreation services, tax increment financing, and general assistance.

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

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

Capital Assets

	Balance 6/30/2018	Additions	Deletions	Balance 6/30/2019
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	4,331,915	3,234	4,331,915	3,234
Total capital assets, not being depreciated	4,460,487	3,234	4,331,915	131,806
Capital assets, being depreciated:				
Buildings and improvements	20,176,982	5,513,598	-	25,690,580
Equipment, furniture and fixtures	2,655,157	491,313	121,271	3,025,199
Vehicles	2,350,032	170,554	22,815	2,497,771
Infrastructure	565,293	-	-	565,293
Total capital assets, being depreciated	25,747,464	6,175,465	144,086	31,778,843
Total accumulated depreciation	12,264,781	770,888	124,065	12,911,604
Total capital assets, net	\$ 17,943,170	5,407,811	4,351,936	18,999,045

Major capital asset additions incurred by the Town during FY 2019 included the following:

- Elementary school expansion, school fire alarm upgrade, recreation playground at the elementary school, refurbishing gym floor, 4 thermal image cameras for the Fire Department, 2018 Ford F-350 for Public Works, compressor & cascade bottles, gear drying cabinet for the Fire Department, an electronic message sign at the elementary school. In total, capital asset additions for the year ending June 30, 2019 were \$6,178,699.

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 two bonds, four notes, and two capital leases. A summary of the Town's debt activity and other long-term liabilities for the year ended June 30, 2019 is as follows:

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

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Bonds and notes payable	\$ 1,009,900	5,100,000	549,900	5,560,000	460,000
Direct Borrowings	183,970	101,929	117,460	168,439	111,789
Capital leases payable	80,728	-	22,246	58,482	23,041
Governmental activities long-term liabilities	\$ 1,274,598	5,201,929	689,606	5,786,921	594,830

The Town did not issue any new bonds during the current year; however the School Department issued a bond in the amount of \$5,100,000 for the Elementary School expansion. Bonds payable increased by \$4,550,100 and capital leases payable & direct borrowing decreased by \$37,777. The School Department entered into two notes payable for a new truck and new bus that total of \$101,929.

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, 2019, total commitment was \$6,404,792 as compared to June 30, 2018, which was \$6,359,137. The mil rate for 2018-19 was 11.60, which was a decrease of 0.60 mils from the prior year.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2019-20 budget from 2018-19. These points are only the highlights and serve to summarize changes to the overall budget rather than to provide an explanation to every adjustment to the budget.

- General Government is increasing by \$66,108 or 6.99%. There are miscellaneous changes throughout general government, both increases and decreases within different sub-departments that balance out to a 6.99% overall increase. General government is comprised of the Town Manager, Town Clerk, Deputy Clerks, Finance Department, Assessor, Code Officer, municipal building, supplies, Town Council, Town Boards, miscellaneous expenses, and administration expenses such as all insurances including health, worker's compensation, tax bills, Hermon Connection, repairs, and audit and legal services. The largest single increase was for an additional full time Deputy Clerk. Health Insurance was the next largest increase, but also relates to the new full time position just mentioned.
- The Economic Development budget has increased by 65.80% or \$64,530. This is because the economic development promotion line item increased by \$61,350.

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

- Public safety, which encompasses Police, Fire, Animal Control, the public safety building, and traffic lights, is increasing by 6.09%, or \$52,949. Similar to general government, there are many miscellaneous increases and decreases among line items. The contract with the Penobscot Sheriff's office increased by \$4,000. The full time wages for deputies shows an increase of \$22,421, while the part timers decreased by \$10,560. The Fire Dept most notable changes are increases in uniforms for Class A uniforms, equipment, and vehicle maintenance for a total of \$14,135.
- The Public Works Department is increasing by 20.30%, or \$192,907. The larger increases within the department are for tree removal (\$7,500), road construction (\$149,336), and the snowplow contract (\$23,700). In prior years half of the road construction was funded and paid out of reserves in the same fiscal year. This year we are moving all annual road construction to the operating budget and using the reserve for capital purchases as it should be.
- The solid waste budget is decreasing by 22.35%, or -\$124,694. The reduction is primarily due to PERC tipping fees. The Town of Hermon chose to stay with PERC while many surrounding communities moved to using the new facility Fiberright.
- Recreation and social services is increasing by 151.26%, or \$217,774. The largest reason is the Town voted to help Hermon Rescue and provide them with \$210,000 for the 19-20 fiscal year.
- Debt service has been eliminated. The Town paid off the sewer bond in November 2018. The other outstanding bond and notes are budgeted and paid by the School Department.
- Reserves are being decreased by \$150,000, or -30.61% from the prior year. The decrease is due to moving regular annual road construction to the Public Works operating budget.
- Special assessments include county taxes and TIFs. There is a 2.97%, or \$25,527 increase for special assessments. This is mostly due to the county tax increase of \$65,527 and TIF payments to taxpayers in the TIF districts have decreased by \$40,000.
- General assistance is remaining unchanged from the prior year. 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 333 Billings Road, 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, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,824,271	-	13,824,271
Receivables:			
Taxes	349,625	-	349,625
Accounts	674,067	-	674,067
Internal balances	(273,817)	273,817	-
Inventory	19,240	-	19,240
Prepaid expenses	22,532	-	22,532
Nondepreciable capital assets	131,806	-	131,806
Depreciable capital assets, net	18,867,239	-	18,867,239
Total assets	33,614,963	273,817	33,888,780
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - related to pensions	514,142	-	514,142
Deferred outflows of resources - related to OPEB	79,473	-	79,473
Total deferred outflows of resources	593,615	-	593,615
LIABILITIES			
Accounts payable	231,525	-	231,525
Accrued payroll and benefits	877,746	-	877,746
Prepaid taxes	32,359	-	32,359
Other liabilities	53,994	-	53,994
Accrued interest	12,053	-	12,053
Noncurrent liabilities:			
Due within one year	594,830	-	594,830
Due in more than one year	7,601,873	-	7,601,873
Total liabilities	9,404,380	-	9,404,380
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - related to pensions	111,957	-	111,957
Deferred inflows of resources - related to OPEB	75,710	-	75,710
Total deferred inflows of resources	187,667	-	187,667
NET POSITION			
Net investment in capital assets	13,212,124	-	13,212,124
Restricted for:			
Education	2,738,626	-	2,738,626
Tax increment financing	679,526	-	679,526
Grants and other purposes	151,270	-	151,270
Permanent funds:			
Nonexpendable	7,785	-	7,785
Expendable	912	-	912
Unrestricted	7,826,288	273,817	8,100,105
Total net position	\$ 24,616,531	273,817	24,890,348

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2019

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	\$ 1,147,043	129,986	-	-	(1,017,057)	-	(1,017,057)
Public safety	976,056	19,203	-	-	(956,853)	-	(956,853)
Public works	1,076,221	6,691	64,992	-	(1,004,538)	-	(1,004,538)
Solid waste	436,128	575,632	-	-	139,504	-	139,504
Recreational and social services	220,504	3	14,657	-	(205,844)	-	(205,844)
Education	14,816,109	2,578,286	7,797,756	-	(4,440,067)	-	(4,440,067)
County tax	709,548	-	-	-	(709,548)	-	(709,548)
Interest on debt	129,731	-	-	-	(129,731)	-	(129,731)
Capital maintenance expenses	66,076	-	-	-	(66,076)	-	(66,076)
Total governmental activities	19,577,416	3,309,801	7,877,405	-	(8,390,210)	-	(8,390,210)
Business-type activities:							
Recreation department	358,324	377,127	-	-	-	18,803	18,803
Total business-type activities	358,324	377,127	-	-	-	18,803	18,803
Total primary government	\$ 19,935,740	3,686,928	7,877,405	-	(8,390,210)	18,803	(8,371,407)
General revenues:							
Property taxes					\$ 6,428,552	-	6,428,552
Excise taxes					2,693,803	-	2,693,803
Grants and contributions not restricted to specific programs:							
State revenue sharing					172,745	-	172,745
Homestead and BETE exemptions					520,077	-	520,077
Unrestricted investment earnings					240,479	-	240,479
Miscellaneous revenues					34,719	-	34,719
Total general revenues					10,090,375	-	10,090,375
Change in net position					1,700,165	18,803	1,718,968
Net position - beginning, restated					22,916,366	255,014	23,171,380
Net position - ending					\$ 24,616,531	273,817	24,890,348

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2019

	General	School Department Operations	School Capital Improvements	All Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,795,338	1,065,460	3,088,123	1,875,350	13,824,271
Receivables:					
Taxes - current year	233,742	-	-	-	233,742
Taxes - prior year	44,898	-	-	-	44,898
Tax liens - prior years	59,321	-	-	-	59,321
Tax acquired property	11,664	-	-	-	11,664
Accounts	99,606	274,929	-	299,532	674,067
Inventory	11,500	-	-	7,740	19,240
Prepaid expenditures	22,532	-	-	-	22,532
Interfund loans receivable	-	2,289,425	-	253,337	2,542,762
Total assets	\$ 8,278,601	3,629,814	3,088,123	2,435,959	17,432,497
LIABILITIES					
Accounts payable	184,796	46,369	-	360	231,525
Accrued payroll and benefits	31,658	844,819	-	1,269	877,746
Prepaid taxes	32,359	-	-	-	32,359
Other liabilities	53,994	-	-	-	53,994
Interfund loans payable	1,473,935	-	868,473	474,171	2,816,579
Total liabilities	1,776,742	891,188	868,473	475,800	4,012,203
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	198,416	-	-	-	198,416
Total deferred inflows of resources	198,416	-	-	-	198,416
FUND BALANCES					
Nonspendable	34,032	-	-	7,785	41,817
Restricted	679,526	2,738,626	-	152,182	3,570,334
Committed	78,603	-	2,219,650	1,898,444	4,196,697
Assigned	525,000	-	-	-	525,000
Unassigned	4,986,282	-	-	(98,252)	4,888,030
Total fund balances (deficit)	6,303,443	2,738,626	2,219,650	1,960,159	13,221,878
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,278,601	3,629,814	3,088,123	2,435,959	
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.					18,999,045
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					198,416
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					(5,728,439)
Capital leases payable					(58,482)
Net pension liability, including related deferred inflows and outflows of resources					(157,832)
OPEB liabilities, including related deferred inflows and outflows of resources					(1,771,398)
Accrued interest					(12,053)
Accrued compensated absences					(74,604)
Net position of governmental activities					\$ 24,616,531

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, 2019

	General	School Department Operations	School Capital Improvements	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 9,198,791	-	-	-	9,198,791
Intergovernmental	762,136	7,010,021	-	593,435	8,365,592
Licenses and permits	71,144	-	-	-	71,144
Charges for services	634,262	2,403,457	-	177,679	3,215,398
Investment income	165,529	28,021	11,026	35,903	240,479
Other	34,719	44,959	-	182,935	262,613
Total revenues	10,866,581	9,486,458	11,026	989,952	21,354,017
Expenditures:					
Current:					
General government	861,569	-	-	20,594	882,163
Economic development	174,503	-	-	-	174,503
Public safety	851,619	-	-	-	851,619
Public works	970,029	-	-	10,808	980,837
Solid waste	420,472	-	-	-	420,472
Recreational and social services	182,106	-	-	15,527	197,633
County tax	709,548	-	-	-	709,548
Tax increment financing	176,183	-	-	-	176,183
General assistance	2,363	-	-	-	2,363
Education	-	12,513,766	-	1,017,723	13,531,489
Maine PERS on-behalf payments	-	917,431	-	-	917,431
Unclassified	-	-	-	-	-
Debt service	89,900	470,810	109,156	-	669,866
Capital outlay	-	101,929	1,264,460	546,471	1,912,860
Total expenditures	4,438,292	14,003,936	1,373,616	1,611,123	21,426,967
Excess (deficiency) of revenues over (under) expenditures	6,428,289	(4,517,478)	(1,362,590)	(621,171)	(72,950)
Other financing sources (uses):					
Bond and note proceeds	-	101,929	5,100,000	-	5,201,929
Transfers from other funds	4,387	4,984,900	-	648,409	5,637,696
Transfers to other funds	(5,602,696)	(35,000)	-	-	(5,637,696)
Total other financing sources (uses)	(5,598,309)	5,051,829	5,100,000	648,409	5,201,929
Net change in fund balances	829,980	534,351	3,737,410	27,238	5,128,979
Fund balances, beginning of year, as restated	5,473,463	2,204,275	(1,517,760)	1,932,921	8,092,899
Fund balances (deficit), end of year	\$ 6,303,443	2,738,626	2,219,650	1,960,159	13,221,878

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, 2019

Net change in fund balances - total governmental funds (from Statement 4)	\$	5,128,979
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This the amount by which capital outlay (\$1,846,784) exceeded depreciation expense (\$770,888) and the net book value of disposed assets (\$20,021).</p>		1,055,875
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in unavailable revenue - property taxes.</p>		(76,436)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the increase in the OPEB liabilities with related deferred inflows and outflows of resources (\$5,385), accrued interest (\$9,765), and accrued compensated absences (\$6,336), netted with the decrease in the net pension liability with related deferred inflows and outflows of resources (\$125,556).</p>		104,070
<p>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 proceeds (\$5,201,929) exceeded capital lease repayments (\$22,246) and bond and note repayments (\$667,360).</p>		(4,512,323)
<hr/>		
Change in net position of governmental activities (see Statement 2)	\$	1,700,165

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
For the year ended June 30, 2019

	Town General Fund				School Department Operations			
	Budgeted amounts		Actual	Variance with final budget positive (negative)	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final			Original	Final		
Revenues:								
Taxes	\$ 8,701,792	8,701,792	9,198,791	496,999	-	-	-	-
Intergovernmental	749,876	749,876	762,136	12,260	5,999,015	5,999,015	6,092,590	93,575
Licenses and permits	57,100	57,100	71,144	14,044	-	-	-	-
Charges for services	247,200	247,200	634,262	387,062	2,033,632	2,033,632	2,403,457	369,825
Interest earned	55,000	55,000	164,997	109,997	-	-	12,722	12,722
Other revenues	15,500	15,500	34,719	19,219	20,000	20,000	44,959	24,959
Total revenues	9,826,468	9,826,468	10,866,049	1,039,581	8,052,647	8,052,647	8,553,728	501,081
Expenditures:								
Current:								
General government	925,776	925,776	860,866	64,910	-	-	-	-
Economic development	146,072	146,072	119,977	26,095	-	-	-	-
Public safety	869,236	869,236	851,619	17,617	-	-	-	-
Public works	950,466	970,466	970,029	437	-	-	-	-
Solid waste	558,026	558,026	420,472	137,554	-	-	-	-
Recreation and social services	143,971	184,170	182,106	2,064	-	-	-	-
County tax	709,548	709,548	709,548	-	-	-	-	-
Tax increment financing	150,000	150,000	176,183	(26,183)	-	-	-	-
General assistance	5,000	5,000	2,363	2,637	-	-	-	-
Education	-	-	-	-	13,400,504	13,400,504	12,486,498	914,006
Debt service:								
Principal	89,900	89,900	89,900	-	460,000	460,000	460,000	-
Interest	-	-	-	-	10,810	10,810	10,810	-
Total expenditures	4,547,995	4,608,194	4,383,063	225,131	13,871,314	13,871,314	12,957,308	914,006
Excess (deficiency) of revenues over (under) expenditures	5,278,473	5,218,274	6,482,986	1,264,712	(5,818,667)	(5,818,667)	(4,403,580)	1,415,087
Other financing sources (uses):								
Use of prior year surplus	425,000	585,199	-	(585,199)	600,000	600,000	-	(600,000)
Use of TIF funds	249,845	249,845	-	(249,845)	-	-	-	-
Appropriated for TIF funds	(420,878)	(420,878)	-	420,878	-	-	-	-
Transfers in	-	-	4,387	4,387	268,767	268,767	200,000	(68,767)
Local appropriation - School Department	(4,984,900)	(4,984,900)	(4,984,900)	-	4,984,900	4,984,900	4,984,900	-
Transfers out	(490,000)	(590,000)	(590,000)	-	(35,000)	(35,000)	(35,000)	-
Total other financing sources (uses)	(5,220,933)	(5,160,734)	(5,570,513)	(409,779)	5,818,667	5,818,667	5,149,900	(668,767)
Net change in fund balance, budgetary basis	57,540	57,540	912,473	854,933	-	-	746,320	746,320
Reconciliation to GAAP:								
Changes in committed balances (reserves)			(82,493)				115,299	
Transfer to reserve			-				(300,000)	
Change in accrued summer salaries and benefits			-				(27,268)	
Net change in fund balance, GAAP basis			829,980				534,351	
Fund balance, beginning of year, as restated			5,473,463				2,204,275	
Fund balance, end of year	\$		6,303,443				2,738,626	

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Net Position
Proprietary Fund
June 30, 2019

Business-type Activities - Enterprise Fund		Recreation Department
ASSETS		
Current assets:		
Interfund loans receivable	\$	273,817
Total assets		273,817
LIABILITIES		
Current liabilities:		
Accounts payable		-
Total liabilities		-
NET POSITION		
Unrestricted		273,817
Total net position	\$	273,817

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, 2019

Business-type Activities - Enterprise Fund		Recreation Department
Operating revenues:		
Charges for services	\$	377,127
Total operating revenues		377,127
Operating expenses:		
Payroll and related expenses		229,767
Recreation programs		128,557
Total operating expenses		358,324
Operating income		18,803
Net position, beginning of year		255,014
Net position, end of year	\$	273,817

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Fund
For the year ended June 30, 2019

Business-type Activities - Enterprise Fund		Recreation Department
Cash flows from operating activities:		
Receipts from customers and users	\$	377,127
Payments to suppliers		(128,557)
Payments to employees		(229,767)
Net cash provided by operating activities		18,803
Cash flows from noncapital financing and related activities:		
Net interfund activity		(18,803)
Net cash used in noncapital financing and related activities		(18,803)
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		18,803
Adjustments to reconcile operating income to net cash used in operating activities:		
Increase (decrease) in accounts payable		-
Net cash provided by operating activities	\$	18,803

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

	Agency Funds	Private-purpose Trusts
	Student Activity Funds	School Department Scholarships
ASSETS		
Cash and cash equivalents	\$ 183,083	35,003
Total assets	183,083	35,003
LIABILITIES		
Due to student groups	183,083	-
Total liabilities	183,083	-
NET POSITION		
Held in trust	\$ -	35,003

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, 2019

		Private-purpose Trusts <hr/> School Department Scholarships
<hr/>		
Additions:		
Interest earned	\$	1,167
Donations		200
Total additions		<hr/> 1,367
<hr/>		
Deductions:		
Scholarships		1,200
Other		158,786
Total deductions		<hr/> 159,986
<hr/>		
Change in net position		(158,619)
<hr/>		
Net position, beginning of year		193,622
<hr/>		
Net position, end of year	\$	35,003

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 Town 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 Department Operations Fund* is the School Department’s primary operating fund. It accounts for all the financial resources of the School Department, except those required to be 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 Town 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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *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.

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 and School Department Operations Fund, 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 \$917,431. 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 Balances

For the year ended June 30, 2019, the following funds had deficit fund balances:

School lunch fund	\$ 90,395	Capital renewal	6,975
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, 2019, expenditures exceeded appropriations for the following:

Tax increment financing	\$ 26,183	System administration	10,717
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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, 2019, the Town reported deposits of \$14,042,357 with a bank balance of \$14,568,069. 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 October 25, 2018, on the assessed value listed as the prior April 1, for all real and personal property located in the Town. Payment of taxes was due on April 1, 2019. Interest at the rate of 8% 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 \$57,540 for the period ended June 30, 2019.

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 2019 and 2018 levies:

	<u>2019</u>	<u>2018</u>
Assessed value	\$ 552,137,200	521,240,800
Tax rate (per \$1,000)	11.60	12.20
Commitment	6,404,792	6,359,137
Supplemental taxes assessed	3,032	6,799
	6,407,824	6,365,936
Less:		
Collections and abatements	6,174,082	5,996,290
Receivable at June 30	\$ 233,742	369,646
Due date	April 1, 2019	April 2, 2018
Interest rate on delinquent taxes	8.0%	7.0%
Collection rate	96.35%	94.19%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, <u>2018</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2019</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	4,331,915	3,234	4,331,915	3,234
Total capital assets, not being depreciated	4,460,487	3,234	4,331,915	131,806
Capital assets, being depreciated:				
Buildings and building improvements	20,176,982	5,513,598	-	25,690,580
Equipment, furniture and fixtures	2,655,157	491,313	121,271	3,025,199
Vehicles	2,350,032	170,554	22,815	2,497,771
Infrastructure	565,293	-	-	565,293
Total capital assets being depreciated	25,747,464	6,175,465	144,086	31,778,843
Less accumulated depreciation for:				
Buildings and building improvements	9,351,805	414,364	-	9,766,169
Equipment, furniture and fixtures	1,792,401	155,705	101,250	1,846,856
Vehicles	1,110,136	189,513	22,815	1,276,834
Infrastructure	10,439	11,306	-	21,745
Total accumulated depreciation	12,264,781	770,888	124,065	12,911,604
Total capital assets being depreciated, net	13,482,683	5,404,577	20,021	18,867,239
Governmental activities capital assets, net	\$ 17,943,170	5,407,811	4,351,936	18,999,045

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

Governmental activities:	
General government	\$ 21,837
Public safety	122,369
Public works	85,006
Solid waste	15,656
Recreation and social services	14,196
Education	511,824
Total depreciation expense – governmental activities	\$ 770,888

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

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2019, 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	\$ -	1,473,935	(5,598,309)
School Department operations	2,289,425	-	4,949,900
School capital improvements	-	868,473	-
Recreation Department	273,817	-	-
Nonmajor special revenue funds	62,122	474,171	52,097
Nonmajor capital project fund	191,215	-	596,312
Totals	\$ 2,816,579	2,816,579	-

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.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2019 was as follows:

	<u>Restated Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 1,009,900	5,100,000	549,900	5,560,000	460,000
Direct borrowings	183,970	101,929	117,460	168,439	111,789
Capital leases payable	80,728	-	22,246	58,482	23,041
Net pension liability	640,914	-	80,897	560,017	-
Net OPEB liability	40,126	14,174	-	54,300	-
Total OPEB liability	1,781,471	-	60,610	1,720,861	-
Accrued compensated absences	68,268	6,336	-	74,604	-
Governmental activities long-term liabilities	\$ 3,805,377	5,222,439	831,113	8,196,703	594,830

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

LONG-TERM DEBT

Bonds Payable and Direct Borrowings

Bonds payable and direct borrowings at June 30, 2019 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:				
2015 refunding bonds	1,840,000	1.37%	11/1/2019	460,000
2019 Elementary School bonds	5,100,000	1.72-2.39%	11/1/2029	5,100,000
Total general obligation bonds				5,560,000
Direct borrowings:				
2018 bus note	67,000	2.95%	8/1/2019	33,255
2018 bus note	67,000	2.95%	8/1/2019	33,255
2019 truck note	32,929	3.99%	8/1/2021	32,929
2019 bus note	69,000	3.45%	8/1/2020	69,000
Total direct borrowings				168,439
Total bonds payable and direct borrowings				\$ 5,728,439

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

	<u>Bonds Payable</u>		<u>Direct Borrowings</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2020	\$ 460,000	102,435	111,789	3,756	677,980
2021	510,000	100,419	45,674	2,108	658,201
2022	510,000	91,060	10,976	444	612,480
2023	510,000	81,523	-	-	591,523
2024	510,000	71,732	-	-	581,732
2025-2029	2,550,000	201,042	-	-	2,751,042
2030	510,000	6,095	-	-	516,095
Totals	\$ 5,560,000	654,306	168,439	6,308	6,389,053

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, 2019:

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, 2019:

Year ended	
<u>June 30,</u>	
2020	\$ 25,160
2021	25,160
<u>2022</u>	<u>12,021</u>
Total minimum lease payments	62,341
<u>Less amounts representing interest</u>	<u>(3,859)</u>
Present value of future minimum	
<u>lease payments</u>	<u>\$ 58,482</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, 2019, 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 was issued. The promissory note was for \$5,000,000 with an interest rate of 1.99% and was due on May 24, 2019. Promissory note activity for the year ended June 30, 2019 was as follows:

	<u>Beginning</u> <u>balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u> <u>balance</u>
<u>Promissory note</u>	<u>\$ 5,000,000</u>	<u>-</u>	<u>5,000,000</u>	<u>-</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, 2019.

FUND BALANCES

As of June 30, 2019, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund:				
Inventory and prepaid	\$ 34,032	-	-	-
Tax increment financing districts	-	679,526	-	-
Appropriated to the 2019 budget	-	-	-	525,000
Municipal unemployment	-	-	36,554	-
Legal liability	-	-	19,599	-
Economic development	-	-	(11,539)	-
Rural fire protection	-	-	11,031	-
Sick leave reserve	-	-	22,409	-
Hermon Veterans Memorial	-	-	(169)	-
Boston Post	-	-	718	-
Total general fund	34,032	679,526	78,603	525,000
All other governmental funds:				
Education	-	2,738,626*	-	-
Grants and other purposes	-	151,270	-	-
Capital outlay	-	-	4,118,094	-
Permanent funds – principal	7,785	-	-	-
Permanent funds – unexpended income	-	912	-	-
Total other governmental funds	7,785	2,890,808	4,118,094	-
Grand totals	\$ 41,817	3,570,334	4,196,697	525,000

*Of the total restricted for education of \$2,738,626, the School Department has committed \$951,172 to various reserves (unemployment, fuel, tax rate stabilization, school bus, Hermon athletic complex) and has budgeted \$600,000 for the FY 2020 budget to reduce taxes (assigned fund balance). The remainder of \$1,187,454 is considered the School Department's unassigned fund balance.

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

NET PENSION LIABILITY

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, 2019, was 7.3% of annual payroll. Contributions to the pension plan from the Town were \$73,509 for the year ended June 30, 2019.

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, 2019, 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 \$259,180 for the year ended June 30, 2019.

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, 2018, 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

NET PENSION LIABILITY, CONTINUED

PLD Plan - At June 30, 2019, the Town reported a liability of \$328,183 for its proportionate share of the net pension liability. At June 30, 2018, the Town's proportion of the PLD Plan was 0.1199%.

SET Plan - At June 30, 2019, 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	\$ 231,834
State's proportionate share of the net pension liability associated with the Town	6,685,074
Total	\$ 6,916,908

At June 30, 2018, the Town's proportion of the SET Plan was 0.0172%

For the year ended June 30, 2019, the Town recognized pension expense of \$2,735 for the PLD Plan and pension expense of \$974,119 and revenue of \$723,361 for support provided by the State for the SET Plan. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PLD Plan		SET Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	2,576	\$ 7,081	-
Changes of assumptions	52,380	-	14,583	-
Net difference between projected and actual earnings on pension plan investments	-	79,243	-	30,138
Changes in proportion and differences between Town contributions and proportionate share of contributions	88,003	-	19,406	-
Town contributions subsequent to the measurement date	73,509	-	259,180	-
Total	\$ 213,892	81,819	300,250	30,138

\$332,689 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

NET PENSION LIABILITY, CONTINUED

<u>Year ended June 30:</u>	<u>PLD Plan</u>	<u>SET Plan</u>
2020	\$ 108,544	27,625
2021	24,410	12,859
2022	(53,909)	(21,455)
2023	(20,481)	(8,097)

Actuarial Assumptions - The total pension liability in the June 30, 2018 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	6.75%	6.75%
Cost of living benefit increases, per annum	1.91%	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, 2018 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, 2018 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%
U.S. 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%

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

NET PENSION LIABILITY, CONTINUED

Discount Rate - The discount rate used to measure the total pension liability was 6.75% 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.

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 6.75% 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 (5.75% for both the PLD Plan SET Plan) or 1 percentage-point higher (7.75% for both the PLD Plan and SET Plan) than the current rate:

<u>PLD Plan</u>	1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Town's proportionate share of the net pension liability	\$ 773,484	328,183	(88,051)
 <u>SET Plan</u>	 1% Decrease <u>(5.75%)</u>	 Current Discount Rate <u>(6.75%)</u>	 1% Increase <u>(7.75%)</u>
Town's proportionate share of the net pension liability	\$ 428,430	231,834	68,102

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, 2019.

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.

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

DEFERRED COMPENSATION PLAN, CONTINUED

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, 2019, the Town recognized pension expense of \$62,074.

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE

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.maineipers.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, 2019. 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 \$23,675 for the year ended June 30, 2019. 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, 2018, 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.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

PLD OPEB Plan - At June 30, 2019, the Town reported a liability of \$54,300 for its proportionate share of the net OPEB liability. At June 30, 2018, the Town's proportion was 0.2688%.

SET OPEB Plan - At June 30, 2019, 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 \$259,460 as of June 30, 2019. At June 30, 2018, the Town's proportion was 0.00%.

For the year ended June 30, 2019, the Town recognized OPEB expense of \$1,892 for the PLD OPEB Plan. For the year ended June 30, 2019, the Town recognized OPEB expense of \$23,675 and also revenues of \$23,675 for support provided by the State related to the SET OPEB plan. At June 30, 2019, the Town reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB plan. At June 30, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,582	-
Changes of assumptions	-	6,538
Net difference between projected and actual earnings on pension plan investments	-	2,850
Changes in proportion and differences between Town contributions and proportionate share of contributions	10,703	-
Total	\$ 15,285	9,388

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

<u>Year ended June 30:</u>	
2020	\$ 670
2021	670
2022	670
2023	1,208
2024	2,679

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuations was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

	<u>PLD OPEB Plan</u>	<u>SET OPEB Plan</u>
Inflation	2.75%	2.75%
Salary increases	2.75% - 9.00%	2.75% - 14.50%
Investment rate of return	6.75%	6.75%

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

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

The actuarial assumptions used in the June 30, 2018 valuations were based on the results of an actuarial experience study conducted for the period June 30, 2012 to June 30, 2015.

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	15.0%	3.0%
U.S. Government Securities	10.0%	2.3%

Discount Rate - The rate used to measure the total OPEB liability for the PLD OPEB plan was 5.13% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.87%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2018. 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 2047. Therefore, the portion of the future projected benefit payments after 2047 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 6.75%. 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 5.13%, 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 (4.13%) or 1 percentage-point higher (6.13%) than the current rate:

	1% Decrease (4.13%)	Discount Rate (5.13%)	1% Increase (6.13%)
Net OPEB liability	\$ 71,738	54,300	40,551

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

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.

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.

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE – SCHOOL DEPARTMENT

General Information about the OPEB Plan

Plan Description - The Town sponsors a post-retirement benefit plan providing health insurance to retiring employees. The plan is a single-employer defined benefit OPEB plan administered by the Maine Education Association Benefits Trust (MEABT). The State Legislature has the authority to establish and amend the benefit terms and financing requirements. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided - MEABT provides healthcare insurance benefits for retirees and their dependents. The employee must have participated in the MEABT health plan for the 12 months prior to retirement and have 10 years of continuous active service and enrollment in the health plan (under age 50), or 5 years of continuous active service and enrollment in the health plan (age 50 or above), in order to be eligible for postretirement benefits. The retiree is eligible for a State subsidy of 45% of the blended single premium for the retiree only. Under State laws, the blended premium is determined by blending rates for active members and retired members. The retiree pays 55% of the blended premium rate for coverage selected. Spouses must contribute 100% of the blended premium amounts. Thus, the total premium is paid for by both the State and the retiree and or spouse.

Employees Covered by Benefit Terms – At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	49
Inactive employee entitled to but not yet receiving benefits	-
Active employees	141
Total	190

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE – SCHOOL DEPARTMENT, CONTINUED

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

The Town’s total OPEB liability of \$1,720,861 was measured as of June 30, 2018, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at June 30, 2018	\$ 1,781,471
Changes for the year:	
Service cost	17,636
Interest	63,309
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(79,586)
Benefit payments	<u>(61,969)</u>
Net changes	<u>(60,610)</u>
Balance at June 30, 2019	<u>\$ 1,720,861</u>

Change in assumptions reflects a change in the discount rate from 3.58% to 3.87%.

For the year ended June 30, 2019, The Town recognized OPEB expense of \$67,681. At June 30, 2019, The Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumption or other inputs	\$ -	66,322
Town contributions subsequent to measurement date	64,188	-
Total	<u>\$ 64,188</u>	<u>66,322</u>

\$64,188 is reported as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other 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:	
2020	\$ (13,264)
2021	(13,264)
2022	(13,264)
2023	(13,264)
2024	(13,266)

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE – SCHOOL DEPARTMENT, CONTINUED

Actuarial Assumptions - The total OPEB liability in the June 30, 2018 actuarial valuation for the total OPEB liability was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	Not reported
Salary increases	2.75% - 14.50% per year
Discount rate	3.87% per annum
Healthcare cost trend rates - Pre-Medicare	5.55% for 2018 grading over 15 years to 3.73%
Healthcare cost trend rates - Medicare	3.72% for 2018 grading over 15 years to 2.81%
Retirees' share of the benefit related costs	55% of the blended premium rate with a State subsidy for the remaining 45% of the blended premium rate

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, 2018 valuation were based on the results of an actuarial experience study for the period June 30, 2012 through June 30, 2015.

Discount Rate - The rate used to measure the total OPEB liability was 3.87% per annum. Since the plan is pay as you go and is not funded, the discount rate was based upon high quality AA/Aa or higher bond yields in effect for 20 years, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond GO Index.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the Town's total OPEB liability calculated using the discount rate of 3.87%, as well as what the Town's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.87%) or 1 percentage-point higher (4.87%) than the current rate:

	1% Decrease (2.87%)	Discount Rate (3.87%)	1% Increase (4.87%)
Total OPEB liability	\$ 2,019,974	1,720,861	1,483,671

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Town's total OPEB liability calculated using the healthcare cost trend rates, as well as what the Town's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage-point lower or 1 percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates	1% Increase
Total OPEB liability	\$ 1,471,232	1,720,861	2,036,974

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

RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2019, the Town has restated beginning net position in the government-wide statement of net position to account for the addition of the Town's total OPEB liability in regards to an implicit liability for retiree health insurance through the Maine Education Association Benefits Trust (MEABT), which effectively decreased the Town's net position as of July 1, 2018 by \$1,719,502.

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, 2019:

	Governmental <u>activities</u>
Capital assets	\$ 31,910,649
Accumulated depreciation	(12,911,604)
Bonds payable and direct borrowings	(5,728,439)
<u>Capital leases payable</u>	<u>(58,482)</u>
<u>Total net investment in capital assets</u>	<u>\$ 13,212,124</u>

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.

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

CREDIT ENHANCEMENT AGREEMENTS, CONTINUED

For the fiscal year ended June 30, 2019, the Town remitted a total of \$106,091 in Credit Enhancement payments, including the following, each of which exceeded 10 percent of the total amount remitted:

\$50,672 (47.76%) 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.

\$21,500 (20.26%) 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 \$146,727 of equipment and services during the year ended June 30, 2019. 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.

FUND RECLASSIFICATIONS

The Town reclassified certain fund classifications for the year ended June 30, 2019. The reclassifications were as follows:

	General Fund	School Department Operations
Fund balance, as previously reported	\$ 7,677,738	-
Reclassification of funds	(2,204,275)	2,204,275
Fund balance, as restated	\$ 5,473,463	2,204,275

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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan</u>					
Town's proportion of the net pension liability	0.1199%	0.1033%	0.0778%	0.0659%	0.0665%
Town's proportionate share of the net pension liability	\$ 328,183	422,772	413,471	210,201	102,291
Town's covered payroll	950,975	814,224	651,095	659,232	354,270
Town's proportionate share of the net pension liability as a percentage of its covered payroll	34.51%	51.92%	63.50%	31.89%	28.87%
Plan fiduciary net position as a percentage of the total pension liability	91.14%	86.43%	81.61%	88.27%	94.10%
<u>SET Plan</u>					
Town's proportion of the net pension liability	0.0172%	0.0150%	0.0153%	0.0157%	0.0178%
Town's proportionate share of the net pension liability	\$ 231,834	218,142	270,016	212,198	192,299
State's proportionate share of the net pension liability associated with the Town	6,685,074	7,294,373	8,709,868	6,641,782	5,330,683
Total	\$ 6,916,908	7,512,515	8,979,884	6,853,980	5,522,982
Town's covered payroll	\$ 6,297,314	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	3.68%	3.49%	4.52%	3.66%	3.36%
Plan fiduciary net position as a percentage of the total pension liability	82.90%	80.78%	76.21%	81.18%	83.91%

* Only five 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan</u>						
Contractually required contribution	\$ 73,509	66,360	52,924	36,460	27,029	12,046
Contributions in relation to the contractually required contribution	(73,509)	(66,360)	(52,924)	(36,460)	(27,029)	(12,046)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Town's covered payroll	1,006,975	950,975	814,224	651,095	659,232	354,270
Contributions as a percentage of covered payroll	7.30%	7.00%	6.50%	5.60%	4.10%	3.40%
<u>SET Plan</u>						
Contractually required contribution	\$ 259,180	250,003	209,963	200,512	153,824	151,813
Contributions in relation to the contractually required contribution	(259,180)	(250,003)	(209,963)	(200,512)	(153,824)	(151,813)
Contribution deficiency (excess)	\$ -	-	-	-	-	-
Town's covered payroll	\$ 6,528,232	6,297,314	6,248,889	5,967,610	5,804,673	5,728,803
Contributions as a percentage of covered payroll	3.97%	3.97%	3.36%	3.36%	2.65%	2.65%

* Only six years of information available.

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

Schedule of Town's Proportionate Share of the Net OPEB Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
<u>PLD Plan</u>		
Town's proportion of the net OPEB liability	0.2688%	0.24%
Town's proportionate share of the net OPEB liability	\$ 54,300	40,126
Town's covered-employee payroll	950,975	814,224
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	5.71%	4.93%
Plan fiduciary net position as a percentage of the total OPEB liability	43.92%	47.42%
<u>SET Plan</u>		
Town's proportion of the net OPEB liability	0.00%	0.00%
Town's proportionate share of the net OPEB liability	\$ -	-
State's proportionate share of the net OPEB liability associated with the Town	259,460	261,241
<u>Total</u>	<u>\$ 259,460</u>	<u>261,241</u>
Plan fiduciary net position as a percentage of the total OPEB liability	48.04%	47.29%

* Only two 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 OPEB Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD)
 Last 10 Fiscal Years*

	<u>2019</u>	<u>2018</u>
<u>PLD Plan</u>		
Contractually required contribution	\$ -	-
Contributions in relation to the contractually required contribution	-	-
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>
Town's covered-employee payroll	\$ 1,006,975	950,975
Contributions as a percentage of covered-employee payroll	0.00%	0.00%

* Only two years of information available.

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

Schedule of Changes in the Health Insurance – School Department Total OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2019</u>
Service cost	\$ 17,636
Interest	63,309
Changes in benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions or other inputs	(79,586)
<u>Benefit payments</u>	<u>(61,969)</u>
Net change in total OPEB liability	(60,610)
<u>Total OPEB liability – beginning</u>	<u>1,781,471</u>
<u>Total OPEB liability – ending</u>	<u>\$ 1,720,861</u>
Covered-employee payroll	\$ 6,483,883
Total OPEB liability as a percentage of covered-employee payroll	26.5%

* Only one year of information available.

TOWN OF HERMON, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms (Pension) - None

Changes of Assumptions (Pension) - The following are changes in actuarial assumptions used in the most recent valuations:

	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate – PLD	6.750%	6.875%	7.125%	7.250%	7.250%
Discount rate – SET	6.750%	6.875%	7.125%	7.125%	7.250%
Inflation rate	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases – PLD	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Salary increases – SET	2.75-14.50%	2.75-14.50%	3.50-13.50%	3.50-13.50%	3.50-13.50%
Cost of living increases – PLD	1.91%	2.20%	2.55%	3.12%	3.12%
Cost of living increases – SET	2.20%	2.20%	2.55%	2.55%	2.55%

** This schedule is intended to show information for ten years, but only the years in which changes occurred have been displayed. Additional years' information will be displayed as it becomes available.*

Mortality rates:

In 2015, mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. In 2016 and going forward, mortality rates were based on the RP2014 Total Data Set Healthy Annuitant Mortality Table.

Changes of Benefit Terms (OPEB) - None

Changes of Assumptions (OPEB) - The following are changes in actuarial assumptions used in the most recent valuations regarding the MPERS life insurance plans:

	<u>2018</u>	<u>2017</u>
Discount rate –SET	6.75%	6.875%
Discount rate - PLD	5.13%	5.41%

Under the Health Plan - School Department, changes of assumptions and other inputs reflects the changes in the discount rate each period. The following are the discount rates used in each period:

Fiscal Year	Discount Rate
2019	3.87%
2018	3.58%

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
General Fund
Balance Sheet
June 30, 2019

	2019
ASSETS	
Cash and cash equivalents	\$ 7,795,338
Receivables:	
Taxes - current year	233,742
Taxes - prior years	44,898
Tax liens - prior years	59,321
Tax acquired property	11,664
Accounts	99,606
Inventory	11,500
Prepaid expenditures	22,532
Total assets	\$ 8,278,601
LIABILITIES	
Accounts payable	184,796
Accrued payroll and benefits	31,658
Prepaid taxes	32,359
Other liabilities	53,994
Interfund loans payable	1,473,935
Total liabilities	1,776,742
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	198,416
Total deferred inflows of resources	198,416
FUND BALANCE	
Nonspendable - inventory and prepaid	34,032
Restricted for TIF	679,526
Committed for Town reserves	78,603
Assigned for subsequent budget	525,000
Unassigned	4,986,282
Total fund balance	6,303,443
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,278,601

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, 2019

	2019		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 6,404,792	6,458,892	54,100
Excise taxes	2,256,000	2,693,803	437,803
Payment in lieu of taxes	11,000	11,000	-
Interest on taxes	30,000	35,096	5,096
Total taxes	8,701,792	9,198,791	496,999
Intergovernmental:			
State revenue sharing	165,724	172,745	7,021
Homestead reimbursement	234,971	238,686	3,715
BETE reimbursement	281,181	281,391	210
Snowmobile reimbursement	2,500	2,668	168
URIP funds	63,000	64,992	1,992
General assistance	2,500	1,654	(846)
Total intergovernmental	749,876	762,136	12,260
Licenses and permits:			
Town Clerk agent fees	30,000	31,435	1,435
Dog fees	2,100	2,241	141
Building permits	10,500	16,031	5,531
Plumbing fees	13,500	13,877	377
Planning/zoning fees	1,000	7,560	6,560
Total licenses and permits	57,100	71,144	14,044

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

	2019		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
Hermon connection	\$ 2,000	2,350	350
Cemetery maintenance	2,000	1,635	(365)
Cable franchise	15,000	21,065	6,065
Sewer assessments	200	-	(200)
Wireless tower fees	10,000	12,168	2,168
Public safety	5,000	19,203	14,203
Public works revenues	-	2,206	2,206
Solid waste and recycling	213,000	575,632	362,632
Recreation and social services	-	3	3
Total charges for services	247,200	634,262	387,062
Interest earned	55,000	164,997	109,997
Total interest earned	55,000	164,997	109,997
Other revenues:			
Fines and penalties	500	-	(500)
Miscellaneous	15,000	34,719	19,719
Total other revenues	15,500	34,719	19,219
Total revenues	9,826,468	10,866,049	1,039,581

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

	2019		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Administration	\$ 317,643	276,639	41,004
Town manager	107,514	107,214	300
Town clerk	64,222	63,199	1,023
Finance	135,636	118,744	16,892
Assessor	92,036	100,940	(8,904)
Code enforcement	44,489	42,040	2,449
Assistant clerks	80,992	79,273	1,719
Municipal building	23,748	21,891	1,857
Town office	9,500	8,385	1,115
Town council	13,833	14,648	(815)
Town boards	8,505	2,540	5,965
Other expenditures	27,658	25,353	2,305
Total general government	925,776	860,866	64,910
Economic development:			
Economic development	98,072	91,123	6,949
Technology	48,000	28,854	19,146
Total economic development	146,072	119,977	26,095
Public safety:			
Police department	417,984	384,106	33,878
Fire department	345,581	348,543	(2,962)
Utilities	105,671	118,970	(13,299)
Total public safety	869,236	851,619	17,617

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

	2019		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Public works:			
General	\$ 211,482	223,121	(11,639)
Roads	688,227	678,949	9,278
Town garage	4,810	2,217	2,593
Trucks/tractor	34,751	38,725	(3,974)
Salt shed/storage	4,725	3,805	920
Cemetery	26,471	23,212	3,259
Total public works	970,466	970,029	437
Solid waste:			
Landfill	25,312	15,746	9,566
Household waste	476,921	352,477	124,444
Sewer	55,793	52,249	3,544
Total solid waste	558,026	420,472	137,554
Recreation and social services:			
Recreation	115,474	112,832	2,642
Social services	57,949	56,995	954
Jackson Beach	10,747	12,279	(1,532)
Total recreation and social services	184,170	182,106	2,064
County tax	709,548	709,548	-
Tax increment financing	150,000	176,183	(26,183)
General assistance	5,000	2,363	2,637

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

	2019		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	4,608,194	4,383,063	225,131
Excess (deficiency) of revenues over (under) expenditures	5,218,274	6,482,986	1,264,712
Other financing sources (uses):			
Use of prior year surplus - Town	585,199	-	(585,199)
Use of TIF funds	249,845	-	(249,845)
Appropriated for TIF funds	(420,878)	-	420,878
Local appropriation - School Department	(4,984,900)	(4,984,900)	-
Transfer to reserves	(590,000)	(590,000)	-
Transfer from other funds	-	4,387	4,387
Transfer to other funds	-	-	-
Total other financing sources (uses)	(5,160,734)	(5,570,513)	(409,779)
Net change in fund balances, budgetary basis	57,540	912,473	854,933
Reconciliation to GAAP:			
Changes in committed balances (reserves)		(82,493)	
Net change in fund balances, GAAP basis		829,980	
Fund balance, beginning of year, as restated		5,473,463	
Fund balance, end of year		\$ 6,303,443	

TOWN OF HERMON, MAINE
Town Reserves - General Fund
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2019

		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	\$ 31,616	641	-	703	-	5,000	36,554	
03	Legal liability reserve	19,222	377	-	-	-	-	19,599	
15	Credit reserve	34,784	625	-	-	-	(35,409)	-	
16	Economic development	44,755	(1,768)	-	-	54,526	-	(11,539)	
22	Bicentennial	4,309	78	-	-	-	(4,387)	-	
31	Rural fire protection	9,801	230	-	-	-	1,000	11,031	
34	Sick leave	16,073	336	-	-	-	6,000	22,409	
5-01	Hermon Veterans Memorial	(169)	-	-	-	-	-	(169)	
5-04	Boston Post	705	13	-	-	-	-	718	
Total Town reserves		\$ 161,096	532	-	703	54,526	(27,796)	78,603	

SCHOOL DEPARTMENT OPERATIONS

TOWN OF HERMON, MAINE
School Department Operations
Balance Sheet
June 30, 2019

	2019
ASSETS	
Cash and cash equivalents	\$ 1,065,460
Accounts receivable	274,929
Interfund loans receivables	2,289,425
Total assets	\$ 3,629,814
LIABILITIES	
Accounts payable	46,369
Accrued payroll and benefits	844,819
Total liabilities	891,188
FUND BALANCE	
Restricted for education:	
Committed for School reserves	951,172
Assigned for subsequent budget	600,000
Unassigned	1,187,454
Total fund balance	2,738,626
Total liabilities and fund balances	\$ 3,629,814

TOWN OF HERMON, MAINE
School Department Operations
Schedule of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Budgetary Basis
For the year ended June 30, 2019

	2019		Variance positive (negative)
	Budget	Actual	
Revenues:			
State education subsidy	\$ 5,986,015	6,053,750	67,735
State agency client	13,000	32,293	19,293
Tuition and fees	1,600,000	1,847,489	247,489
Charges for services	433,632	555,968	122,336
Medicaid reimbursements	-	6,547	6,547
Investment earnings	-	12,722	12,722
Other revenues	20,000	44,959	24,959
Total revenues	8,052,647	8,553,728	501,081
Expenditures:			
Current:			
Regular instruction	6,012,212	5,643,213	368,999
Special education instruction	2,233,246	1,962,438	270,808
Other instruction	447,062	416,699	30,363
Student and staff support	1,398,871	1,274,425	124,446
System administration	376,022	386,739	(10,717)
School administration	702,337	685,805	16,532
Transportation	616,307	578,970	37,337
Facilities maintenance	1,614,447	1,538,209	76,238
Debt service	470,810	470,810	-
Total expenditures	13,871,314	12,957,308	914,006
Excess (deficiency) of revenues over (under) expenditures	(5,818,667)	(4,403,580)	1,415,087
Other financing sources (uses):			
Town appropriation	4,984,900	4,984,900	-
Utilization of prior year surplus	600,000	-	(600,000)
Transfer in from reserves	268,767	200,000	(68,767)
Transfer to school lunch program	(35,000)	(35,000)	-
Total other financing sources	5,818,667	5,149,900	(668,767)
Net change in fund balance - budgetary basis	-	746,320	746,320
Reconciliation to GAAP:			
Change in committed balances (reserves)		115,299	
Transfer to reserve		(300,000)	
Change in accrued summer salaries and benefits		(27,268)	
Net change in fund balance - GAAP basis		534,351	
Fund balance beginning of year, as restated		2,204,275	
Fund balance, end of year	\$	2,738,626	

TOWN OF HERMON, MAINE
School Department Reserves - School Department Operations
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2019

	Fund balances beginning of year	Revenues		Expenditures	Transfers In (Out)	Fund balances end of year
		Investment Income	Other			
Tax stabilization reserve	\$ 536,656	9,432	-	-	(200,000)	346,088
School unemployment reserve	39,114	767	-	-	-	39,881
School fuel reserve	206,352	4,046	-	-	-	210,398
School bus purchase reserves	53,751	1,054	-	-	-	54,805
Hermon athletic complex reserve	-	-	-	-	300,000	300,000
Total School Department reserves	\$ 835,873	15,299	-	-	100,000	951,172

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2019

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 159,424	1,707,229	8,697	1,875,350
Accounts receivable	299,532	-	-	299,532
Inventory	7,740	-	-	7,740
Interfund loans receivable	62,122	191,215	-	253,337
Total assets	\$ 528,818	1,898,444	8,697	2,435,959
LIABILITIES				
Accounts payable	360	-	-	360
Accrued payroll and benefits	1,269	-	-	1,269
Interfund loans payable	474,171	-	-	474,171
Total liabilities	475,800	-	-	475,800
FUND BALANCES				
Nonspendable	-	-	7,785	7,785
Restricted	151,270	-	912	152,182
Committed	-	1,898,444	-	1,898,444
Unassigned	(98,252)	-	-	(98,252)
Total fund balances	53,018	1,898,444	8,697	1,960,159
Total liabilities and fund balances	\$ 528,818	1,898,444	8,697	2,435,959

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2019

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 593,435	-	-	593,435
Charges for services	177,679	-	-	177,679
Investment income	1,414	34,319	170	35,903
Other	182,935	-	-	182,935
Total revenues	955,463	34,319	170	989,952
Expenditures:				
Current:				
General government	20,594	-	-	20,594
Public works	10,808	-	-	10,808
Recreation and social services	15,527	-	-	15,527
Education	1,017,723	-	-	1,017,723
Capital outlay	6,975	539,496	-	546,471
Total expenditures	1,071,627	539,496	-	1,611,123
Excess (deficiency) of revenues over (under) expenditures	(116,164)	(505,177)	170	(621,171)
Other financing sources:				
Transfer from other funds	52,097	596,312	-	648,409
Total other financing sources	52,097	596,312	-	648,409
Net change in fund balances	(64,067)	91,135	170	27,238
Fund balances, beginning of year	117,085	1,807,309	8,527	1,932,921
Fund balances, end of year	\$ 53,018	1,898,444	8,697	1,960,159

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, 2019

		Adult Education	Ruth Hanscom Estate	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Capital Renewal	ARRA MARTI
ASSETS									
Cash and cash equivalents	\$	-	-	-	-	-	-	-	-
Accounts receivable		-	-	15,465	70,547	192,615	3,433	-	-
Inventory		-	-	-	-	-	-	-	-
Interfund loans receivable		12,694	28,629	-	-	-	-	-	250
Total assets	\$	12,694	28,629	15,465	70,547	192,615	3,433	-	250
LIABILITIES									
Accounts payable		-	-	360	-	-	-	-	-
Accrued payroll and benefits		-	-	-	-	-	-	-	-
Interfund loans payable		-	-	15,105	70,547	192,615	3,433	6,975	-
Total liabilities		-	-	15,465	70,547	192,615	3,433	6,975	-
FUND BALANCES (DEFICITS)									
Restricted		12,694	28,629	-	-	-	-	-	250
Unassigned		-	-	-	-	-	-	(6,975)	-
Total fund balances (deficits)		12,694	28,629	-	-	-	-	(6,975)	250
Total liabilities and fund balances (deficits)	\$	12,694	28,629	15,465	70,547	192,615	3,433	-	250

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2019

		Ticket to Ride Grant	School Lunch Fund	PEPG Grant	Transition Grant	Library Grant	Comp. Grant	Bangor Wellness Grant	Fire Department Gear Grant
ASSETS									
Cash and cash equivalents	\$	-	69,348	-	-	-	-	-	-
Accounts receivable		-	17,472	-	-	-	-	-	-
Inventory		-	7,740	-	-	-	-	-	-
Interfund loans receivable		1,098	-	705	-	3,277	7,550	2,043	179
Total assets	\$	1,098	94,560	705	-	3,277	7,550	2,043	179
LIABILITIES									
Accounts payable		-	-	-	-	-	-	-	-
Accrued payroll and benefits		-	1,269	-	-	-	-	-	-
Interfund loans payable		-	183,686	-	882	-	-	-	-
Total liabilities		-	184,955	-	882	-	-	-	-
FUND BALANCES (DEFICITS)									
Restricted		1,098	-	705	-	3,277	7,550	2,043	179
Unassigned		-	(90,395)	-	(882)	-	-	-	-
Total fund balances (deficits)		1,098	(90,395)	705	(882)	3,277	7,550	2,043	179
Total liabilities and fund balances (deficits)	\$	1,098	94,560	705	-	3,277	7,550	2,043	179

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2019

	Maine Forest						
	Snowmobile Grant	Service Grants	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Veterans Memorial Park	Totals
ASSETS							
Cash and cash equivalents	\$ -	-	57,890	10,767	9,053	12,366	159,424
Accounts receivable	-	-	-	-	-	-	299,532
Inventory	-	-	-	-	-	-	7,740
Interfund loans receivable	-	4,863	-	-	834	-	62,122
Total assets	\$ -	4,863	57,890	10,767	9,887	12,366	528,818
LIABILITIES							
Accounts payable	-	-	-	-	-	-	360
Accrued payroll and benefits	-	-	-	-	-	-	1,269
Interfund loans payable	-	-	2	832	-	94	474,171
Total liabilities	-	-	2	832	-	94	475,800
FUND BALANCES (DEFICITS)							
Restricted	-	4,863	57,888	9,935	9,887	12,272	151,270
Unassigned	-	-	-	-	-	-	(98,252)
Total fund balances (deficits)	-	4,863	57,888	9,935	9,887	12,272	53,018
Total liabilities and fund balances (deficits)	\$ -	4,863	57,890	10,767	9,887	12,366	528,818

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2019

	Adult Education	Ruth Hanscom Estate	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Capital Renewal	ARRA MARTI
Revenues:								
Intergovernmental	\$ -	-	25,325	145,531	227,306	3,433	-	-
Charges for services	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Other	-	158,786	-	-	-	-	-	-
Total revenues	-	158,786	25,325	145,531	227,306	3,433	-	-
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	-	-
Education	3,143	130,157	25,325	145,531	227,306	3,433	-	-
Capital outlay	-	-	-	-	-	-	6,975	-
Total expenditures	3,143	130,157	25,325	145,531	227,306	3,433	6,975	-
Excess (deficiency) of revenues over (under) expenditures	(3,143)	28,629	-	-	-	-	(6,975)	-
Other financing sources:								
Transfer from other funds	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-
Net change in fund balances	(3,143)	28,629	-	-	-	-	(6,975)	-
Fund balances (deficits), beginning of year	15,837	-	-	-	-	-	-	250
Fund balances (deficits), end of year	\$ 12,694	28,629	-	-	-	-	(6,975)	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, 2019

		Ticket to Ride Grant	School Lunch Fund	PEPG Grant	Transition Grant	Library Grant	Comp. Grant	Bangor Wellness Grant	Fire Department Gear Grant
Revenues:									
Intergovernmental	\$	-	181,505	-	-	-	-	-	-
Charges for services		-	174,829	-	-	-	-	-	-
Investment income		-	-	-	-	-	-	-	-
Other		-	890	-	-	-	-	-	-
Total revenues		-	357,224	-	-	-	-	-	-
Expenditures:									
Current:									
General government		-	-	-	-	-	-	-	-
Public works		-	-	-	-	-	-	-	-
Recreation and social services		-	-	-	-	-	-	-	-
Education		-	482,828	-	-	-	-	-	-
Capital outlay		-	-	-	-	-	-	-	-
Total expenditures		-	482,828	-	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures		-	(125,604)	-	-	-	-	-	-
Other financing sources:									
Transfer from other funds		-	35,000	-	-	-	-	-	-
Total other financing sources		-	35,000	-	-	-	-	-	-
Net change in fund balances		-	(90,604)	-	-	-	-	-	-
Fund balances (deficits), beginning of year		1,098	209	705	(882)	3,277	7,550	2,043	179
Fund balances (deficits), end of year	\$	1,098	(90,395)	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, 2019

	Maine Forest						
	Snowmobile Grant	Service Grants	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Veterans Memorial Park	Totals
Revenues:							
Intergovernmental	\$ 8,750	1,585	-	-	-	-	593,435
Charges for services	-	-	2,850	-	-	-	177,679
Investment income	-	-	1,140	-	205	69	1,414
Other	-	-	-	23,259	-	-	182,935
Total revenues	8,750	1,585	3,990	23,259	205	69	955,463
Expenditures:							
Current:							
General government	-	-	-	20,594	-	-	20,594
Public works	-	-	10,808	-	-	-	10,808
Recreation and social services	8,750	-	-	-	6,600	177	15,527
Education	-	-	-	-	-	-	1,017,723
Capital outlay	-	-	-	-	-	-	6,975
Total expenditures	8,750	-	10,808	20,594	6,600	177	1,071,627
Excess (deficiency) of revenues over (under) expenditures	-	1,585	(6,818)	2,665	(6,395)	(108)	(116,164)
Other financing sources:							
Transfer from other funds	-	-	8,000	-	-	9,097	52,097
Total other financing sources	-	-	8,000	-	-	9,097	52,097
Net change in fund balances	-	1,585	1,182	2,665	(6,395)	8,989	(64,067)
Fund balances (deficits), beginning of year	-	3,278	56,706	7,270	16,282	3,283	117,085
Fund balances (deficits), end of year	\$ -	4,863	57,888	9,935	9,887	12,272	53,018

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, 2019

		Fund balances beginning of year	Revenues		Expenditures	Transfers In (Out)	Fund balances end of year
			Investment Income	Other	Capital		
01	Police equipment	\$ 9,807	281	-	8,941	25,000	26,147
05	Fire equipment	86,833	1,892	-	74,773	153,000	166,952
06	Highway capital	294,804	7,059	-	259,237	250,000	292,626
08	Public works facility	45,868	1,173	-	113,875	77,000	10,166
09	Recreation facilities	201,663	3,927	-	38,995	22,000	188,595
11	Municipal building	28,944	596	-	11,507	8,000	26,033
12	Sewer maintenance	561,884	9,194	-	3,008	15,000	583,070
13	Public land acquisition	27,327	536	-	4,160	-	23,703
14	Planning and ordinance	63,798	1,451	-	-	-	65,249
17	Public safety building	86,756	1,740	-	-	12,306	100,802
18	Fire station repair/maintenance	2,265	41	-	-	(2,306)	-
19	Technology	15,412	108	-	-	45,409	60,929
28	Jackson Beach reserve	57,518	147	-	-	-	57,665
29	Transfer station reserve	4,845	95	-	-	-	4,940
30	Elementary school reserve	310,648	5,919	-	25,000	-	291,567
32	Veteran's Memorial Park	8,937	160	-	-	(9,097)	-
Total		\$ 1,807,309	34,319	-	539,496	596,312	1,898,444

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, 2019

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 7,556	1,141	8,697
Total assets	\$ 7,556	1,141	8,697
LIABILITIES			
Interfund loans payable	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Nonspendable:			
Nonexpendable principal	6,785	1,000	7,785
Restricted	771	141	912
Total fund balances	7,556	1,141	8,697
Total liabilities and fund balances	\$ 7,556	1,141	8,697

TOWN OF HERMON, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2019

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 148	22	170
Total revenues	148	22	170
Expenditures:			
Current:			
Unclassified	-	-	-
Total expenditures	-	-	-
Net change in fund balances	148	22	170
Fund balances, beginning of year	7,408	1,119	8,527
Fund balances, end of year	\$ 7,556	1,141	8,697

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF HERMON, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2019

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	84.010	3107	\$ 145,531		-
Special Education Cluster:					
Local Entitlement	84.027	3046	227,306		-
Local Entitlement - Preschool	84.173	6247	3,433		-
Total Special Education Cluster				230,739	
Title IIA - Supporting Effective Instruction	84.367	3042	25,325		-
Total U. S. Department of Education			401,595		-
U. S. Department of Agriculture, Passed through Maine Forest Service:					
Cooperative Forestry Assistance	10.664	N/A	1,585		-
Passed through Maine Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3024	126,288		-
National School Lunch Program - Breakfast Program	10.553	3014	23,933		-
National School Lunch Program - Donated Commodities	10.555	3024	25,713		-
Total Child Nutrition Cluster				175,934	
Total U. S. Department of Agriculture			177,519		-
Totals			\$ 579,114		-