

TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2020

TOWN OF HERMON, MAINE
Annual Financial Report
For the year ended June 30, 2020

Table of Contents

	<u>Statements</u>	<u>Page</u>
Independent Auditor's Report		1-3
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Position	1	7
Statement of Activities	2	8
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	9
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	4	10
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis - Town General Fund and School Department Operations	6	12
Statement of Net Position - Proprietary Fund	7	13
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Fund	8	14
Statement of Cash Flows - Proprietary Fund	9	15
Statement of Fiduciary Net Position - Fiduciary Funds	10	16
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	11	17
Notes to Basic Financial Statements		18-43
Required Supplementary Information		44-49
	<u>Exhibits</u>	<u>Page</u>
Combining and Individual Fund Financial Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	A-1	53
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis	A-2	54-58
Town Reserves - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	A-3	59
School Department Operations:		
Comparative Balance Sheets	B-1	63
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Budgetary Basis	B-2	64
School Department Reserves - Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-3	65

TOWN OF HERMON, MAINE
Annual Financial Report
For the year ended June 30, 2020

Table of Contents, Continued

	<u>Exhibits</u>	<u>Page</u>
All Other Governmental Funds:		
Combining Balance Sheet	C-1	69
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	C-2	70
Nonmajor Special Revenue Funds:		
Combining Balance Sheet	D-1	73-75
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	D-2	76-78
Nonmajor Capital Project Funds:		
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	E	81
Nonmajor Permanent Funds:		
Combining Balance Sheet	F-1	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	F-2	86
	<u>Schedules</u>	<u>Page</u>
Schedule of Expenditures of Federal Awards	1	89

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, 2020, 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, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund and School Department Operations Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in the notes to the financial statements, in 2020, the City adopted new accounting guidance, GASBS No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the 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 March 5, 2021, 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 the effectiveness of the Town of Hermon, Maine's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hermon, Maine's internal control over financial reporting and compliance.



March 5, 2021
South Portland, Maine

BASIC FINANCIAL STATEMENTS

TOWN OF HERMON, MAINE
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 13,775,641	-	13,775,641
Receivables:			
Taxes	563,091	-	563,091
Accounts	304,049	-	304,049
Internal balances	(251,330)	251,330	-
Inventory	14,477	-	14,477
Prepaid expenses	30,322	-	30,322
Nondepreciable capital assets	128,572	-	128,572
Depreciable capital assets, net	19,184,522	-	19,184,522
Total assets	33,749,344	251,330	34,000,674
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - related to pensions	472,059	-	472,059
Deferred outflows of resources - related to OPEB	121,603	-	121,603
Total deferred outflows of resources	593,662	-	593,662
LIABILITIES			
Accounts payable	511,394	-	511,394
Accrued payroll and benefits	1,227,644	-	1,227,644
Prepaid taxes	24,494	-	24,494
Other liabilities	60,778	-	60,778
Accrued interest	17,129	-	17,129
Noncurrent liabilities:			
Due within one year	608,637	-	608,637
Due in more than one year	7,207,101	-	7,207,101
Total liabilities	9,657,177	-	9,657,177
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - related to pensions	142,654	-	142,654
Deferred inflows of resources - related to OPEB	5,462	-	5,462
Total deferred inflows of resources	148,116	-	148,116
NET POSITION			
Net investment in capital assets	14,061,866	-	14,061,866
Restricted for:			
Education	2,672,222	-	2,672,222
Tax increment financing	681,670	-	681,670
Grants and other purposes	173,820	-	173,820
Permanent funds:			
Nonexpendable	7,785	-	7,785
Expendable	1,086	-	1,086
Unrestricted	6,939,264	251,330	7,190,594
Total net position	\$ 24,537,713	251,330	24,789,043

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2020

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	\$ 1,298,602	105,698	-	-	(1,192,904)	-	(1,192,904)
Public safety	1,057,142	9,389	-	-	(1,047,753)	-	(1,047,753)
Public works	1,583,622	5,888	66,860	158,700	(1,352,174)	-	(1,352,174)
Solid waste	457,298	17,828	-	-	(439,470)	-	(439,470)
Recreational and social services	371,707	14	18,577	-	(353,116)	-	(353,116)
Education	16,279,359	2,777,028	8,427,711	-	(5,074,620)	-	(5,074,620)
County tax	775,075	-	-	-	(775,075)	-	(775,075)
Interest on debt	107,511	-	-	-	(107,511)	-	(107,511)
Capital maintenance expenses	561,403	-	-	-	(561,403)	-	(561,403)
Total governmental activities	22,491,719	2,915,845	8,513,148	158,700	(10,904,026)	-	(10,904,026)
Business-type activities:							
Recreation department	319,980	297,493	-	-	-	(22,487)	(22,487)
Total business-type activities	319,980	297,493	-	-	-	(22,487)	(22,487)
Total primary government	\$ 22,811,699	3,213,338	8,513,148	158,700	(10,904,026)	(22,487)	(10,926,513)
General revenues:							
Property taxes					\$ 6,836,605	-	6,836,605
Excise taxes					2,666,598	-	2,666,598
Grants and contributions not restricted to specific programs:							
State revenue sharing					282,783	-	282,783
Homestead and BETE exemptions					584,232	-	584,232
Unrestricted investment earnings					257,285	-	257,285
Miscellaneous revenues					13,294	-	13,294
Total general revenues					10,640,797	-	10,640,797
Change in net position					(263,229)	(22,487)	(285,716)
Net position - beginning, restated					24,800,942	273,817	25,074,759
Net position - ending					\$ 24,537,713	251,330	24,789,043

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2020

	General	School Department Operations	School Capital Improvements	All Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 7,238,755	2,241,645	2,143,329	2,151,912	13,775,641
Receivables:					
Taxes - current year	449,032	-	-	-	449,032
Taxes - prior year	41,200	-	-	-	41,200
Tax liens - prior years	66,335	-	-	-	66,335
Tax acquired property	6,524	-	-	-	6,524
Accounts	95,646	41,429	-	166,974	304,049
Inventory	13,184	-	-	1,293	14,477
Prepaid expenditures	30,322	-	-	-	30,322
Interfund loans receivable	-	1,837,573	-	645,647	2,483,220
Total assets	\$ 7,940,998	4,120,647	2,143,329	2,965,826	17,170,800
LIABILITIES					
Accounts payable	206,390	293,331	-	11,673	511,394
Accrued payroll and benefits	29,537	1,155,094	-	43,013	1,227,644
Prepaid taxes	24,494	-	-	-	24,494
Other liabilities	60,778	-	-	-	60,778
Interfund loans payable	1,638,249	-	739,668	356,633	2,734,550
Total liabilities	1,959,448	1,448,425	739,668	411,319	4,558,860
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	198,416	-	-	-	198,416
Total deferred inflows of resources	198,416	-	-	-	198,416
FUND BALANCES					
Nonspendable	43,506	-	-	7,785	51,291
Restricted	681,670	2,672,222	-	174,906	3,528,798
Committed	81,898	-	1,403,661	2,587,466	4,073,025
Assigned	600,000	-	-	-	600,000
Unassigned	4,376,060	-	-	(215,650)	4,160,410
Total fund balances	5,783,134	2,672,222	1,403,661	2,554,507	12,413,524
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,940,998	4,120,647	2,143,329	2,965,826	
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.					19,313,094
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 direct borrowings payable					(5,156,651)
Capital leases payable					(94,577)
Net pension liability, including related deferred inflows and outflows of resources					(247,420)
OPEB liabilities, including related deferred inflows and outflows of resources					(1,784,549)
Accrued interest					(17,129)
Accrued compensated absences					(86,995)
Net position of governmental activities					\$ 24,537,713

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, 2020

	General	School Department Operations	School Capital Improvements	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 9,503,203	-	-	-	9,503,203
Intergovernmental	939,105	7,477,077	-	844,465	9,260,647
Licenses and permits	63,222	-	-	-	63,222
Charges for services	56,322	2,606,865	-	172,963	2,836,150
Investment income	166,098	38,025	10,961	42,201	257,285
Student activity fees and fundraisers	-	-	-	224,643	224,643
Other	13,294	48,976	-	21,070	83,340
Total revenues	10,741,244	10,170,943	10,961	1,305,342	22,228,490
Expenditures:					
Current:					
General government	936,833	-	-	16,691	953,524
Economic development	138,033	-	-	-	138,033
Public safety	910,852	-	-	-	910,852
Public works	1,484,441	-	-	-	1,484,441
Solid waste	441,020	-	-	-	441,020
Recreational and social services	339,462	-	-	8,895	348,357
County tax	775,075	-	-	-	775,075
Tax increment financing	68,685	-	-	-	68,685
General assistance	2,604	-	-	-	2,604
Education	-	13,978,280	-	1,231,238	15,209,518
Maine PERS on-behalf payments	-	1,243,903	-	-	1,243,903
Debt service	-	562,435	-	-	562,435
Capital outlay	-	90,000	408,252	674,556	1,172,808
Total expenditures	5,097,005	15,874,618	408,252	1,931,380	23,311,255
Excess (deficiency) of revenues over (under) expenditures	5,644,239	(5,703,675)	(397,291)	(626,038)	(1,082,765)
Other financing sources (uses):					
Capital lease proceeds	-	90,000	-	-	90,000
Transfers from other funds	-	5,582,271	-	1,035,975	6,618,246
Transfers to other funds	(6,164,548)	(35,000)	(418,698)	-	(6,618,246)
Total other financing sources (uses)	(6,164,548)	5,637,271	(418,698)	1,035,975	90,000
Net change in fund balances	(520,309)	(66,404)	(815,989)	409,937	(992,765)
Fund balances, beginning of year, as restated	6,303,443	2,738,626	2,219,650	2,144,570	13,406,289
Fund balances, end of year	\$ 5,783,134	2,672,222	1,403,661	2,554,507	12,413,524

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, 2020

Net change in fund balances - total governmental funds (from Statement 4)	\$	(992,765)
---	----	-----------

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This the amount of:

Capital outlay	1,243,291	
Depreciation expense	(896,861)	
Book value of disposed assets	(32,381)	314,049

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 change in:

OPEB liabilities with related deferred inflows and outflows of resources	(13,151)	
Net pension liability with related deferred inflows and outflows of resources	(89,588)	
Accrued interest	(5,076)	
Accrued compensated absences	(12,391)	(120,206)

Bond, direct borrowing, 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, direct borrowing, and capital 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:

Repayments of bonds and direct borrowings	571,788	
Capital lease proceeds	(90,000)	
Capital lease repayments	53,905	535,693

Change in net position of governmental activities (see Statement 2)	\$	(263,229)
--	-----------	------------------

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, 2020

	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	\$ 9,136,651	9,136,651	9,503,203	366,552	-	-	-	-
Intergovernmental	822,952	822,952	939,105	116,153	6,276,473	6,276,473	6,233,174	(43,299)
Licenses and permits	59,600	59,600	63,222	3,622	-	-	-	-
Charges for services	53,100	53,100	56,322	3,222	2,180,722	2,180,722	2,606,865	426,143
Interest earned	70,000	70,000	167,216	97,216	-	-	23,854	23,854
Other revenues	15,000	15,000	13,294	(1,706)	111,952	111,952	48,976	(62,976)
Total revenues	10,157,303	10,157,303	10,742,362	585,059	8,569,147	8,569,147	8,912,869	343,722
Expenditures:								
Current:								
General government	1,011,437	1,011,437	921,431	90,006	-	-	-	-
Economic development	190,602	190,602	138,033	52,569	-	-	-	-
Public safety	922,185	922,185	910,852	11,333	-	-	-	-
Public works	1,143,373	1,143,373	1,484,441	(341,068)	-	-	-	-
Solid waste	433,332	433,332	441,020	(7,688)	-	-	-	-
Recreation and social services	361,745	361,745	339,462	22,283	-	-	-	-
County tax	775,075	775,075	775,075	-	-	-	-	-
Tax increment financing	110,000	110,000	68,685	41,315	-	-	-	-
General assistance	5,000	5,000	2,604	2,396	-	-	-	-
Education	-	-	-	-	14,080,900	13,980,900	13,650,830	330,070
Debt service:								
Principal	-	-	-	-	460,000	460,000	460,000	-
Interest	-	-	-	-	3,795	103,795	102,435	1,360
Total expenditures	4,952,749	4,952,749	5,081,603	(128,854)	14,544,695	14,544,695	14,213,265	331,430
Excess (deficiency) of revenues over (under) expenditures	5,204,554	5,204,554	5,660,759	456,205	(5,975,548)	(5,975,548)	(5,300,396)	675,152
Other financing sources (uses):								
Use of prior year surplus	1,184,000	1,184,000	-	(1,184,000)	600,000	600,000	-	(600,000)
Use of TIF funds	272,602	272,602	-	(272,602)	-	-	-	-
Appropriated for TIF funds	(464,554)	(464,554)	-	464,554	-	-	-	-
Transfers in	-	-	-	-	240,000	240,000	611,723	371,723
Local appropriation - School Department	(5,170,548)	(5,170,548)	(5,170,548)	-	5,170,548	5,170,548	5,170,548	-
Transfers out	(999,000)	(999,000)	(1,013,815)	(14,815)	(35,000)	(35,000)	(35,000)	-
Total other financing sources (uses)	(5,177,500)	(5,177,500)	(6,184,363)	(1,006,863)	5,975,548	5,975,548	5,747,271	(228,277)
Net change in fund balance, budgetary basis	27,054	27,054	(523,604)	(550,658)	-	-	446,875	446,875
Reconciliation to GAAP:								
Changes in committed balances (reserves)			3,295				(185,829)	
Change in accrued summer salaries and benefits			-				(327,450)	
Net change in fund balance, GAAP basis			(520,309)				(66,404)	
Fund balance, beginning of year			6,303,443				2,738,626	
Fund balance, end of year	\$		5,783,134				2,672,222	

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Net Position
Proprietary Fund
June 30, 2020

Business-type Activities - Enterprise Fund		Recreation Department
ASSETS		
Current assets:		
Interfund loans receivable	\$	251,330
Total assets		251,330
LIABILITIES		
Current liabilities:		
Accounts payable		-
Total liabilities		-
NET POSITION		
Unrestricted		251,330
Total net position	\$	251,330

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, 2020

Business-type Activities - Enterprise Fund		Recreation Department
Operating revenues:		
Charges for services	\$	297,493
Total operating revenues		297,493
Operating expenses:		
Payroll and related expenses		231,286
Recreation programs		88,694
Total operating expenses		319,980
Operating income (loss)		(22,487)
Net position, beginning of year		273,817
Net position, end of year	\$	251,330

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Fund
For the year ended June 30, 2020

Business-type Activities - Enterprise Fund	Recreation Department
Cash flows from operating activities:	
Receipts from customers and users	\$ 297,493
Payments to suppliers	(88,694)
Payments to employees	(231,286)
Net cash provided by (used in) operating activities	(22,487)
Cash flows from noncapital financing and related activities:	
Net interfund activity	22,487
Net cash used in noncapital financing and related activities	22,487
Increase (decrease) in cash	-
Cash and cash equivalents, beginning of year	-
Cash and cash equivalents, end of year	\$ -
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:	
Operating income (loss)	(22,487)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Increase (decrease) in accounts payable	-
Net cash provided by (used in) operating activities	\$ (22,487)

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

		Private-purpose Trusts <hr/> School Department Scholarships
ASSETS		
Cash and cash equivalents	\$	34,070
Total assets		34,070
LIABILITIES		
Accounts payable		-
Total liabilities		-
NET POSITION		
Restricted		34,070
Total net position	\$	34,070

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, 2020

		Private-purpose Trusts School Department Scholarships
Additions:		
Interest earned	\$	246
Total additions		246
Deductions:		
Scholarships		1,056
Other		123
Total deductions		1,179
Change in net position		(933)
Net position, beginning of year		35,003
Net position, end of year	\$	34,070

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 and rehabilitation 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:

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.

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 when fund balance is positive. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

M. Encumbrances

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

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%.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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 School Department Operations 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 \$1,243,903. These amounts have been included as revenue and expenditures/expenses in the School Department Operations 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.

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

B. Deficit Fund Balances

For the year ended June 30, 2020, the following funds had deficit fund balances:

School lunch fund	\$ 194,839	Transition grant	882
Title IA	12,035	Local entitlement	7,894

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

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2020, expenditures exceeded appropriations for the following:

Utilities	\$ 8,991	Sewer	3,845
Public works – general	31,595	Household waste	12,169
Public works – roads	303,843	Town clerk	286
Public works – trucks/tractor	17,478	Facilities maintenance	475,457

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, 2020, the Town reported deposits of \$13,809,711 with a bank balance of \$14,441,704. \$126,865 of the Town's bank balance was exposed to custodial credit risk as exceeded the amount of F.D.I.C. coverage and additional insurance purchased on behalf of the Town by the respective banking institutions.

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

PROPERTY TAX

Property taxes for the current period were committed on August 16, 2019, 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, 2020. Interest at the rate of 9% 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 \$27,054 for the period ended June 30, 2020.

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 2020 and 2019 levies:

	<u>2020</u>	<u>2019</u>
Assessed value	\$ 568,778,300	552,137,200
<u>Tax rate (per \$1,000)</u>	<u>11.99</u>	<u>11.60</u>
Commitment	6,819,651	6,404,792
<u>Supplemental taxes assessed</u>	<u>5,226</u>	<u>3,032</u>
	6,824,877	6,407,824
Less:		
<u> Collections and abatements</u>	<u>6,375,845</u>	<u>6,174,084</u>
<u>Receivable at June 30</u>	<u>\$ 449,032</u>	<u>233,742</u>
Due date	April 1, 2020	April 2, 2019
Interest rate on delinquent taxes	9.0%	8.0%
Collection rate	93.42%	96.35%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance June 30, <u>2019</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2020</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	3,234	99,617	102,851	-
Total capital assets, not being depreciated	131,806	99,617	102,851	128,572
Capital assets, being depreciated:				
Buildings and building improvements	25,690,580	1,047,175	4,722	26,733,033
Equipment, furniture, and fixtures	3,025,199	82,000	15,700	3,091,499
Vehicles	2,497,771	90,000	66,875	2,520,896
Infrastructure	565,293	27,350	-	592,643
Total capital assets being depreciated	31,778,843	1,246,525	87,297	32,938,071
Less accumulated depreciation for:				
Buildings and building improvements	9,766,169	506,795	2,067	10,270,897
Equipment, furniture, and fixtures	1,846,856	186,400	7,064	2,026,192
Vehicles	1,276,834	191,738	45,785	1,422,787
Infrastructure	21,745	11,928	-	33,673
Total accumulated depreciation	12,911,604	896,861	54,916	13,753,549
Total capital assets being depreciated, net	18,867,239	349,664	32,381	19,184,522
Governmental activities capital assets, net	\$ 18,999,045	449,281	135,232	19,313,094

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

Governmental activities:	
General government	\$ 19,021
Public safety	120,441
Public works	96,730
Solid waste	16,278
Recreation and social services	16,996
Education	627,395
Total depreciation expense – governmental activities	\$ 896,861

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

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2020, 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	\$ -	1,638,249	(6,164,548)
School department operations	1,837,573	-	5,547,271
School capital improvements	-	739,668	(418,698)
Recreation department	251,330	-	-
Nonmajor special revenue funds	78,474	356,619	51,975
Nonmajor capital project funds	567,173	-	984,000
Nonmajor permanent funds	-	14	-
Totals	\$ 2,734,550	2,734,550	-

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, 2020 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 5,560,000	-	460,000	5,100,000	510,000
Direct borrowings	168,439	-	111,788	56,651	45,675
Capital leases payable	58,482	90,000	53,905	94,577	52,962
Net pension liability	560,017	16,808	-	576,825	-
Net OPEB liability	54,300	4,984	-	59,284	-
Total OPEB liability	1,720,861	120,545	-	1,841,406	-
Accrued compensated absences	74,604	12,391	-	86,995	-
Governmental activities long-term liabilities	\$ 8,196,703	244,728	625,693	7,815,738	608,637

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, 2020 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:				
2019 Elementary School bonds	\$ 5,100,000	1.72-2.39%	11/1/2029	5,100,000
<u>Total general obligation bonds</u>				<u>5,100,000</u>
Direct borrowings:				
2019 truck note	32,929	3.99%	8/1/2021	21,953
2019 bus note	69,000	3.45%	8/1/2020	34,698
<u>Total direct borrowings</u>				<u>56,651</u>
<u>Total bonds payable and direct borrowings</u>				<u>\$ 5,156,651</u>

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>	
2021	\$ 510,000	100,419	45,675	2,107	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	510,000	61,608	-	-	571,608
2026-2030	2,550,000	145,529	-	-	2,695,529
<u>Totals</u>	<u>\$ 5,100,000</u>	<u>551,871</u>	<u>56,651</u>	<u>2,551</u>	<u>5,711,073</u>

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 of vehicles and equipment capitalized under capital lease agreements by the Town as of June 30, 2020:

Equipment (photocopiers)	\$ 55,658
Vehicles	136,406

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, 2020:

Year ended	
<u>June 30,</u>	
2021	\$ 56,168
2022	43,029
Total minimum lease payments	99,197
<u>Less amounts representing interest</u>	<u>(4,620)</u>
<u>Present value of future minimum lease payments</u>	<u>\$ 94,577</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, 2020, the Town's outstanding debt did not exceed these limits.

RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Town either carries commercial insurance, participates in public entity risk pools, or is effectively self-insured. Currently, the Town participates in several public entity and self-insured risk pools sponsored by the Maine Municipal Association (MMA).

Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2020.

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

FUND BALANCES

As of June 30, 2020, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund:				
Inventory and prepaid	\$ 43,506	-	-	-
Tax increment financing districts	-	681,670	-	-
Appropriated to the 2020 budget	-	-	-	600,000
Municipal unemployment	-	-	31,955	-
Legal liability	-	-	15,025	-
Economic development	-	-	-	-
Rural fire protection	-	-	11,462	-
Sick leave reserve	-	-	22,897	-
Hermon Veterans Memorial	-	-	(175)	-
Boston Post	-	-	734	-
Total general fund	43,506	681,670	81,898	600,000
All other governmental funds:				
Education	-	2,672,222*	-	-
Grants and other purposes	-	173,820	-	-
Student activities	-	-	184,367	-
Capital outlay	-	-	3,806,760	-
Permanent funds – principal	7,785	-	-	-
Permanent funds – unexpended income	-	1,086	-	-
Total other governmental funds	7,785	2,847,128	3,991,127	-
Grand totals	\$ 51,291	3,528,798	4,073,025	600,000

*Of the total restricted for education of \$2,672,222, the School Department has committed \$765,343 to various reserves (unemployment, fuel, tax rate stabilization, school bus, Hermon athletic complex) and has budgeted \$600,000 for the FY 2021 budget to reduce taxes (assigned fund balance). The remainder of \$1,306,879 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 7.25% to 8.0% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2020, was 7.4% of annual payroll. Contributions to the pension plan from the Town were \$76,276 for the year ended June 30, 2020.

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, 2020, was 18.49% of annual payroll of which 4.16% of payroll was required from the Town and 14.33% was required from the State. Contributions to the pension plan from the Town were \$283,449 for the year ended June 30, 2020.

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, 2019, 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, 2020, the Town reported a liability of \$373,347 for its proportionate share of the net pension liability. At June 30, 2019, the Town's proportion of the PLD Plan was 0.1221%.

SET Plan - At June 30, 2020, 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	\$ 203,478
State's proportionate share of the net pension liability associated with the Town	7,509,991
Total	\$ 7,713,469

At June 30, 2019, the Town's proportion of the SET Plan was 0.0139%

For the year ended June 30, 2020, the Town recognized pension expense of \$180,136 for the PLD Plan and pension expense of \$1,245,579 and revenue of \$976,402 for support provided by the State for the SET Plan. At June 30, 2020, 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	\$ 44,206	-	15,827	-
Changes of assumptions	18,908	-	5,892	-
Net difference between projected and actual earnings on pension plan investments	-	93,514	-	28,722
Changes in proportion and differences between Town contributions and proportionate share of contributions	27,501	-	-	20,418
Town contributions subsequent to the measurement date	76,276	-	283,449	-
Total	\$ 166,891	93,514	305,168	49,140

\$359,725 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, 2021. 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>
2021	\$ 40,606	4,329
2022	(38,748)	(25,383)
2023	(4,700)	(6,455)
2024	(57)	88

Actuarial Assumptions - The total pension liability in the June 30, 2019 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, 2019 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, 2019 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	\$ 850,459	373,347	(72,947)
<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	\$ 367,884	203,478	66,476

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, 2020.

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 7.4% 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, 2020, the Town recognized pension expense of \$62,083.

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 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, 2020. 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 \$29,934 for the year ended June 30, 2020. 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, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2018. 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, 2020, the Town reported a liability of \$59,284 for its proportionate share of the net OPEB liability. At June 30, 2019, the Town's proportion was 0.2771%.

SET OPEB Plan - At June 30, 2020, 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 \$270,886 as of June 30, 2020. At June 30, 2019, the Town's proportion was 0.00%.

For the year ended June 30, 2020, the Town recognized OPEB expense of \$2,757 for the PLD OPEB Plan. For the year ended June 30, 2020, the Town recognized OPEB expense of \$24,934 and also revenues of \$24,934 for support provided by the State related to the SET OPEB plan. At June 30, 2020, the Town reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB plan. At June 30, 2020, 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	\$ 3,778	-
Changes of assumptions	-	2,811
Net difference between projected and actual earnings on pension plan investments	-	2,651
Changes in proportion and differences between Town contributions and proportionate share of contributions	9,808	-
Total	\$ 13,586	5,462

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>	
2021	\$ 1,186
2022	1,186
2023	1,740
2024	3,297
2025	715

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 4.98% which is a blend of the assumed long-term expected rate of return of 6.75% and a municipal bond index rate of 3.5%, based on the Bond Buyer GO 20-Year Municipal Bond Index as of June 30, 2019. 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 2050. Therefore, the portion of the future projected benefit payments after 2050 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 4.98%, 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 (3.98%) or 1 percentage-point higher (5.98%) than the current rate:

	1% Decrease (3.98%)	Discount Rate (4.98%)	1% Increase (5.98%)
Net OPEB liability	\$ 78,290	59,284	44,300

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, 2018, 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 \$1,841,406 was measured as of June 30, 2019, and was determined by an actuarial valuation as of June 30, 2018.

Changes in the Total OPEB Liability

Balance at June 30, 2019		\$ 1,720,861
Changes for the year:		
Service cost		16,269
Interest		65,997
Changes of benefit terms		-
Differences between expected and actual experience		-
Changes in assumptions or other inputs		102,467
Benefit payments		<u>(64,188)</u>
Net changes		<u>120,545</u>
Balance at June 30, 2020		<u>\$ 1,841,406</u>

Change in assumptions reflects a change in the discount rate from 3.87% to 3.5%.

For the year ended June 30, 2020, The Town recognized OPEB expense of \$86,080. At June 30, 2020, 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	\$ 32,331	-
Town contributions subsequent to measurement date	75,686	-
Total	<u>\$ 108,017</u>	<u>-</u>

\$75,686 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, 2021. 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:	
2021	\$ 3,814
2022	3,814
2023	3,814
2024	3,814
2025	17,075

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	3.5% 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 3.5% 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 3.5%, 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 (2.5%) or 1 percentage-point higher (4.5%) than the current rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	\$ 2,167,841	1,841,406	1,583,295

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	\$ 1,554,846	1,841,406	2,207,064

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

NEW PRONOUNCEMENT

For the fiscal year ended June 30, 2020, the Town has elected to implement Statement No. 84 of the Government Accounting Standards Board – *Fiduciary Activities*. As a result on implementing GASB Statement No. 84, the Town has restated beginning net position of the governmental activities and beginning fund balance in the nonmajor governmental funds to account for certain activities that were previously reported as fiduciary funds. Net position and fund balance were increased as of July 1, 2019 by \$184,411.

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, 2020:

	Governmental <u>activities</u>
Capital assets	\$ 33,066,643
Accumulated depreciation	(13,753,549)
Bonds payable and direct borrowings	(5,156,651)
Capital leases payable	(94,577)
Total net investment in capital assets	\$ 14,061,866

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, 2020, the Town remitted a total of \$51,259 in Credit Enhancement payments, including the following, each of which exceeded 10 percent of the total amount remitted:

\$23,866 (46.56%) 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.

\$7,923 (15.46%) was disbursed to Morgan Hill, LLC based on the Credit Enhancement Agreement in which Morgan Hill, LLC agreed to construct and equip a 24,000 square foot facility. The CEA became effective July 1, 2007 for a period of 15 years ending in fiscal year 2022.

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 \$202,507 of equipment and services during the year ended June 30, 2020. The School Committee is fully aware and has approved the business relationship with Nightscape Tech LLC. The company follows the same policies, procedures, and approval processes all other vendors are subject to when purchasing decisions are made.

TOWN OF HERMON, MAINE
Required Supplementary Information

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
PLD Plan						
Town's proportion of the net pension liability	0.1221%	0.1199%	0.1033%	0.0778%	0.0659%	0.0665%
Town's proportionate share of the net pension liability	\$ 373,347	328,183	422,772	413,471	210,201	102,291
Town's covered payroll	1,006,975	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	37.08%	34.51%	51.92%	63.50%	31.89%	28.87%
Plan fiduciary net position as a percentage of the total pension liability	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%
SET Plan						
Town's proportion of the net pension liability	0.0139%	0.0172%	0.0150%	0.0153%	0.0157%	0.0178%
Town's proportionate share of the net pension liability	203,478	231,834	218,142	270,016	212,198	192,299
State's proportionate share of the net pension liability associated with the Town	7,509,991	6,685,074	7,294,373	8,709,868	6,641,782	5,330,683
Total	\$ 7,713,469	6,916,908	7,512,515	8,979,884	6,853,980	5,522,982
Town's covered payroll	\$ 6,528,532	6,297,314	6,248,889	5,967,610	5,804,673	5,728,803
Town's proportionate share of the net pension liability as a percentage of its covered payroll	3.12%	3.68%	3.49%	4.52%	3.66%	3.36%
Plan fiduciary net position as a percentage of the total pension liability	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%

* Only six 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 – Net Pension Liability
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PLD Plan							
Contractually required contribution	\$ 76,276	73,509	66,360	52,924	36,460	27,029	12,046
Contributions in relation to the contractually required contribution	(76,276)	(73,509)	(66,360)	(52,924)	(36,460)	(27,029)	(12,046)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
SET Plan							
Contractually required contribution	\$ 283,449	259,180	250,003	209,963	200,512	153,824	151,813
Contributions in relation to the contractually required contribution	(283,449)	(259,180)	(250,003)	(209,963)	(200,512)	(153,824)	(151,813)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-
Town's covered payroll	1,030,755	1,006,975	950,975	814,224	651,095	659,232	354,270
Contributions as a percentage of covered payroll	7.40%	7.30%	6.98%	6.50%	5.60%	4.10%	3.40%
Town's covered payroll	\$ 6,813,692	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	4.16%	3.97%	3.97%	3.36%	3.36%	2.65%	2.65%

* Only seven 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>2020</u>	<u>2019</u>	<u>2018</u>
<u>PLD OPEB Plan</u>			
Town's proportion of the net OPEB liability	0.2771%	0.2688%	0.2400%
Town's proportionate share of the net OPEB liability	\$ 59,284	54,300	40,126
Town's covered-employee payroll	1,006,975	950,975	814,224
Town's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	5.89%	5.71%	4.93%
Plan fiduciary net position as a percentage of the total OPEB liability	43.18%	43.92%	47.42%
<u>SET OPEB Plan</u>			
Town's proportion of the net OPEB liability	0.00%	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	270,886	259,460	261,241
Total	\$ 270,886	259,460	261,241
Plan fiduciary net position as a percentage of the total OPEB liability	49.22%	48.04%	47.29%

* Only three years of information available.

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

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

Schedule of Town OPEB Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD)
 Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>PLD OPEB Plan</u>			
Contractually required contribution	\$ -	-	-
Contributions in relation to the contractually required contribution	-	-	-
<u>Contribution deficiency (excess)</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>
Town's covered payroll	\$ 1,030,755	1,006,975	950,975
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%

* Only three years of information available.

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

Schedule of Changes in the Town's Total Health Plan OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	<u>2020</u>	<u>2019</u>
Total OPEB Liability		
Service cost	\$ 16,269	17,636
Interest	65,997	63,309
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions or other inputs	102,467	(79,586)
Benefit payments	(64,188)	(61,969)
Net change in total OPEB Liability	120,545	(60,610)
Total OPEB liability - beginning	1,720,861	1,781,471
Total OPEB liability - ending	\$ 1,841,406	1,720,861
Covered-employee payroll	\$ 6,662,190	6,483,883
Total OPEB liability as a percent of covered-employee payroll	27.6%	26.5%

*Only two years of information available.

TOWN OF HERMON, MAINE
Notes to Required Supplementary Information

Net Pension Liability

Changes of Benefit Terms - None

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

	<u>2019</u>	<u>2018</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Discount rate - PLD	6.75%	6.75%	6.875%	7.125%	7.25%	7.25%
Discount rate - SET	6.75%	6.75%	6.875%	7.125%	7.125%	7.25%
Inflation rate	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases - PLD	2.75-9.00%	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%	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%	2.20%	2.55%	3.12%	3.12%
Cost of living increases - SET	2.20%	2.20%	2.20%	2.55%	2.55%	2.55%

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 Health Annuitant Mortality Table.

Net OPEB Liability

Changes of Benefit Terms - None

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate - SET	6.75%	6.75%	6.875%
Discount rate - PLD	4.98%	5.13%	5.41%

Total OPEB Liability

Changes of Benefit Terms - None

Changes of Assumptions - 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:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate	3.50%	3.87%	3.58%

Additionally, the valuation method for the Town Health Plan was changed from the Projected Unit Credit funding method in 2017 to the Entry Age Normal funding method in 2018.

** 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.*

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
Comparative Balance Sheets
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 7,238,755	7,795,338
Receivables:		
Taxes - current year	449,032	233,742
Taxes - prior years	41,200	44,898
Tax liens - prior years	66,335	59,321
Tax acquired property	6,524	11,664
Accounts	95,646	99,606
Inventory	13,184	11,500
Prepaid expenditures	30,322	22,532
Total assets	\$ 7,940,998	8,278,601
LIABILITIES		
Accounts payable	206,390	184,796
Accrued payroll and benefits	29,537	31,658
Prepaid taxes	24,494	32,359
Other liabilities	60,778	53,994
Interfund loans payable	1,638,249	1,473,935
Total liabilities	1,959,448	1,776,742
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	198,416	198,416
Total deferred inflows of resources	198,416	198,416
FUND BALANCE		
Nonspendable - inventory and prepaid	43,506	34,032
Restricted for TIF	681,670	410,649
Committed for Town reserves	81,898	78,603
Assigned for subsequent budget	600,000	525,000
Unassigned	4,376,060	5,255,159
Total fund balance	5,783,134	6,303,443
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,940,998	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, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 6,819,651	6,805,537	(14,114)	6,458,892
Excise taxes	2,276,000	2,666,598	390,598	2,693,803
Payment in lieu of taxes	11,000	11,000	-	11,000
Interest on taxes	30,000	20,068	(9,932)	35,096
Total taxes	9,136,651	9,503,203	366,552	9,198,791
Intergovernmental:				
State revenue sharing	175,000	282,783	107,783	172,745
Homestead reimbursement	243,464	247,506	4,042	238,686
BETE reimbursement	336,488	336,726	238	281,391
Snowmobile reimbursement	2,500	3,065	565	2,668
URIP funds	63,000	66,860	3,860	64,992
General assistance	2,500	2,165	(335)	1,654
Total intergovernmental	822,952	939,105	116,153	762,136
Licenses and permits:				
Town Clerk agent fees	30,000	36,987	6,987	31,435
Dog fees	2,100	2,366	266	2,241
Building permits	12,000	11,441	(559)	16,031
Plumbing fees	13,500	11,578	(1,922)	13,877
Planning/zoning fees	2,000	850	(1,150)	7,560
Total licenses and permits	59,600	63,222	3,622	71,144

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

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Revenues, continued:				
Charges for services:				
Hermon connection	\$ 2,000	2,730	730	2,350
Cemetery maintenance	2,500	2,700	200	1,635
Cable franchise	18,000	10,740	(7,260)	21,065
Sewer assessments	200	920	720	-
Wireless tower fees	10,000	12,533	2,533	12,168
Public safety	5,000	9,389	4,389	19,203
Public works revenues	-	388	388	2,206
Solid waste and recycling	15,400	16,908	1,508	575,632
Recreation and social services	-	14	14	3
Total charges for services	53,100	56,322	3,222	634,262
Interest earned	70,000	167,216	97,216	164,997
Total interest earned	70,000	167,216	97,216	164,997
Other revenues:				
Miscellaneous	15,000	13,294	(1,706)	34,719
Total other revenues	15,000	13,294	(1,706)	34,719
Total revenues	10,157,303	10,742,362	585,059	10,866,049

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

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 346,471	294,967	51,504	276,639
Town manager	113,643	112,815	828	107,214
Town clerk	66,753	67,039	(286)	63,199
Finance	122,969	118,657	4,312	118,744
Assessor	102,485	94,875	7,610	100,940
Code enforcement	44,613	44,340	273	42,040
Assistant clerks	123,812	109,510	14,302	79,273
Municipal building	30,848	28,930	1,918	21,891
Town office	9,500	6,662	2,838	8,385
Town council	13,680	11,890	1,790	14,648
Town boards	8,505	7,324	1,181	2,540
Other expenditures	28,158	24,422	3,736	25,353
Total general government	1,011,437	921,431	90,006	860,866
Economic development:				
Economic development	162,602	110,033	52,569	91,123
Technology	28,000	28,000	-	28,854
Total economic development	190,602	138,033	52,569	119,977
Public safety:				
Police department	434,842	414,935	19,907	384,106
Fire department	376,282	375,865	417	348,543
Utilities	111,061	120,052	(8,991)	118,970
Total public safety	922,185	910,852	11,333	851,619

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

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Expenditures, continued				
Current, continued:				
Public works:				
General	\$ 215,092	246,687	(31,595)	223,121
Roads	855,810	1,159,653	(303,843)	678,949
Town garage	4,810	2,216	2,594	2,217
Trucks/tractor	35,985	53,463	(17,478)	38,725
Salt shed/storage	4,775	1,978	2,797	3,805
Cemetery	26,901	20,444	6,457	23,212
Total public works	1,143,373	1,484,441	(341,068)	970,029
Solid waste:				
Landfill	25,312	16,986	8,326	15,746
Household waste	353,294	365,463	(12,169)	352,477
Sewer	54,726	58,571	(3,845)	52,249
Total solid waste	433,332	441,020	(7,688)	420,472
Recreation and social services:				
Recreation	122,493	106,115	16,378	112,832
Social services	227,840	227,540	300	56,995
Jackson Beach	11,412	5,807	5,605	12,279
Total recreation and social services	361,745	339,462	22,283	182,106
County tax	775,075	775,075	-	709,548
Tax increment financing	110,000	68,685	41,315	176,183
General assistance	5,000	2,604	2,396	2,363

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

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Expenditures, continued				
Debt service - Town only:				
Principal	\$ -	-	-	89,900
Total debt service - Town	-	-	-	89,900
Total expenditures	4,952,749	5,081,603	(128,854)	4,383,063
Excess (deficiency) of revenues over (under) expenditures	5,204,554	5,660,759	456,205	6,482,986
Other financing sources (uses):				
Use of prior year surplus - Town	1,184,000	-	(1,184,000)	-
Use of TIF funds	272,602	-	(272,602)	-
Appropriated for TIF funds	(464,554)	-	464,554	-
Local appropriation - School Department	(5,170,548)	(5,170,548)	-	(4,984,900)
Transfer to reserves	(999,000)	(1,013,815)	(14,815)	(590,000)
Transfer from other funds	-	-	-	4,387
Total other financing sources (uses)	(5,177,500)	(6,184,363)	(1,006,863)	(5,570,513)
Net change in fund balances, budgetary basis	27,054	(523,604)	(550,658)	912,473
Reconciliation to GAAP:				
Changes in committed balances (reserves)		3,295		(82,493)
Net change in fund balances, GAAP basis		(520,309)		829,980
Fund balance, beginning of year		6,303,443		5,473,463
Fund balance, end of year		\$ 5,783,134		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, 2020

			Fund balances beginning of year	Revenues Investment Income (loss)	Expenditures General Government	Transfers In (Out)	Fund balances end of year
02	Municipal unemployment	\$	36,554	796	10,395	5,000	31,955
03	Legal liability reserve		19,599	426	5,000	-	15,025
16	Economic development		(11,539)	(3,276)	-	14,815	-
31	Rural fire protection		11,031	431	-	-	11,462
34	Sick leave		22,409	488	-	-	22,897
5-01	Hermon Veterans Memorial		(169)	1	7	-	(175)
5-04	Boston Post		718	16	-	-	734
Total Town reserves		\$	78,603	(1,118)	15,402	19,815	81,898

SCHOOL DEPARTMENT OPERATIONS

TOWN OF HERMON, MAINE
School Department Operations
Comparative Balance Sheets
June 30, 2020 and 2019

	2020	2019
ASSETS		
Cash and cash equivalents	\$ 2,241,645	1,065,460
Accounts receivable	41,429	274,929
Interfund loans receivables	1,837,573	2,289,425
Total assets	\$ 4,120,647	3,629,814
LIABILITIES		
Accounts payable	293,331	46,369
Accrued payroll and benefits	1,155,094	844,819
Total liabilities	1,448,425	891,188
FUND BALANCE		
Restricted for education:		
Committed for School reserves	765,343	951,172
Assigned for subsequent budget	600,000	600,000
Unassigned	1,306,879	1,187,454
Total fund balance	2,672,222	2,738,626
Total liabilities and fund balances	\$ 4,120,647	3,629,814

TOWN OF HERMON, MAINE
School Department Operations
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget and Actual - Budgetary Basis
For the year ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020		Variance positive (negative)	2019 Actual
	Budget	Actual		
Revenues:				
State education subsidy	\$ 6,253,473	6,221,207	(32,266)	6,053,750
State agency client	13,000	3,864	(9,136)	32,293
Medicaid reimbursements	10,000	8,103	(1,897)	6,547
Tuition and fees	1,700,000	2,091,494	391,494	1,847,489
Charges for services	480,722	515,371	34,649	555,968
Investment earnings	-	23,854	23,854	12,722
Other revenues	111,952	48,976	(62,976)	44,959
Total revenues	8,569,147	8,912,869	343,722	8,553,728
Expenditures:				
Current:				
Regular instruction	6,244,216	5,994,103	250,113	5,643,213
Special education instruction	2,222,507	1,927,589	294,918	1,962,438
Other instruction	459,335	367,700	91,635	416,699
Student and staff support	1,509,631	1,419,294	90,337	1,274,425
System administration	415,793	372,086	43,707	386,739
School administration	731,983	729,641	2,342	685,805
Transportation	650,972	618,497	32,475	578,970
Facilities maintenance	1,746,463	2,221,920	(475,457)	1,538,209
Debt service	563,795	562,435	1,360	470,810
Total expenditures	14,544,695	14,213,265	331,430	12,957,308
Excess (deficiency) of revenues over (under) expenditures	(5,975,548)	(5,300,396)	675,152	(4,403,580)
Other financing sources (uses):				
Town appropriation	5,170,548	5,170,548	-	4,984,900
Utilization of prior year surplus	600,000	-	(600,000)	-
Transfer in from reserves	240,000	611,723	371,723	200,000
Transfer to school lunch program	(35,000)	(35,000)	-	(35,000)
Total other financing sources	5,975,548	5,747,271	(228,277)	5,149,900
Net change in fund balance - budgetary basis	-	446,875	446,875	746,320
Reconciliation to GAAP:				
Change in committed balances (reserves)		(185,829)		115,299
Transfer to reserve		-		(300,000)
Change in accrued summer salaries and benefits		(327,450)		(27,268)
Net change in fund balance - GAAP basis		(66,404)		534,351
Fund balance beginning of year		2,738,626		2,204,275
Fund balance, end of year	\$	2,672,222		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, 2020

		Fund balances beginning of year	Revenues <u>Investment</u> Income	Expenditures	Transfers In (Out)	Fund balances end of year
Tax stabilization reserve	\$	346,088	7,532	-	(200,000)	153,620
School unemployment reserve		39,881	868	-	-	40,749
School fuel reserve		210,398	4,579	-	-	214,977
School bus purchase reserves		54,805	1,192	-	-	55,997
Hermon athletic complex reserve		300,000	-	-	-	300,000
Total School Department reserves	\$	951,172	14,171	-	(200,000)	765,343

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2020

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 307,101	1,835,926	8,885	2,151,912
Accounts receivable	166,974	-	-	166,974
Inventory	1,293	-	-	1,293
Interfund loans receivable	78,474	567,173	-	645,647
Total assets	\$ 553,842	2,403,099	8,885	2,965,826
LIABILITIES				
Accounts payable	11,673	-	-	11,673
Accrued payroll and benefits	43,013	-	-	43,013
Interfund loans payable	356,619	-	14	356,633
Total liabilities	411,305	-	14	411,319
FUND BALANCES				
Nonspendable	-	-	7,785	7,785
Restricted	173,820	-	1,086	174,906
Committed	184,367	2,403,099	-	2,587,466
Unassigned	(215,650)	-	-	(215,650)
Total fund balances	142,537	2,403,099	8,871	2,554,507
Total liabilities and fund balances	\$ 553,842	2,403,099	8,885	2,965,826

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2020

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 844,465	-	-	844,465
Charges for services	172,963	-	-	172,963
Investment income	1,789	40,238	174	42,201
Student activity fees and fundraisers	224,643	-	-	224,643
Other	21,070	-	-	21,070
Total revenues	1,264,930	40,238	174	1,305,342
Expenditures:				
Current:				
General government	16,691	-	-	16,691
Recreation and social services	8,895	-	-	8,895
Education	1,231,238	-	-	1,231,238
Capital outlay	154,973	519,583	-	674,556
Total expenditures	1,411,797	519,583	-	1,931,380
Excess (deficiency) of revenues over (under) expenditures	(146,867)	(479,345)	174	(626,038)
Other financing sources:				
Transfer from other funds	51,975	984,000	-	1,035,975
Total other financing sources	51,975	984,000	-	1,035,975
Net change in fund balances	(94,892)	504,655	174	409,937
Fund balances, beginning of year, restated	237,429	1,898,444	8,697	2,144,570
Fund balances, end of year	\$ 142,537	2,403,099	8,871	2,554,507

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, 2020

	Adult Education	Ruth Hanscom Estate	Title IIA	Title 1A	Title V	Local Entitlement	Pre-K Local Entitlement	ESSERF	Capital Renewal	ARRA MARTI
ASSETS										
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	19,630	26,125	-	59,584	-	15,400	-	-
Inventory	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	12,694	28,629	-	-	-	-	-	-	-	250
Total assets	\$ 12,694	28,629	19,630	26,125	-	59,584	-	15,400	-	250
LIABILITIES										
Accounts payable	-	-	360	816	-	10,497	-	-	-	-
Accrued payroll and benefits	-	-	-	12,035	-	7,894	-	-	-	-
Interfund loans payable	-	-	19,270	25,309	-	49,087	-	15,400	-	-
Total liabilities	-	-	19,630	38,160	-	67,478	-	15,400	-	-
FUND BALANCES (DEFICITS)										
Restricted	12,694	28,629	-	-	-	-	-	-	-	250
Committed	-	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(12,035)	-	(7,894)	-	-	-	-
Total fund balances (deficits)	12,694	28,629	-	(12,035)	-	(7,894)	-	-	-	250
Total liabilities and fund balances (deficits)	\$ 12,694	28,629	19,630	26,125	-	59,584	-	15,400	-	250

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2020

	Ticket to Ride Grant	School Lunch Fund	PEPG Grant	Transition Grant	MLTI Laptop	Student Activities	Library Grant	Comp. Grant	Bangor Wellness Grant	Fire Department Gear Grant
ASSETS										
Cash and cash equivalents	\$ -	26,554	-	-	-	184,367	-	-	-	-
Accounts receivable	-	7,635	-	-	38,600	-	-	-	-	-
Inventory	-	1,293	-	-	-	-	-	-	-	-
Interfund loans receivable	1,098	-	705	-	-	-	3,277	7,550	2,043	179
Total assets	\$ 1,098	35,482	705	-	38,600	184,367	3,277	7,550	2,043	179
LIABILITIES										
Accounts payable	-	-	-	-	-	-	-	-	-	-
Accrued payroll and benefits	-	23,084	-	-	-	-	-	-	-	-
Interfund loans payable	-	207,237	-	882	38,600	-	-	-	-	-
Total liabilities	-	230,321	-	882	38,600	-	-	-	-	-
FUND BALANCES (DEFICITS)										
Restricted	1,098	-	705	-	-	-	3,277	7,550	2,043	179
Committed	-	-	-	-	-	184,367	-	-	-	-
Unassigned	-	(194,839)	-	(882)	-	-	-	-	-	-
Total fund balances (deficits)	1,098	(194,839)	705	(882)	-	184,367	3,277	7,550	2,043	179
Total liabilities and fund balances (deficits)	\$ 1,098	35,482	705	-	38,600	184,367	3,277	7,550	2,043	179

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2020

		Snowmobile Grant	MDOT Hammond	Maine Forest Service Grants	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Historical Society	Veterans Memorial Park	Totals
ASSETS										
Cash and cash equivalents	\$	-	-	-	59,150	10,549	9,250	4,661	12,570	307,101
Accounts receivable		-	-	-	-	-	-	-	-	166,974
Inventory		-	-	-	-	-	-	-	-	1,293
Interfund loans receivable		-	3,727	4,863	7,800	-	834	-	4,825	78,474
Total assets	\$	-	3,727	4,863	66,950	10,549	10,084	4,661	17,395	553,842
LIABILITIES										
Accounts payable		-	-	-	-	-	-	-	-	11,673
Accrued payroll and benefits		-	-	-	-	-	-	-	-	43,013
Interfund loans payable		-	-	-	2	832	-	-	-	356,619
Total liabilities		-	-	-	2	832	-	-	-	411,305
FUND BALANCES (DEFICITS)										
Restricted		-	3,727	4,863	66,948	9,717	10,084	4,661	17,395	173,820
Committed		-	-	-	-	-	-	-	-	184,367
Unassigned		-	-	-	-	-	-	-	-	(215,650)
Total fund balances (deficits)		-	3,727	4,863	66,948	9,717	10,084	4,661	17,395	142,537
Total liabilities and fund balances (deficits)	\$	-	3,727	4,863	66,950	10,549	10,084	4,661	17,395	553,842

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2020

	Adult Education	Ruth Hanscom Estate	Title IIA	Title 1A	Title V	Local Entitlement	Pre-K Local Entitlement	ESSERF	Capital Renewal	ARRA MARTI
Revenues:										
Intergovernmental	\$ -	-	48,377	153,438	4,612	253,615	4,104	15,400	-	-
Charges for services	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Student activity fees and fundraisers	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total revenues	-	-	48,377	153,438	4,612	253,615	4,104	15,400	-	-
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	-	-	-	-
Education	-	-	48,377	165,473	4,612	261,509	4,104	15,400	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	48,377	165,473	4,612	261,509	4,104	15,400	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	(12,035)	-	(7,894)	-	-	-	-
Other financing sources:										
Transfer from other funds	-	-	-	-	-	-	-	-	6,975	-
Total other financing sources	-	-	-	-	-	-	-	-	6,975	-
Net change in fund balances	-	-	-	(12,035)	-	(7,894)	-	-	6,975	-
Fund balances (deficits), beginning of year, restated	12,694	28,629	-	-	-	-	-	-	(6,975)	250
Fund balances (deficits), end of year	\$ 12,694	28,629	-	(12,035)	-	(7,894)	-	-	-	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, 2020

	Ticket to Ride Grant	School Lunch Fund	PEPG Grant	Transition Grant	MLTI Laptop	Student Activities	Library Grant	Comp. Grant	Bangor Wellness Grant	Fire Department Gear Grant
Revenues:										
Intergovernmental	\$ -	158,869	-	-	38,600	-	-	-	-	-
Charges for services	-	170,163	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Student activity fees and fundraisers	-	-	-	-	-	224,643	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-
Total revenues	-	329,032	-	-	38,600	224,643	-	-	-	-
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	-	-	-	-
Education	-	468,476	-	-	38,600	224,687	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	468,476	-	-	38,600	224,687	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	(139,444)	-	-	-	(44)	-	-	-	-
Other financing sources:										
Transfer from other funds	-	35,000	-	-	-	-	-	-	-	-
Total other financing sources	-	35,000	-	-	-	-	-	-	-	-
Net change in fund balances	-	(104,444)	-	-	-	(44)	-	-	-	-
Fund balances (deficits), beginning of year, restated	1,098	(90,395)	705	(882)	-	184,411	3,277	7,550	2,043	179
Fund balances (deficits), end of year	\$ 1,098	(194,839)	705	(882)	-	184,367	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, 2020

		Snowmobile Grant	MDOT Hammond	Maine Forest Service Grants	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Historical Society	Veterans Memorial Park	Totals
Revenues:										
Intergovernmental	\$	8,750	158,700	-	-	-	-	-	-	844,465
Charges for services		-	-	-	2,800	-	-	-	-	172,963
Investment income		-	-	-	1,260	-	197	64	268	1,789
Student activity fees and fundraisers		-	-	-	-	-	-	-	-	224,643
Other		-	-	-	-	16,473	-	4,597	-	21,070
Total revenues		8,750	158,700	-	4,060	16,473	197	4,661	268	1,264,930
Expenditures:										
Current:										
General government		-	-	-	-	16,691	-	-	-	16,691
Recreation and social services		8,750	-	-	-	-	-	-	145	8,895
Education		-	-	-	-	-	-	-	-	1,231,238
Capital outlay		-	154,973	-	-	-	-	-	-	154,973
Total expenditures		8,750	154,973	-	-	16,691	-	-	145	1,411,797
Excess (deficiency) of revenues over (under) expenditures		-	3,727	-	4,060	(218)	197	4,661	123	(146,867)
Other financing sources:										
Transfer from other funds		-	-	-	5,000	-	-	-	5,000	51,975
Total other financing sources		-	-	-	5,000	-	-	-	5,000	51,975
Net change in fund balances		-	3,727	-	9,060	(218)	197	4,661	5,123	(94,892)
Fund balances (deficits), beginning of year, restated		-	-	4,863	57,888	9,935	9,887	-	12,272	237,429
Fund balances (deficits), end of year	\$	-	3,727	4,863	66,948	9,717	10,084	4,661	17,395	142,537

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, 2020

		Fund balances beginning of year	Revenues Investment Income	Expenditures Capital	Transfers In (Out)	Fund balances end of year
01	Police equipment	\$ 26,147	569	-	25,000	51,716
05	Fire equipment	166,952	3,633	42,014	150,000	278,571
06	Highway capital	292,626	6,677	240,554	100,000	158,749
08	Public works facility	10,166	221	72,000	75,000	13,387
09	Recreation facilities	188,595	3,988	30,491	25,000	187,092
11	Municipal building	26,033	567	12,036	5,000	19,564
12	Sewer maintenance	583,070	12,797	68,780	15,000	542,087
13	Public land acquisition	23,703	516	13,000	-	11,219
14	Planning and ordinance	65,249	1,642	23,226	-	43,665
17	Public safety building	100,802	2,194	17,482	10,000	95,514
19	Technology	60,929	1,006	-	20,000	81,935
28	Jackson Beach reserve	57,665	167	-	-	57,832
29	Transfer station reserve	4,940	107	-	-	5,047
30	Elementary school reserve	291,567	6,154	-	-	297,721
35	Solid waste reserve	-	-	-	559,000	559,000
Total		\$ 1,898,444	40,238	519,583	984,000	2,403,099

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, 2020

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 7,719	1,166	8,885
Total assets	\$ 7,719	1,166	8,885
LIABILITIES			
Interfund loans payable	14	-	14
Total liabilities	14	-	14
FUND BALANCES			
Nonspendable:			
Nonexpendable principal	6,785	1,000	7,785
Restricted	920	166	1,086
Total fund balances	7,705	1,166	8,871
Total liabilities and fund balances	\$ 7,719	1,166	8,885

TOWN OF HERMON, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2020

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 149	25	174
Total revenues	149	25	174
Expenditures:			
Current:			
Unclassified	-	-	-
Total expenditures	-	-	-
Net change in fund balances	149	25	174
Fund balances, beginning of year	7,556	1,141	8,697
Fund balances, end of year	\$ 7,705	1,166	8,871

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

TOWN OF HERMON, MAINE
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2020

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	\$ 165,473		-
Special Education Cluster:					
Local Entitlement	84.027	3046	261,509		-
Local Entitlement - Preschool	84.173	6247	4,104		-
Total Special Education Cluster				265,613	
Title V - Rural Low Income	84.358	3005	4,612		-
Title IIA - Supporting Effective Instruction	84.367	3042	48,377		-
ESSERF (COVID-19)	84.425D	N/A	15,400		-
Total U. S. Department of Education			499,475		-
U. S. Department of Agriculture, Passed through Maine Department of Education:					
Child Nutrition Cluster:					
National School Lunch Program	10.555	3024	78,061		-
National School Lunch Program - Breakfast Program	10.553	3014	14,979		-
Summer Food Service Program (COVID-19)	10.559	7007/7008	35,157		-
National School Lunch Program - Donated Commodities	10.555	3024	23,578		-
Total Child Nutrition Cluster				151,775	
Total U. S. Department of Agriculture			151,775		-
Totals			\$ 651,250		-