

TOWN OF HERMON, MAINE

Annual Financial Report

For the Year Ended June 30, 2021

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For the year ended June 30, 2021

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Independent Auditor's Report

Town Council
Town of Hermon, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hermon, Maine, as of and for the year ended June 30, 2021, 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, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules pertaining to the net pension and OPEB liabilities, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hermon, Maine's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements 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 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 February 4, 2022, 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.

A handwritten signature in black ink, reading "Raymond Kurtan Ouellette". The signature is written in a cursive, flowing style.

February 4, 2022
South Portland, Maine



MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)

The Management Discussion and Analysis (“MD&A”) is a report of the Town of Hermon’s fiscal activity for the year ending June 30, 2021. The report is presented in a manner that fairly represents the Town’s present financial position in respect to all funds and accounts. Included is all the information to accurately understand the Town’s financial position, and the data is correct to the best of our knowledge and belief.

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

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

BIOGRAPHICAL INFORMATION

The Town of Hermon is situated adjacent to Interstate 95, west of the City of Bangor. The growth of Hermon’s business districts and industrial parks has been supported by strong logistical transportation businesses, including one of Maine’s largest truck stops. Hermon continues to be one of the largest logistical support centers for trucking in the State, leading the region in transportation services, truck sales, truck repair facilities and supply chain businesses dedicated to the conveyance of goods to market. Recently, Canadian Pacific Railway purchased CMQ Rail providing improved transportation connections as a Class 1 rail system extending from the west coast of the United States and Canada to Searsport supporting access to international markets.

The residential portions of Hermon offer strong housing stock with a rural feel to the central Maine region. While the Hermon community strives to maintain a rural-residential character, investments made in education, infrastructure and community development have caused Hermon to become one of the fastest growing communities in the State per capita, increasing by over 1,000 new residents between 2010 and 2020. Both commercial and residential sectors in Hermon have created a continual increase to the Town’s municipal value and allowed the Town to maintain a mil rate below surrounding communities. The Town relies on excise tax from commercial vehicles, new business expansions and residential growth to keep the mil rate low. However, the Town Council and administration are aware that continued growth potentially increases demands for services. Good fiscal management and planned infrastructure investments are a goal of the Town to assist with the community’s growth rates.

Another goal of the Hermon community is to maintain our regional competitive advantage by offering a desirable place to start or grow a business while simultaneously providing a quality residential home setting for family life and business mix in its hybrid zone to serve the residents with local services and shopping opportunities that complement the community. The “Plaza” includes a hometown grocery store, pharmacy, salon, hardware store, Seaboard Federal Credit Union, Dunkin Donuts, and a Subway.

While Hermon’s population boom and business expansions are some of its greatest achievements, Hermon desires to continually offer both its residents and businesses a high quality of life for the families who live here and sustained leadership regarding the delivery of exceptional business services.

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

FINANCIAL INFORMATION

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

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

- As shown on Statement 1, the total net position as of June 30, 2021 for the Town of Hermon was \$26,659,801, an increase of \$1,870,758 when compared to net position as of June 30, 2020 of \$24,789,043. There were numerous factors contributing to the increase in net position, including increases in fund balances of the General Fund and School Department Operations Fund.
- The Town's outstanding notes payable decreased by \$406,845 for a total outstanding debt of \$4,844,383 as of June 30, 2021. As of June 30, 2021, the Town does not have any outstanding bonds or notes payable. The School Department currently has a loan through the Maine Municipal Bond Bank for the Elementary School expansion project in the amount of \$4,590,000. The School Department also has five notes payable for two buses, two trucks and copiers.
- Fund balance is reported in five classifications based on the constraints placed on those funds, whether externally or internally. As such, fund balance is reported as nonspendable, restricted, committed, assigned, or unassigned. As of June 30, 2021, as shown on the Town's balance sheet for the General Fund (Exhibit A-1), the Town reported \$68,859 in nonspendable inventory and prepaid expenditures, has restricted a total of \$813,583 for tax increment financing, has committed fund balance of \$84,142 for Town reserve accounts, and has assigned \$700,000 for the 21-22 FY budget, which leaves an unassigned fund balance of \$4,186,795 for a total fund balance of \$5,853,379. This is an increase of \$70,245 from the previous year. The School Department fund balance listing can be found on Exhibit B-1. The School Department fund balance increased by \$1,476,016 from the prior year ending at \$4,148,238 as of June 30, 2021. Of this, \$579,783 is committed for reserve accounts, \$770,000 was assigned to the 21-22 budget, leaving \$2,798,455 as unassigned. You may also find the list of assigned, restricted, committed, and nonspendable fund balances in the notes to the basic financial statements on page 40.

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

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

General Fund and School Department Operations

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

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

(207) 848-1010 (207) 848-3316 (fax)
<https://www.hermonmaine.gov>

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

Major Capital Projects Funds

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

Other Governmental Funds

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

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 28-51 of this report.

Other Information

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

The combining and individual fund financial statements and schedule referred to earlier in connection with non-major governmental funds are presented following the notes. The combining and individual fund financial statements and schedule can be found beginning on page 61 of this report.

GOVERNMENT-WIDE ANALYSIS – GOVERNMENTAL ACTIVITIES

Net position may serve over time as a useful indicator of a government's financial health. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$26,659,801 as of June 30, 2021. This figure is comprised of the net investment in capital assets (\$14,582,574), restricted net position for education (\$4,148,238), tax increment financing (\$813,583), grants and other purposes (\$179,651), and permanent funds (\$9,064), and unrestricted net position (\$6,926,691).

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

Net Position for the Period Ending June 30, 2021

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

Governmental Activities				
	2021	2020	Change	Change %
ASSETS				
Current assets	\$ 15,481,175	14,436,250	1,044,925	7.24%
Capital assets, net	19,426,957	19,313,094	113,863	0.59%
Total assets	34,908,132	33,749,344	1,158,788	3.43%
DEFERRED OUTFLOWS OF RESOURCES				
	940,968	593,662	347,306	58.50%
LIABILITIES				
Current liabilities	1,559,211	1,841,439	(282,228)	-15.33%
Noncurrent liabilities	7,789,590	7,815,738	(26,148)	-0.33%
Total liabilities	9,348,801	9,657,177	(308,376)	-3.19%
DEFERRED INFLOWS OF RESOURCES				
	63,647	148,116	(84,469)	-57.03%
NET POSITION				
Net investment in capital assets	14,582,574	14,061,866	520,708	3.70%
Restricted	5,150,536	3,536,583	1,613,953	45.64%
Unrestricted	6,703,542	6,939,264	(235,722)	-3.40%
Total net position	\$ 26,436,652	24,537,713	1,898,939	7.74%

Overall net position for the Town's governmental activities increased by \$1,898,939 from 2020. Current assets have increased \$1,044,925 from the prior year. This coincides with the increase in fund balance of the governmental funds. Total net capital assets increased by \$113,863 from the prior year. Long term liabilities, which includes notes payable, pension and OPEB liabilities, and accrued compensated absences decreased from the prior year by \$26,148. Balances of deferred outflows and inflows vary every year as they are based on actuarial reports and pertain to the net pension and OPEB liabilities.

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

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2021.

Governmental Activities

	2021	2020	Change	Change %
REVENUES				
Program revenues:				
Charges for services	\$ 2,754,929	2,915,845	(160,916)	-5.52%
Operating grants and contributions	11,513,236	8,513,148	3,000,088	35.24%
Capital grants and contributions	305,571	158,700	146,871	92.55%
General revenues:				
Property taxes	7,140,958	6,836,605	304,353	4.45%
Excise taxes	3,031,441	2,666,598	364,843	13.68%
State revenue sharing	318,808	282,783	36,025	12.74%
Homestead and BETE exemptions	675,508	584,232	91,276	15.62%
Unrestricted investment earnings	256,565	257,285	(720)	-0.28%
Miscellaneous revenues	35,586	13,294	22,292	167.68%
Total revenues	26,032,602	22,228,490	3,804,112	17.11%
EXPENSES				
General government	1,497,908	1,298,602	199,306	15.35%
Public safety	1,127,653	1,057,142	70,511	6.67%
Public works	1,181,350	1,583,622	(402,272)	-25.40%
Solid waste	498,852	457,298	41,554	9.09%
Recreational and social services	365,013	371,707	(6,694)	-1.80%
Education	18,069,289	16,279,359	1,789,930	11.00%
County tax	816,353	775,075	41,278	5.33%
Interest on debt	98,906	107,511	(8,605)	-8.00%
Capital maintenance expenses	478,339	561,403	(83,064)	-14.80%
Total expenses	24,133,663	22,491,719	1,641,944	7.30%
Change in net position	\$ 1,898,939	(263,229)		

Comparatives of revenues identify a couple key changes. Overall revenues increased by \$3,804,112 from the previous year. The largest factor was the increase of \$3,000,088 from the prior year in operating grants and contributions. The School Department received nearly \$2.4 million in coronavirus grant funding. Additionally, property taxes increased from the prior year by \$304,353. Property tax revenue is variable due to mil rates, the economy, values of homes, new construction, the commercial district growth, as well as other miscellaneous factors. Excise taxes showed an increase of \$364,843 when compared to 2020. This is positive for the Town because there was an extension of the excise tax due date for the year ended June 30, 2020 due to the coronavirus pandemic. Charges for services decreased by \$160,916 mostly due to a decrease in shared services provided by the School Department.

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

Overall, expenses have increased by \$1,641,944 from 2020. The largest reason for the increase is that education expenses were up \$1,789,930 from 2020 due to coronavirus grant funding. Public works saw a decrease of expenses of \$402,272. This was due to the capitalization of major rehabilitation work on Billings Road.

Financial Analysis of the Town's Funds

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, Town General Fund (\$5,853,379) and the School Department (\$4,148,238) reported a combined ending fund balance of \$10,001,617 (Statement 3), \$1,546,261 more than the previous year. The following is a general analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds.

As shown on Statement 4, actual revenues exceeded expenditures and transfers for the general fund by \$70,245, which includes the local portion of real estate taxes paid to the School Department. The ending fund balance for the general fund was \$5,853,379. School Department's revenues and transfers exceed expenses by \$1,476,016 resulting in an ending fund balance of \$4,148,238. The school capital improvements fund balance decreased \$187,569, ending with a balance of \$1,216,092. Finally, all other governmental funds reported a decrease in fund balance of \$10,036.

General Fund and School Department Operations

The following is a summary of General Fund and School Department Operations expenditures and revenues by function, with comparison to 2020. The information is gathered from Statement 6, Exhibit A-2, and Exhibit B-2. Please refer to Exhibits A-2 and B-2 in the financial statements for more detailed revenue and expenditure breakdown.

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

	<u>Actual Activity</u>			Percent
	2021	2020	Change	Change
Revenues				
Property taxes	\$ 7,163,974	6,836,605	327,369	4.79%
Excise taxes	3,031,441	2,666,598	364,843	13.68%
State revenue sharing	318,808	282,783	36,025	12.74%
Homestead exemption	345,353	247,506	97,847	39.53%
BETE reimbursement	330,155	336,726	(6,571)	-1.95%
State education subsidy	6,684,615	6,221,207	463,408	7.45%
Other intergovernmental revenues	344,097	84,057	260,040	309.36%
Licenses and permits	92,576	63,222	29,354	46.43%
Charges for services	2,587,737	2,663,187	(75,450)	-2.83%
Interest earned	152,576	191,070	(38,494)	-20.15%
Other revenues	151,647	62,270	89,377	143.53%
Transfers in	472,317	611,723	(139,406)	-22.79%
Total revenues and transfers	21,675,296	20,266,954	1,408,342	6.95%
Expenditures				
Current:				
General government	1,025,107	921,431	103,676	11.25%
Economic development	186,277	138,033	48,244	34.95%
Public safety	1,024,788	910,852	113,936	12.51%
Public works	1,584,598	1,484,441	100,157	6.75%
Solid waste	482,284	441,020	41,264	9.36%
Recreational and social services	343,697	339,462	4,235	1.25%
County tax	816,353	775,075	41,278	5.33%
Tax increment financing	189,436	68,685	120,751	175.80%
General assistance	2,343	2,604	(261)	-10.02%
Education	12,989,679	13,650,830	(661,151)	-4.84%
Debt service	610,419	562,435	47,984	8.53%
Transfers to other funds	640,000	1,048,815	(408,815)	-38.98%
Total expenditures and transfers	19,894,981	20,343,683	(448,702)	-2.21%
Excess of revenues over expenditures	\$ 1,780,315	(76,729)	1,857,044	

Overall, in 2021, revenues exceeded expenditures by \$1,780,315. Total revenues increased by \$1,408,342 from 2020 primarily due to increases in property taxes, excise taxes, homestead reimbursement, State education subsidy, and MDOT funding. The Town of Hermon relies heavily on excise taxes and the Town Council recognizes the need to ensure excise taxes remain one of the Town's major revenues. There was a total decrease of \$448,702 in expenditures from 2021 to 2020. Education, including debt service, decreased by \$613,167 from the prior year. The departments that showed increases were general government, economic development, public safety, public works, solid waste, recreation services, county tax, and tax increment financing.

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

Capital Assets

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Total capital assets, not being depreciated	128,572	-	-	128,572
Capital assets, being depreciated:				
Buildings and improvements	26,733,033	-	-	26,733,033
Equipment, furniture and fixtures	3,091,499	181,122	-	3,272,621
Vehicles	2,520,896	181,636	-	2,702,532
Infrastructure	592,643	683,115	-	1,275,758
Total capital assets, being depreciated	32,938,071	1,045,873	-	33,983,944
Total accumulated depreciation	13,753,549	932,010	-	14,685,559
Total capital assets, net	\$ 19,313,094	113,863	-	19,426,957

Major capital asset additions incurred by the Town and School Department during FY 2021 included the following:

- Rehabilitation of Billings Road, reclaiming and paving Blackstream Road, boiler and suppression system at the elementary school, IVEE accounting software, plow, rescue jack, telescoping ram, snowbalance, a truck, a tractor, a caravan, and a bus. In total, capital asset additions for the year ending June 30, 2021 were \$1,045,873.

Additional information on the Town's capital assets can be found in the notes to the basic financial statements on page 37.

Debt Administration

The Town's debt consists of a bond with the Maine Municipal Bond Bank (MMBB) and five notes. A summary of the Town's debt activity for the year ended June 30, 2021 is as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Notes payable	\$ 5,251,228	213,369	620,214	4,844,383	611,115

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

The School Department entered into three notes payable for a truck, a bus, and copiers that totaled \$213,369. Principal payments were made totaling \$620,214, including \$510,000 for the MMBB loan. Additional information on the Town's long-term debt can be found in the notes to the basic financial statements on page 38-39.

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

COMMITMENT:

The Commitment is the portion of the Assessments (the County tax, Municipal appropriation, TIF financing, Education appropriation and overlay) that are paid for from real estate and personal property taxes. For fiscal year ending June 30, 2021, the total commitment was \$7,108,294 as compared to June 30, 2020, which was \$6,819,651. The mil rate for 2021 was 11.99, which was the same as the prior year. The stabilization of the mil rate was due to the total taxable valuation of the Town increasing from \$568,778,300 in 2020 to \$592,851,900 in 2021.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2021-22 budget from 2020-21. These points are only the highlights and serve to summarize changes to the overall budget rather than to provide an explanation to every adjustment to the budget.

- The County tax increased by \$83,000.
- The Economic Development budget has increased by 35.26% or \$131,570. This is due to business development agreements and paving projects.
- The Public Works Department is increasing by 16.53%, or \$151,035. The largest increase within the department is for the snowplow contract (\$122,723) due to an additional 14 miles added to the contract and an annual adjustment of the per mile charge (\$6,200 to \$6,500).
- Overall projected increases in the Town's revenues have offset all the additional expenses.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the Town's finances. If you have questions about this report or need any additional information, contact the Town Manager or the Town's Finance Director, at 333 Billings Road, Hermon, Maine 04402-6300 or call (207) 848-1010 or www.hermonmaine.gov.

BASIC FINANCIAL STATEMENTS

TOWN OF HERMON, MAINE
Statement of Net Position
June 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 14,532,912	-	14,532,912
Receivables:			
Taxes	357,975	-	357,975
Accounts	741,343	-	741,343
Internal balances	(223,149)	223,149	-
Inventory	44,177	-	44,177
Prepaid expenses	27,917	-	27,917
Nondepreciable capital assets	128,572	-	128,572
Depreciable capital assets, net	19,298,385	-	19,298,385
Total assets	34,908,132	223,149	35,131,281
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - related to pensions	455,242	-	455,242
Deferred outflows of resources - related to OPEB	485,726	-	485,726
Total deferred outflows of resources	940,968	-	940,968
LIABILITIES			
Accounts payable	196,671	-	196,671
Accrued payroll and benefits	1,292,248	-	1,292,248
Prepaid taxes	16,548	-	16,548
Other liabilities	38,128	-	38,128
Accrued interest	15,616	-	15,616
Noncurrent liabilities:			
Due within one year	611,115	-	611,115
Due in more than one year	7,178,475	-	7,178,475
Total liabilities	9,348,801	-	9,348,801
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - related to pensions	39,784	-	39,784
Deferred inflows of resources - related to OPEB	23,863	-	23,863
Total deferred inflows of resources	63,647	-	63,647
NET POSITION			
Net investment in capital assets	14,582,574	-	14,582,574
Restricted for:			
Education	4,148,238	-	4,148,238
Tax increment financing	813,583	-	813,583
Grants and other purposes	179,651	-	179,651
Permanent funds:			
Nonexpendable	7,785	-	7,785
Expendable	1,279	-	1,279
Unrestricted	6,703,542	223,149	6,926,691
Total net position	\$ 26,436,652	223,149	26,659,801

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2021

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	\$ 1,497,908	136,127	45,510	-	(1,316,271)	-	(1,316,271)
Public safety	1,127,653	3,140	-	-	(1,124,513)	-	(1,124,513)
Public works	1,181,350	19,321	62,584	250,000	(849,445)	-	(849,445)
Solid waste	498,852	19,564	-	-	(479,288)	-	(479,288)
Recreational and social services	365,013	500	4,652	-	(359,861)	-	(359,861)
Education	18,069,289	2,576,277	11,400,490	-	(4,092,522)	-	(4,092,522)
County tax	816,353	-	-	-	(816,353)	-	(816,353)
Interest on debt	98,906	-	-	-	(98,906)	-	(98,906)
Capital maintenance expenses	478,339	-	-	55,571	(422,768)	-	(422,768)
Total governmental activities	24,133,663	2,754,929	11,513,236	305,571	(9,559,927)	-	(9,559,927)
Business-type activities:							
Recreation department	239,048	210,867	-	-	-	(28,181)	(28,181)
Total business-type activities	239,048	210,867	-	-	-	(28,181)	(28,181)
Total primary government	\$ 24,372,711	2,965,796	11,513,236	305,571	(9,559,927)	(28,181)	(9,588,108)
General revenues:							
Property taxes				\$ 7,140,958	-		7,140,958
Excise taxes				3,031,441	-		3,031,441
Grants and contributions not restricted to specific programs:							
State revenue sharing				318,808	-		318,808
Homestead and BETE exemptions				675,508	-		675,508
Unrestricted investment earnings				256,565	-		256,565
Miscellaneous revenues				35,586	-		35,586
Total general revenues				11,458,866	-		11,458,866
Change in net position					1,898,939	(28,181)	1,870,758
Net position - beginning					24,537,713	251,330	24,789,043
Net position - ending				\$ 26,436,652	223,149	26,659,801	

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2021

	General	School Department Operations	School Capital Improvements	All Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,511,816	3,663,389	2,186,504	2,171,203	14,532,912
Receivables:					
Taxes - current year	269,655	-	-	-	269,655
Taxes - prior year	54,279	-	-	-	54,279
Tax liens - prior years	32,832	-	-	-	32,832
Tax acquired property	1,209	-	-	-	1,209
Accounts	114,364	66,950	-	560,029	741,343
Inventory	40,942	-	-	3,235	44,177
Prepaid expenditures	27,917	-	-	-	27,917
Interfund loans receivable	-	1,689,148	-	637,802	2,326,950
Total assets	\$ 7,053,014	5,419,487	2,186,504	3,372,269	18,031,274
LIABILITIES					
Accounts payable	75,240	85,305	-	36,126	196,671
Accrued payroll and benefits	46,968	1,185,944	-	59,336	1,292,248
Prepaid taxes	16,548	-	-	-	16,548
Other liabilities	38,128	-	-	-	38,128
Interfund loans payable	847,351	-	970,412	732,336	2,550,099
Total liabilities	1,024,235	1,271,249	970,412	827,798	4,093,694
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	175,400	-	-	-	175,400
Total deferred inflows of resources	175,400	-	-	-	175,400
FUND BALANCES					
Nonspendable	68,859	-	-	7,785	76,644
Restricted	813,583	4,148,238	-	180,930	5,142,751
Committed	84,142	-	1,216,092	2,646,016	3,946,250
Assigned	700,000	-	-	-	700,000
Unassigned	4,186,795	-	-	(290,260)	3,896,535
Total fund balances	5,853,379	4,148,238	1,216,092	2,544,471	13,762,180
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,053,014	5,419,487	2,186,504	3,372,269	
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.					19,426,957
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					175,400
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore, are not reported in the funds.					
Notes from direct borrowing					(4,844,383)
Net pension liability, including related deferred inflows and outflows of resources					(249,855)
OPEB liabilities, including related deferred inflows and outflows of resources					(1,638,601)
Accrued interest					(15,616)
Accrued compensated absences					(179,430)
Net position of governmental activities					\$ 26,436,652

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, 2021

	General	School Department Operations	School Capital Improvements	All Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 10,195,415	-	-	-	10,195,415
Intergovernmental	1,311,552	8,052,843	-	3,225,578	12,589,973
Licenses and permits	92,576	-	-	-	92,576
Charges for services	67,685	2,520,052	-	59,025	2,646,762
Investment income	119,269	49,946	43,175	44,175	256,565
Student activity fees and fundraisers	-	-	-	97,238	97,238
Other	35,586	116,061	-	25,442	177,089
Total revenues	11,822,083	10,738,902	43,175	3,451,458	26,055,618
Expenditures:					
Current:					
General government	1,030,062	-	-	33,457	1,063,519
Economic development	186,277	-	-	-	186,277
Public safety	1,024,788	-	-	-	1,024,788
Public works	1,584,598	-	-	17,500	1,602,098
Solid waste	482,284	-	-	-	482,284
Recreational and social services	343,697	-	-	179	343,876
County tax	816,353	-	-	-	816,353
Tax increment financing	189,436	-	-	-	189,436
General assistance	2,343	-	-	-	2,343
Education	-	13,040,417	-	3,386,187	16,426,604
Maine PERS on-behalf payments	-	1,341,367	-	-	1,341,367
Debt service	-	610,419	-	-	610,419
Capital outlay	-	213,369	-	617,598	830,967
Total expenditures	5,659,838	15,205,572	-	4,054,921	24,920,331
Excess (deficiency) of revenues over (under) expenditures	6,162,245	(4,466,670)	43,175	(603,463)	1,135,287
Other financing sources (uses):					
Proceeds from notes	-	213,369	-	-	213,369
Transfers from other funds	-	5,779,317	-	593,427	6,372,744
Transfers to other funds	(6,092,000)	(50,000)	(230,744)	-	(6,372,744)
Total other financing sources (uses)	(6,092,000)	5,942,686	(230,744)	593,427	213,369
Net change in fund balances	70,245	1,476,016	(187,569)	(10,036)	1,348,656
Fund balances, beginning of year	5,783,134	2,672,222	1,403,661	2,554,507	12,413,524
Fund balances, end of year	\$ 5,853,379	4,148,238	1,216,092	2,544,471	13,762,180

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, 2021

Net change in fund balances - total governmental funds (from Statement 4)	\$ 1,348,656
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	1,045,873
Depreciation expense	(932,010)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
This is the decrease in unavailable revenue - property taxes.	(23,016)
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	145,948
Net pension liability with related deferred inflows and outflows of resources	(2,435)
Accrued interest	1,513
Accrued compensated absences	(92,435)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note 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 notes	620,214
Note proceeds	(213,369)
Change in net position of governmental activities (see Statement 2)	\$ 1,898,939

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, 2021

	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	\$ 9,425,294	9,425,294	10,195,415	770,121	-	-	-	-
Intergovernmental	918,278	918,278	1,311,552	393,274	6,684,192	6,684,192	6,711,476	27,284
Licenses and permits	59,600	59,600	92,576	32,976	-	-	-	-
Charges for services	39,100	39,100	67,685	28,585	2,182,174	2,182,174	2,520,052	337,878
Interest earned	70,000	70,000	117,070	47,070	-	-	35,506	35,506
Other revenues	21,991	21,991	35,586	13,595	56,000	56,000	116,061	60,061
Total revenues	10,534,263	10,534,263	11,819,884	1,285,621	8,922,366	8,922,366	9,383,095	460,729
Expenditures:								
Current:								
General government	1,069,971	1,069,971	1,025,107	44,864	-	-	-	-
Economic development	373,168	373,168	186,277	186,891	-	-	-	-
Public safety	1,008,320	1,008,320	1,024,788	(16,468)	-	-	-	-
Public works	913,742	913,742	1,584,598	(670,856)	-	-	-	-
Solid waste	435,857	435,857	482,284	(46,427)	-	-	-	-
Recreation and social services	345,779	345,779	343,697	2,082	-	-	-	-
County tax	816,353	816,353	816,353	-	-	-	-	-
Tax increment financing	110,000	110,000	189,436	(79,436)	-	-	-	-
General assistance	5,000	5,000	2,343	2,657	-	-	-	-
Education	-	-	-	-	14,605,604	14,605,604	12,989,679	1,615,925
Debt service:								
Principal	-	-	-	-	510,000	510,000	510,000	-
Interest	-	-	-	-	100,419	100,419	100,419	-
Total expenditures	5,078,190	5,078,190	5,654,883	(576,693)	15,216,023	15,216,023	13,600,098	1,615,925
Excess (deficiency) of revenues over (under) expenditures	5,456,073	5,456,073	6,165,001	708,928	(6,293,657)	(6,293,657)	(4,217,003)	2,076,654
Other financing sources (uses):								
Use of prior year surplus	575,000	575,000	-	(575,000)	600,000	600,000	-	(600,000)
Use of TIF funds	608,168	608,168	-	(608,168)	-	-	-	-
Appropriated for TIF funds	(507,626)	(507,626)	-	507,626	-	-	-	-
Transfers in	-	-	-	-	240,000	240,000	472,317	232,317
Local appropriation - School Department	(5,503,657)	(5,503,657)	(5,507,000)	(3,343)	5,503,657	5,503,657	5,507,000	3,343
Transfers out	(590,000)	(590,000)	(590,000)	-	(50,000)	(50,000)	(50,000)	-
Total other financing sources (uses)	(5,418,115)	(5,418,115)	(6,097,000)	(678,885)	6,293,657	6,293,657	5,929,317	(364,340)
Net change in fund balance, budgetary basis	37,958	37,958	68,001	30,043	-	-	1,712,314	1,712,314
Reconciliation to GAAP:								
Changes in committed balances (reserves)			2,244				(185,560)	
Change in accrued summer salaries and benefits			-				(50,738)	
Net change in fund balance, GAAP basis			70,245				1,476,016	
Fund balance, beginning of year			5,783,134				2,672,222	
Fund balance, end of year	\$		5,853,379				4,148,238	

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Net Position
Proprietary Fund
June 30, 2021

Business-type Activities - Enterprise Fund	
	Recreation Department
ASSETS	
Current assets:	
Interfund loans receivable	\$ 223,149
Total assets	223,149
LIABILITIES	
Current liabilities:	
Accounts payable	-
Total liabilities	-
NET POSITION	
Unrestricted	223,149
Total net position	\$ 223,149

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, 2021

Business-type Activities - Enterprise Fund		
		Recreation Department
Operating revenues:		
Charges for services	\$	210,867
Total operating revenues		210,867
Operating expenses:		
Payroll and related expenses		190,423
Recreation programs		48,625
Total operating expenses		239,048
Operating income (loss)		(28,181)
Net position, beginning of year		251,330
Net position, end of year	\$	223,149

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Fund
For the year ended June 30, 2021

Business-type Activities - Enterprise Fund			Recreation Department
Cash flows from operating activities:			
Receipts from customers and users	\$	210,867	
Payments to suppliers		(48,625)	
Payments to employees		(190,423)	
Net cash provided by (used in) operating activities		(28,181)	
Cash flows from noncapital financing and related activities:			
Net interfund activity		28,181	
Net cash used in noncapital financing and related activities		28,181	
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)		(28,181)	
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	\$	(28,181)	

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021

		Private-purpose Trusts
		School Department Scholarships
<hr/>		
ASSETS		
Cash and cash equivalents	\$	33,206
Total assets		33,206
<hr/>		
LIABILITIES		
Accounts payable		-
Total liabilities		-
<hr/>		
NET POSITION		
Restricted		33,206
<hr/>		
Total net position	\$	33,206

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, 2021

	Private-purpose Trusts
	School Department Scholarships
Additions:	
Interest earned	\$ 140
Total additions	140
Deductions:	
Scholarships	1,000
Other	4
Total deductions	1,004
Change in net position	(864)
Net position, beginning of year	34,070
Net position, end of year	\$ 33,206

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 \$1,341,367. 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, 2021, the following funds had deficit fund balances:

School lunch fund	\$ 234,466	Transition grant	882
Title IA	28,196	Local entitlement	10,779
Veteran Memorial Park	15,937		

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, 2021, expenditures exceeded appropriations for the following:

Town manager	\$ 40	Roads	618,926
Town clerk	6,488	Town garage	6,119
Finance	7,018	Trucks/tractor	24,287
Code enforcement	24,972	Salt shed/storage	1,417
Municipal building	2,382	Cemetery	22,978
Town Council	1,242	Household waste	59,596
Other general government	4,827	Recreation	857
Fire department	20,880	System administration	32,341
Tax increment financing	79,436		

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, 2021, the Town reported deposits of \$14,566,118 with a bank balance of \$15,118,069. \$1,296,254 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 October 7, 2020, 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, 2021. Interest at the rate of 8% per annum was charged on any amounts remaining unpaid after this date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$37,958 for the period ended June 30, 2021.

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 2021 and 2020 levies:

	<u>2021</u>	<u>2020</u>
Assessed value	\$ 592,851,900	568,778,300
Tax rate (per \$1,000)	11.99	11.99
Commitment	7,108,294	6,819,651
Supplemental taxes assessed	2,306	5,226
	7,110,600	6,824,877
Less:		
Collections and abatements	6,840,945	6,375,845
Receivable at June 30	\$ 269,655	449,032
Due date	April 1, 2021	April 1, 2020
Interest rate on delinquent taxes	8.0%	9.0%
Collection rate	96.21%	93.42%

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

CAPITAL ASSETS

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

	Balance June 30, <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2021</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Total capital assets, not being depreciated	128,572	-	-	128,572
Capital assets, being depreciated:				
Buildings and building improvements	26,733,033	-	-	26,733,033
Equipment, furniture, and fixtures	3,091,499	181,122	-	3,272,621
Vehicles	2,520,896	181,636	-	2,702,532
Infrastructure	592,643	683,115	-	1,275,758
Total capital assets being depreciated	32,938,071	1,045,873	-	33,983,944
Less accumulated depreciation for:				
Buildings and building improvements	10,270,897	537,756	-	10,808,653
Equipment, furniture, and fixtures	2,026,192	183,891	-	2,210,083
Vehicles	1,422,787	186,052	-	1,608,839
Infrastructure	33,673	24,311	-	57,984
Total accumulated depreciation	13,753,549	932,010	-	14,685,559
Total capital assets being depreciated, net	19,184,522	113,863	-	19,289,385
Governmental activities capital assets, net	\$19,313,094	113,863	-	19,426,957

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

Governmental activities:	
General government	\$ 18,631
Public safety	102,302
Public works	111,426
Solid waste	16,568
Recreation and social services	16,497
Education	666,586
Total depreciation expense – governmental activities	\$ 932,010

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

INTERFUND BALANCES AND TRANSFERS

As of June 30, 2021, 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	\$ -	847,351	(6,092,000)
School department operations	1,689,148	-	5,729,317
School capital improvements	-	970,412	(230,744)
Recreation department	233,149	-	-
Nonmajor special revenue funds	70,759	732,322	18,427
Nonmajor capital project funds	567,043	-	575,000
Nonmajor permanent funds	-	14	-
Totals	\$ 2,550,099	2,550,099	-

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, 2021 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:					
Notes from direct borrowings	\$ 5,251,228	213,369	620,214	4,844,383	611,115
Net pension liability	576,825	88,488	-	665,313	-
Net OPEB liability	59,284	-	21,619	37,665	-
Total OPEB liability	1,841,406	221,393	-	2,062,799	-
Accrued compensated absences	86,995	92,435	-	179,430	-
Governmental activities					
long-term liabilities	\$ 7,815,738	615,685	641,833	7,789,590	611,115

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

LONG-TERM DEBT

Notes payable at June 30, 2021 is comprised of the following:

	<u>Amount of</u> <u>Original issue</u>	<u>Interest</u> <u>rate</u>	<u>Final</u> <u>maturity</u> <u>date</u>	<u>Balance</u> <u>end of</u> <u>year</u>
2019 elementary school	\$ 5,100,000	1.72-2.39%	11/1/2029	4,590,000
2019 truck note	32,929	3.99%	8/1/2021	10,976
2021 truck note	33,650	3.80%	10/1/2023	33,650
2021 copier note	79,720	N/A	7/31/2025	79,720
2020 bus note	90,000	3.23%	12/15/2021	30,038
2022 bus note	99,999	1.79%	10/15/2023	99,999
Total notes payable				\$ 4,844,383

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 611,115	94,616	705,731
2023	570,181	83,585	653,766
2024	571,199	72,790	643,989
2025	525,944	61,608	857,552
2026	525,944	51,230	577,174
2027-2030	2,040,000	94,299	2,134,299
Totals	\$ 4,844,383	458,128	5,302,511

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, 2021, 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, 2021.

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

FUND BALANCES

As of June 30, 2021, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund:				
Inventory and prepaid	\$ 68,859	-	-	-
Tax increment financing districts	-	813,583	-	-
Appropriated to the 2021 budget	-	-	-	700,000
Municipal unemployment	-	-	32,811	-
Legal liability	-	-	15,460	-
Rural fire protection	-	-	11,901	-
Sick leave reserve	-	-	23,394	-
Hermon Veterans Memorial	-	-	(174)	-
Boston Post	-	-	750	-
Total general fund	68,859	813,583	84,142	700,000
School Department operations	-	4,148,238 *	-	-
School capital improvements	-	-	1,216,092	-
All other governmental funds:				
Grants and other purposes	-	179,651	-	-
Student activities	-	-	183,929	-
Capital outlay	-	-	2,462,087	-
Permanent funds – principal	7,785	-	-	-
Permanent funds – unexpended income	-	1,279	-	-
Total other governmental funds	7,785	180,930	2,646,016	-
Grand totals	\$ 76,644	5,142,751	3,946,250	700,000

*Of the total restricted for education of \$4,148,238, the School Department has committed \$579,783 to various reserves (unemployment, fuel, tax rate stabilization, school bus, Hermon athletic complex) and has budgeted \$770,000 for the FY 2022 budget to reduce taxes (assigned fund balance). The remainder of \$2,798,455 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 7.05% to 7.8% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2021, was 7.6% of annual payroll. Contributions to the pension plan from the Town were \$85,585 for the year ended June 30, 2021.

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, 2021, 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 \$305,943 for the year ended June 30, 2021.

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, 2020, 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, 2021, the Town reported a liability of \$468,186 for its proportionate share of the net pension liability. At June 30, 2020, the Town's proportion of the PLD Plan was 0.1178%.

SET Plan - At June 30, 2021, 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	\$ 197,127
State's proportionate share of the net pension liability associated with the Town	8,651,743
Total	\$ 8,848,870

At June 30, 2020, the Town's proportion of the SET Plan was 0.0121%

For the year ended June 30, 2021, the Town recognized pension expense of \$120,970 for the PLD Plan and pension expense of \$1,326,879 and revenue of \$1,053,886 for support provided by the State for the SET Plan. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>PLD Plan</u>		<u>SET Plan</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,947	-	2,129	-
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	30,465	-	8,173	-
Changes in proportion and differences between Town contributions and proportionate share of contributions	-	6,166	-	33,618
Town contributions subsequent to the measurement date	85,585	-	305,943	-
Total	\$ 138,997	6,166	316,245	33,618

\$391,528 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, 2022. 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>
2022	\$ (18,707)	(28,110)
2023	14,142	(9,642)
2024	25,877	7,256
2025	25,934	7,180

Actuarial Assumptions - The total pension liability in the June 30, 2020 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% + merit	2.75% + merit
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, 2020 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, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public equities	30.0%	6.0%
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%	7.2%
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	\$ 983,937	468,186	46,005
 <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	\$ 341,876	197,127	76,482

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, 2021.

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 7.6% 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, 2021, the Town recognized pension expense of \$62,334.

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.maineopers.org.

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

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

PLD OPEB Plan - The Town is required to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retirement period. Contributions to the PLD OPEB plan from the Town were \$0 for the year ended June 30, 2021. 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 \$33,018 for the year ended June 30, 2021. 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, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plans relative to the projected contributions of all participating employers, actuarially determined.

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB) – LIFE INSURANCE, CONTINUED

PLD OPEB Plan - At June 30, 2021, the Town reported a liability of \$37,665 for its proportionate share of the net OPEB liability. At June 30, 2020, the Town's proportion was 0.2855%.

SET OPEB Plan - At June 30, 2021, 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 \$294,059 as of June 30, 2021. At June 30, 2020, the Town's proportion was 0.00%.

For the year ended June 30, 2021, the Town recognized OPEB gain of \$2,928 for the PLD OPEB Plan. For the year ended June 30, 2021, the Town recognized OPEB expense of \$33,018 and revenues of \$33,018 for support provided by the State related to the SET OPEB plan. At June 30, 2021, the Town reported no deferred outflows of resources nor deferred inflows of resources related to the SET OPEB plan. At June 30, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to the PLD OPEB plan from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,651	-
Changes of assumptions	-	22,922
Net difference between projected and actual earnings on pension plan investments	-	941
Changes in proportion and differences between Town contributions and proportionate share of contributions	8,645	-
Total	\$ 13,296	23,863

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>	
2022	\$ (2,324)
2023	(1,753)
2024	(107)
2025	(2,735)
2026	(3,648)

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 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, 2020 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 and SET OPEB plans 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 6.75%, 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 (5.75%) or 1 percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net OPEB liability	\$ 50,728	37,665	27,166

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.

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

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employee entitled to but not yet receiving benefits	-
Active employees	159
Total	<u>212</u>

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

The Town's total OPEB liability of \$2,062,799 was measured as of June 30, 2020, and was determined by an actuarial valuation as of that date.

Changes in the Total OPEB Liability

Balance at June 30, 2020	\$ 1,841,406
Changes for the year:	
Service cost	19,615
Interest	63,823
Changes of benefit terms	(241,296)
Differences between expected and actual experience	119,158
Changes in assumptions or other inputs	335,779
Benefit payments	(75,686)
Net changes	<u>221,393</u>
Balance at June 30, 2021	<u>\$ 2,062,799</u>

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE – SCHOOL DEPARTMENT, CONTINUED

Change in assumptions reflects a change in the discount rate from 3.5% to 2.21%. Change of benefits relate to the implementation of the Medicare Advantage plan.

For the year ended June 30, 2021, The Town recognized OPEB gain of \$97,177. At June 30, 2021, 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	\$ 322,324	-
Differences between expected and actual experience	104,263	-
Town contributions subsequent to measurement date	45,843	-
Total	\$ 472,430	-

\$45,843 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, 2022. 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:	
2022	\$ 60,681
2023	60,681
2024	60,679
2025	73,944
2026	56,867
Thereafter	113,735

Actuarial Assumptions - The total OPEB liability in the June 30, 2020 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	2.00%
Salary increases	2.75% per year
Discount rate	2.21% per annum
Healthcare cost trend rates - Pre-Medicare	6.21% for 2021 grading over 20 years to 3.73%
Healthcare cost trend rates - Medicare	0.00% for 2021 grading over 20 years to 3.25%
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.

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

OTHER POSTEMPLOYMENT BENEFITS – HEALTH INSURANCE – SCHOOL DEPARTMENT, CONTINUED

The actuarial assumptions used in the June 30, 2020 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 2.21% 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 2.21%, 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 (1.21%) or 1 percentage-point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB liability	\$ 2,439,906	2,062,799	1,761,289

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	\$ 1,731,875	2,062,799	2,490,180

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 notes payable and adding back any unspent proceeds. The Town's net investment in capital assets was calculated as follows at June 30, 2021:

	<u>Governmental activities</u>
Capital assets	\$ 34,112,516
Accumulated depreciation	(14,685,559)
Notes payable	(4,844,383)
Total net investment in capital assets	\$ 14,582,574

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

CREDIT ENHANCEMENT AGREEMENTS

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

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

For the fiscal year ended June 30, 2021, the Town remitted a total of \$84,162 in Credit Enhancement payments, including the following, each of which exceeded 10 percent of the total amount remitted:

\$23,909 (28%) 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.

\$16,689 (20%) was disbursed to Brushfire, LLC based on the Credit Enhancement Agreement in which Brushfire LLC agreed to construct and equip a 39,375 square foot manufacturing facility. The CEA became effective July 1, 2015 for a period of 15 years ending in fiscal year 2030.

RELATED PARTY TRANSACTIONS

During the year, the School Department purchased technology equipment and services from Nightscape Tech LLC, which is owned by an employee of the School Department, who is the head of the information system department. The School Department purchased \$190,692 of equipment and services during the year ended June 30, 2021. 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>PLD Plan</u>							
Town's proportion of the net pension liability	0.1178%	0.1221%	0.1199%	0.1033%	0.0778%	0.0659%	0.0665%
Town's proportionate share of the net pension liability	\$ 468,186	373,347	328,183	422,772	413,471	210,201	102,291
Town's covered payroll	1,030,755	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	45.42%	37.08%	34.51%	51.92%	63.50%	31.89%	28.87%
Plan fiduciary net position as a percentage of the total pension liability	88.35%	90.62%	91.14%	86.43%	81.61%	88.27%	94.10%
<u>SET Plan</u>							
Town's proportion of the net pension liability	0.0121%	0.0139%	0.0172%	0.0150%	0.0153%	0.0157%	0.0178%
Town's proportionate share of the net pension liability	197,127	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	8,651,743	7,509,991	6,685,074	7,294,373	8,709,868	6,641,782	5,330,683
Total	\$ 8,848,870	7,713,469	6,916,908	7,512,515	8,979,884	6,853,980	5,522,982
Town's covered payroll	\$ 6,813,692	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	2.89%	3.12%	3.68%	3.49%	4.52%	3.66%	3.36%
Plan fiduciary net position as a percentage of the total pension liability	81.03%	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%

* Only seven 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<u>PLD Plan</u>								
Contractually required contribution	\$ 85,585	76,276	73,509	66,360	52,924	36,460	27,029	12,046
Contributions in relation to the contractually required contribution	(85,585)	(76,276)	(73,509)	(66,360)	(52,924)	(36,460)	(27,029)	(12,046)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
Town's covered payroll	1,126,120	1,030,755	1,006,975	950,975	814,224	651,095	659,232	354,270
Contributions as a percentage of covered payroll	7.60%	7.40%	7.30%	6.98%	6.50%	5.60%	4.10%	3.40%
<u>SET Plan</u>								
Contractually required contribution	\$ 305,943	283,449	259,180	250,003	209,963	200,512	153,824	151,813
Contributions in relation to the contractually required contribution	(305,943)	(283,449)	(259,180)	(250,003)	(209,963)	(200,512)	(153,824)	(151,813)
Contribution deficiency (excess)	\$ -	-	-	-	-	-	-	-
Town's covered payroll	\$ 7,354,405	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%	4.16%	3.97%	3.97%	3.36%	3.36%	2.65%	2.65%

* Only eight 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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<u>PLD OPEB Plan</u>				
Town's proportion of the net OPEB liability	0.2855%	0.2771%	0.2688%	0.2400%
Town's proportionate share of the net OPEB liability	37,665	59,284	54,300	40,126
Town's covered-employee payroll	1,030,755	1,006,975	950,975	814,224
 Town's proportionate share of net OPEB liability as a percentage of its covered-employee payroll	 3.65%	 5.89%	 5.71%	 4.93%
Plan fiduciary net position as a percentage of the total OPEB liability	55.40%	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%	0.00%
Town's proportionate share of the net OPEB liability	-	-	-	-
State's proportionate share of the net OPEB liability associated with the Town	294,059	270,886	259,460	261,241
 Total	 294,059	 270,886	 259,460	 261,241
 Plan fiduciary net position as a percentage of the total OPEB liability	 49.51%	 49.22%	 48.04%	 47.29%

* Only four years of information available.

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

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
PLD OPEB Plan				
Contractually required contribution	\$ -	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-
Contribution deficiency (excess)	\$ -	-	-	-
Town's covered payroll	\$ 1,126,120	1,030,755	1,006,975	950,975
Contributions as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

* Only four 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>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability			
Service cost	\$ 19,615	16,269	17,636
Interest	63,823	65,997	63,309
Changes of benefit terms	(241,296)	-	-
Differences between expected and actual experience	119,158	-	-
Changes of assumptions or other inputs	335,779	102,467	(79,586)
Benefit payments	(75,686)	(64,188)	(61,969)
Net change in total OPEB Liability	221,393	120,545	(60,610)
Total OPEB liability - beginning	1,841,406	1,720,861	1,781,471
Total OPEB liability - ending	\$ 2,062,799	1,841,406	1,720,861
Covered-employee payroll	\$ 6,679,872	6,662,190	6,483,883
Total OPEB liability as a percent of covered-employee payroll	30.9%	27.6%	26.5%

*Only three 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>2020</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 + merit	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 + merit	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%	1.91%	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 Healthy 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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Discount rate - SET	6.75%	6.75%	6.75%	6.875%
Discount rate - PLD	6.75%	4.98%	5.13%	5.41%

Total OPEB Liability

Changes of Benefit Terms - Implementation of the Medicare Advantage plan in 2020.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Discount rate	2.21%	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, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 6,511,816	7,238,755
Receivables:		
Taxes - current year	269,655	449,032
Taxes - prior years	54,279	41,200
Tax liens - prior years	32,832	66,335
Tax acquired property	1,209	6,524
Accounts	114,364	95,646
Inventory	40,942	13,184
Prepaid expenditures	27,917	30,322
Total assets	\$ 7,053,014	7,940,998
LIABILITIES		
Accounts payable	75,240	206,390
Accrued payroll and benefits	46,968	29,537
Prepaid taxes	16,548	24,494
Other liabilities	38,128	60,778
Interfund loans payable	847,351	1,638,249
Total liabilities	1,024,235	1,959,448
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	175,400	198,416
Total deferred inflows of resources	175,400	198,416
FUND BALANCE		
Nonspendable - inventory and prepaid	68,859	43,506
Restricted for TIF	813,583	681,670
Committed for Town reserves	84,142	81,898
Assigned for subsequent budget	700,000	600,000
Unassigned	4,186,795	4,376,060
Total fund balance	5,853,379	5,783,134
Total liabilities, deferred inflows of resources, and fund balances	\$ 7,053,014	7,940,998

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, 2021
(with comparative amounts for the year ended June 30, 2020)

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 7,108,294	7,125,154	16,860	6,805,537
Excise taxes	2,276,000	3,031,441	755,441	2,666,598
Payment in lieu of taxes	11,000	11,000	-	11,000
Interest on taxes	30,000	27,820	(2,180)	20,068
Total taxes	9,425,294	10,195,415	770,121	9,503,203
Intergovernmental:				
State revenue sharing	175,000	318,808	143,808	282,783
Homestead reimbursement	345,353	345,353	-	247,506
BETE reimbursement	329,925	330,155	230	336,726
Snowmobile reimbursement	2,500	3,005	505	3,065
URIP funds	63,000	62,584	(416)	66,860
MDOT funds	-	250,000	250,000	-
General assistance	2,500	1,647	(853)	2,165
Total intergovernmental	918,278	1,311,552	393,274	939,105
Licenses and permits:				
Town Clerk agent fees	30,000	49,162	19,162	36,987
Dog fees	2,100	2,501	401	2,366
Building permits	12,000	16,886	4,886	11,441
Plumbing fees	13,500	20,227	6,727	11,578
Planning/zoning fees	2,000	3,800	1,800	850
Total licenses and permits	59,600	92,576	32,976	63,222

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

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Revenues, continued:				
Charges for services:				
Hermon connection	\$ 2,000	2,450	450	2,730
Cemetery maintenance	2,500	9,655	7,155	2,700
Cable franchise	18,000	12,601	(5,399)	10,740
Sewer assessments	200	680	480	920
Wireless tower fees	-	12,909	12,909	12,533
Public safety	1,000	3,140	2,140	9,389
Public works revenues	-	6,866	6,866	388
Solid waste and recycling	15,400	18,884	3,484	16,908
Recreation and social services	-	500	500	14
Total charges for services	39,100	67,685	28,585	56,322
Interest earned	70,000	117,070	47,070	167,216
Total interest earned	70,000	117,070	47,070	167,216
Other revenues:				
Miscellaneous	21,991	35,586	13,595	13,294
Total other revenues	21,991	35,586	13,595	13,294
Total revenues	10,534,263	11,819,884	1,285,621	10,742,362

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

	2021			2020 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures:				
Current:				
General government:				
Administration	\$ 386,675	313,454	73,221	294,967
Town manager	117,100	117,140	(40)	112,815
Town clerk	68,614	75,102	(6,488)	67,039
Finance	126,815	133,833	(7,018)	118,657
Assessor	106,464	95,133	11,331	94,875
Code enforcement	45,974	70,946	(24,972)	44,340
Assistant clerks	132,766	127,524	5,242	109,510
Municipal building	28,200	30,582	(2,382)	28,930
Town office	9,500	8,289	1,211	6,662
Town council	13,680	14,922	(1,242)	11,890
Town boards	8,505	7,677	828	7,324
Other expenditures	25,678	30,505	(4,827)	24,422
Total general government	1,069,971	1,025,107	44,864	921,431
Economic development:				
Economic development	373,168	186,277	186,891	110,033
Technology	-	-	-	28,000
Total economic development	373,168	186,277	186,891	138,033
Public safety:				
Police department	490,368	487,990	2,378	414,935
Fire department	400,382	421,262	(20,880)	375,865
Utilities	117,570	115,536	2,034	120,052
Total public safety	1,008,320	1,024,788	(16,468)	910,852

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

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Expenditures, continued				
Current, continued:				
Public works:				
General	\$ 258,290	255,419	2,871	246,687
Roads	599,322	1,218,248	(618,926)	1,159,653
Town garage	4,810	10,929	(6,119)	2,216
Trucks/tractor	37,135	61,422	(24,287)	53,463
Salt shed/storage	6,850	8,267	(1,417)	1,978
Cemetery	7,335	30,313	(22,978)	20,444
Total public works	913,742	1,584,598	(670,856)	1,484,441
Solid waste:				
Landfill	27,837	24,346	3,491	16,986
Household waste	353,294	412,890	(59,596)	365,463
Sewer	54,726	45,048	9,678	58,571
Total solid waste	435,857	482,284	(46,427)	441,020
Recreation and social services:				
Recreation	106,527	107,384	(857)	106,115
Social services	227,840	227,540	300	227,540
Jackson Beach	11,412	8,773	2,639	5,807
Total recreation and social services	345,779	343,697	2,082	339,462
County tax	816,353	816,353	-	775,075
Tax increment financing	110,000	189,436	(79,436)	68,685
General assistance	5,000	2,343	2,657	2,604
Total expenditures	5,078,190	5,654,883	(576,693)	5,081,603

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

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Excess (deficiency) of revenues over (under) expenditures	\$ 5,456,073	6,165,001	708,928	5,660,759
Other financing sources (uses):				
Use of prior year surplus - Town	575,000	-	(575,000)	-
Use of TIF funds	608,168	-	(608,168)	-
Appropriated for TIF funds	(507,626)	-	507,626	-
Local appropriation - School Department	(5,503,657)	(5,507,000)	(3,343)	(5,170,548)
Transfer to reserves	(590,000)	(590,000)	-	(1,013,815)
Total other financing sources (uses)	(5,418,115)	(6,097,000)	(678,885)	(6,184,363)
Net change in fund balances, budgetary basis	37,958	68,001	30,043	(523,604)
Reconciliation to GAAP:				
Changes in committed balances (reserves)		2,244		3,295
Net change in fund balances, GAAP basis		70,245		(520,309)
Fund balance, beginning of year		5,783,134		6,303,443
Fund balance, end of year	\$	5,853,379		5,783,134

TOWN OF HERMON, MAINE
Town Reserves - General Fund
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2021

		Fund balances beginning of year	Revenues Investment Income (loss)	Expenditures General Government	Transfers In (Out)	Fund balances end of year
02	Municipal unemployment	\$ 31,955	811	4,955	5,000	32,811
03	Legal liability reserve	15,025	435	-	-	15,460
31	Rural fire protection	11,462	439	-	-	11,901
34	Sick leave	22,897	497	-	-	23,394
5-01	Hermon Veterans Memorial	(175)	1	-	-	(174)
5-04	Boston Post	734	16	-	-	750
Total Town reserves		\$ 81,898	2,199	4,955	5,000	84,142

SCHOOL DEPARTMENT OPERATIONS

TOWN OF HERMON, MAINE
School Department Operations
Comparative Balance Sheets
June 30, 2021 and 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,663,389	2,241,645
Accounts receivable	66,950	41,429
Interfund loans receivables	1,689,148	1,837,573
Total assets	\$ 5,419,487	4,120,647
LIABILITIES		
Accounts payable	85,305	293,331
Accrued payroll and benefits	1,185,944	1,155,094
Total liabilities	1,271,249	1,448,425
FUND BALANCE		
Restricted for education:		
Committed for School reserves	579,783	765,343
Assigned for subsequent budget	770,000	600,000
Unassigned	2,798,455	1,306,879
Total fund balance	4,148,238	2,672,222
Total liabilities and fund balances	\$ 5,419,487	4,120,647

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, 2021
(with comparative amounts for the year ended June 30, 2020)

	2021		Variance positive (negative)	2020 Actual
	Budget	Actual		
Revenues:				
State education subsidy	\$ 6,661,192	6,684,615	23,423	6,221,207
State agency client	13,000	16,315	3,315	3,864
Medicaid reimbursements	10,000	10,546	546	8,103
Tuition and fees	1,983,722	2,363,745	380,023	2,091,494
Charges for services	198,452	156,307	(42,145)	515,371
Investment earnings	-	35,506	35,506	23,854
Other revenues	56,000	116,061	60,061	48,976
Total revenues	8,922,366	9,383,095	460,729	8,912,869
Expenditures:				
Current:				
Regular instruction	6,447,533	6,029,910	417,623	5,994,103
Special education instruction	2,390,207	1,928,487	461,720	1,927,589
Other instruction	468,949	419,618	49,331	367,700
Student and staff support	1,584,770	1,268,430	316,340	1,419,294
System administration	432,147	464,488	(32,341)	372,086
School administration	829,395	820,841	8,554	729,641
Transportation	692,952	504,543	188,409	618,497
Facilities maintenance	1,759,651	1,553,362	206,289	2,221,920
Debt service	610,419	610,419	-	562,435
Total expenditures	15,216,023	13,600,098	1,615,925	14,213,265
Excess (deficiency) of revenues over (under) expenditures	(6,293,657)	(4,217,003)	2,076,654	(5,300,396)
Other financing sources (uses):				
Town appropriation	5,503,657	5,507,000	3,343	5,170,548
Utilization of prior year surplus	600,000	-	(600,000)	-
Transfer in from reserves	240,000	430,744	190,744	611,723
Transfers in from special revenue funds	-	41,573	41,573	-
Transfer to school lunch program	(50,000)	(50,000)	-	(35,000)
Total other financing sources	6,293,657	5,929,317	(364,340)	5,747,271
Net change in fund balance - budgetary basis	-	1,712,314	1,712,314	446,875
Reconciliation to GAAP:				
Change in committed balances (reserves)		(185,560)		(185,829)
Change in accrued summer salaries and benefits		(50,738)		(327,450)
Net change in fund balance - GAAP basis		1,476,016		(66,404)
Fund balance beginning of year		2,672,222		2,738,626
Fund balance, end of year	\$	4,148,238		2,672,222

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, 2021

	Fund balances beginning of year	Revenues Investment Income	Expenditures	Transfers In (Out)	Fund balances end of year
Tax stabilization reserve	\$ 153,620	7,674	-	(200,000)	(38,706)
School unemployment reserve	40,749	885	-	-	41,634
School fuel reserve	214,977	4,665	-	-	219,642
School bus purchase reserves	55,997	1,216	-	-	57,213
Hermon athletic complex reserve	300,000	-	-	-	300,000
Total School Department reserves	\$ 765,343	14,440	-	(200,000)	579,783

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Balance Sheet
June 30, 2021

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 283,018	1,879,107	9,078	2,171,203
Accounts receivable	560,029	-	-	560,029
Inventory	3,235	-	-	3,235
Interfund loans receivable	70,759	567,043	-	637,802
Total assets	\$ 917,041	2,446,150	9,078	3,372,269
LIABILITIES				
Accounts payable	36,126	-	-	36,126
Accrued payroll and benefits	59,336	-	-	59,336
Interfund loans payable	732,322	-	14	732,336
Total liabilities	827,784	-	14	827,798
FUND BALANCES				
Nonspendable	-	-	7,785	7,785
Restricted	179,651	-	1,279	180,930
Committed	183,929	2,462,087	-	2,646,016
Unassigned	(274,323)	(15,937)	-	(290,260)
Total fund balances	89,257	2,446,150	9,064	2,544,471
Total liabilities and fund balances	\$ 917,041	2,446,150	9,078	3,372,269

TOWN OF HERMON, MAINE
All Other Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 3,225,578	-	-	3,225,578
Charges for services	59,025	-	-	59,025
Investment income	2,983	40,999	193	44,175
Student activity fees and fundraisers	97,238	-	-	97,238
Other	25,442	-	-	25,442
Total revenues	3,410,266	40,999	193	3,451,458
Expenditures:				
Current:				
General government	33,457	-	-	33,457
Public works	17,500	-	-	17,500
Recreation and social services	179	-	-	179
Education	3,386,187	-	-	3,386,187
Capital outlay	44,650	572,948	-	617,598
Total expenditures	3,481,973	572,948	-	4,054,921
Excess (deficiency) of revenues over (under) expenditures	(71,707)	(531,949)	193	(603,463)
Other financing sources:				
Transfer from other funds	18,427	575,000	-	593,427
Total other financing sources	18,427	575,000	-	593,427
Net change in fund balances	(53,280)	43,051	193	(10,036)
Fund balances, beginning of year	142,537	2,403,099	8,871	2,554,507
Fund balances, end of year	\$ 89,257	2,446,150	9,064	2,544,471

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, 2021

	School Grant Funds	School Lunch Fund	Student Activities	Library Grant	Comp. Grant	Bangor Wellness Grant	Maine Forest Service Grants	Fire Department Gear Grant
ASSETS								
Cash and cash equivalents	\$ -	-	183,929	-	-	-	-	-
Accounts receivable	549,318	10,711	-	-	-	-	-	-
Inventory	-	3,235	-	-	-	-	-	-
Interfund loans receivable	-	-	-	3,277	7,550	2,043	4,863	179
Total assets	\$ 549,318	13,946	183,929	3,277	7,550	2,043	4,863	179
LIABILITIES								
Accounts payable	35,890	236	-	-	-	-	-	-
Accrued payroll and benefits	38,975	20,361	-	-	-	-	-	-
Interfund loans payable	501,772	227,815	-	-	-	-	-	-
Total liabilities	576,637	248,412	-	-	-	-	-	-
FUND BALANCES (DEFICITS)								
Restricted	12,538	-	-	3,277	7,550	2,043	4,863	179
Committed	-	-	183,929	-	-	-	-	-
Unassigned	(39,857)	(234,466)	-	-	-	-	-	-
Total fund balances (deficits)	(27,319)	(234,466)	183,929	3,277	7,550	2,043	4,863	179
Total liabilities and fund balances (deficits)	\$ 549,318	13,946	183,929	3,277	7,550	2,043	4,863	179

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2021

	Snowmobile Grant	MDOT Hammond	COVID-19	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Historical Society	Veterans Memorial Park	Totals
ASSETS									
Cash and cash equivalents	\$ -	-	-	60,434	10,475	9,450	4,887	13,843	283,018
Accounts receivable	-	-	-	-	-	-	-	-	560,029
Inventory	-	-	-	-	-	-	-	-	3,235
Interfund loans receivable	4,288	14,648	23,430	-	-	835	-	9,646	70,759
Total assets	\$ 4,288	14,648	23,430	60,434	10,475	10,285	4,887	23,489	917,041
LIABILITIES									
Accounts payable	-	-	-	-	-	-	-	-	36,126
Accrued payroll and benefits	-	-	-	-	-	-	-	-	59,336
Interfund loans payable	-	-	-	1,903	832	-	-	-	732,322
Total liabilities	-	-	-	1,903	832	-	-	-	827,784
FUND BALANCES (DEFICITS)									
Restricted	4,288	14,648	23,430	58,531	9,643	10,285	4,887	23,489	179,651
Committed	-	-	-	-	-	-	-	-	183,929
Unassigned	-	-	-	-	-	-	-	-	(274,323)
Total fund balances (deficits)	4,288	14,648	23,430	58,531	9,643	10,285	4,887	23,489	89,257
Total liabilities and fund balances (deficits)	\$ 4,288	14,648	23,430	60,434	10,475	10,285	4,887	23,489	917,041

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	School Grant Funds	School Lunch Fund	Student Activities	Library Grant	Comp. Grant	Bangor Wellness Grant	Maine Forest Service Grants	Fire Department Gear Grant
Revenues:								
Intergovernmental	\$ 2,880,408	244,089	-	-	-	-	-	-
Charges for services	-	56,225	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Student activity fees and fundraisers	-	-	97,238	-	-	-	-	-
Other	9,851	-	-	-	-	-	-	-
Total revenues	2,890,259	300,314	97,238	-	-	-	-	-
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Recreation and social services	-	-	-	-	-	-	-	-
Education	2,898,570	389,941	97,676	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	2,898,570	389,941	97,676	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(8,311)	(89,627)	(438)	-	-	-	-	-
Other financing sources (uses):								
Transfer from (to) other funds	(41,573)	50,000	-	-	-	-	-	-
Total other financing sources (uses)	(41,573)	50,000	-	-	-	-	-	-
Net change in fund balances	(49,884)	(39,627)	(438)	-	-	-	-	-
Fund balances (deficits), beginning of year	22,565	(194,839)	184,367	3,277	7,550	2,043	4,863	179
Fund balances (deficits), end of year	\$ (27,319)	(234,466)	183,929	3,277	7,550	2,043	4,863	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, 2021

	Keep Maine Healthy	MDOT Hammond	COVID-19	Cemetery Reserve	Medical Reimbursement	Athletic Complex	Historical Society	Veterans Memorial Park	Totals
Revenues:									
Intergovernmental	\$ 22,080	55,571	23,430	-	-	-	-	-	3,225,578
Charges for services	-	-	-	2,800	-	-	-	-	59,025
Investment income	-	-	-	1,283	-	201	226	1,273	2,983
Student activity fees and fundraisers	-	-	-	-	-	-	-	-	97,238
Other	-	-	-	-	15,591	-	-	-	25,442
Total revenues	22,080	55,571	23,430	4,083	15,591	201	226	1,273	3,410,266
Expenditures:									
Current:									
General government	17,792	-	-	-	15,665	-	-	-	33,457
Public works	-	-	-	17,500	-	-	-	-	17,500
Recreation and social services	-	-	-	-	-	-	-	179	179
Education	-	-	-	-	-	-	-	-	3,386,187
Capital outlay	-	44,650	-	-	-	-	-	-	44,650
Total expenditures	17,792	44,650	-	17,500	15,665	-	-	179	3,481,973
Excess (deficiency) of revenues over (under) expenditures	4,288	10,921	23,430	(13,417)	(74)	201	226	1,094	(71,707)
Other financing sources (uses):									
Transfer from (to) other funds	-	-	-	5,000	-	-	-	5,000	18,427
Total other financing sources (uses)	-	-	-	5,000	-	-	-	5,000	18,427
Net change in fund balances	4,288	10,921	23,430	(8,417)	(74)	201	226	6,094	(53,280)
Fund balances (deficits), beginning of year	-	3,727	-	66,948	9,717	10,084	4,661	17,395	142,537
Fund balances (deficits), end of year	\$ 4,288	14,648	23,430	58,531	9,643	10,285	4,887	23,489	89,257

SCHOOL GRANT FUNDS

TOWN OF HERMON, MAINE
School Grant Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

		Fund balances (deficits) beginning of year	Revenues		Expenditures	Transfers in (out)	Fund balances (deficits) end of year
			Federal/ State revenues	Other revenues	Program expenditures		
Federal programs:							
2300	Title IA	\$ (12,035)	185,452	-	201,613	-	(28,196)
2470	Local Entitlement	(7,894)	260,339	-	263,224	-	(10,779)
2510	Preschool	-	4,693	-	4,693	-	-
2605	ESSERF 1	-	93,453	-	93,453	-	-
2606	Coronavirus Relief Fund 1	-	977,337	-	977,337	-	-
2608	Coronavirus Relief Fund Day Programming	-	328,953	-	326,099	-	2,854
2609	Coronavirus Relief Fund 2	-	874,783	-	874,783	-	-
2613	Coronavirus Relief Fund Reallocated	-	118,316	-	118,316	-	-
2670	Rural Low Income	-	16,557	-	16,557	-	-
2700	Title IIA	-	20,525	-	20,525	-	-
Total federal programs		(19,929)	2,880,408	-	2,896,600	-	(36,121)
Other programs:							
2020	Ruth Hanscome Estate	28,629	-	-	-	(28,629)	-
2199	Misc One-time Grant	-	-	9,851	1,970	-	7,881
2220	Ticket to Ride	1,098	-	-	-	-	1,098
2232	Transition Grant	(882)	-	-	-	-	(882)
2233	PEPG Development Grant	705	-	-	-	-	705
2251	ARRA MARTI	250	-	-	-	(250)	-
6150	Adult Education	12,694	-	-	-	(12,694)	-
Total other programs		42,494	-	9,851	1,970	(41,573)	8,802
Total		\$ 22,565	2,880,408	9,851	2,898,570	(41,573)	(27,319)

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, 2021

		Fund balances beginning of of year	Revenues Investment Income	Expenditures Capital	Transfers In (Out)	Fund balances (deficits) end of year
01	Police equipment	\$ 51,716	580	-	(50,000)	2,296
05	Fire equipment	278,571	3,702	36,587	150,000	395,686
06	Highway capital	158,749	6,803	355,345	275,000	85,207
08	Public works facility	13,387	225	5,575	75,000	83,037
09	Recreation facilities	187,092	4,063	59,033	25,000	157,122
11	Municipal building	19,564	577	12,827	5,000	12,314
12	Sewer maintenance	542,087	13,039	22,967	25,000	557,159
13	Public land acquisition	11,219	526	-	-	11,745
14	Planning and ordinance	43,665	1,673	13,916	-	31,422
17	Public safety building	95,514	2,235	9,467	10,000	98,282
19	Technology	81,935	1,025	34,542	60,000	108,418
28	Jackson Beach reserve	57,832	170	-	-	58,002
29	Transfer station reserve	5,047	110	-	-	5,157
30	Elementary school reserve	297,721	6,271	6,752	-	297,240
32	Veteran Memorial Park	-	-	15,937	-	(15,937)
35	Solid waste reserve	559,000	-	-	-	559,000
Total		\$ 2,403,099	40,999	572,948	575,000	2,446,150

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, 2021

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 7,887	1,191	9,078
Total assets	\$ 7,887	1,191	9,078
LIABILITIES			
Interfund loans payable	14	-	14
Total liabilities	14	-	14
FUND BALANCES			
Nonspendable:			
Nonexpendable principal	6,785	1,000	7,785
Restricted	1,088	191	1,279
Total fund balances	7,873	1,191	9,064
Total liabilities and fund balances	\$ 7,887	1,191	9,078

TOWN OF HERMON, MAINE
Nonmajor Permanent Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the year ended June 30, 2021

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 168	25	193
Total revenues	168	25	193
Expenditures:			
Current:			
Unclassified	-	-	-
Total expenditures	-	-	-
Net change in fund balances	168	25	193
Fund balances, beginning of year	7,705	1,166	8,871
Fund balances, end of year	\$ 7,873	1,191	9,064