



TOWN OF HERMON, MAINE
ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED, JUNE 30, 2022

Town of Hermon, Maine

Annual financial report

For the fiscal year ended June 30, 2022

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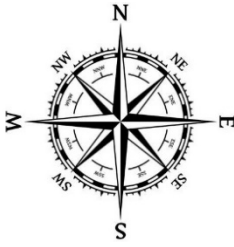
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Hermon, Maine

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hermon ("the Town") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2022, and the respective changes in financial position thereof and the budgetary comparisons for the general fund and the school department for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted

in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and certain other information related to pension and other post-employment benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2023, on our consideration of the Town'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 solely 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'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's internal control over financial reporting and compliance.

Peter J Hall CPA LLC

PETER J HALL CPA LLC

South Portland, Maine

April 10, 2023

Town of Hermon, Maine

Management's Discussion and Analysis

As management of the Town of Hermon, we offer readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2022.

Financial highlights

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$27,310,761 (net position). The unrestricted net position, which represents the amounts available to meet the Town's ongoing obligations to citizens and creditors, was \$6,598,078.
- The Town's total net position increased \$707,816. Expenditures exceeded revenues by \$59,752 in the governmental funds, but \$615,631 of those expenditures reduce the long-term liability for notes payable in the governmental activities.
- At the close of the current fiscal year, the Town's governmental funds reported combined fund balances of \$13,702,428, a decrease of \$59,752 in comparison with the prior year. Of this amount, \$3,759,011, or 27.4%, is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$4,821,598, or approximately 40% of total general fund expenditures and transfers.

Overview of the financial statements

The discussion and analysis provided here are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *statement of net position* presents financial information on all of the Town's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Town that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Town include general government, public safety, public works, solid waste, recreation and social services, and education. The business-type activities of the Town include recreation services.

The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Town maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the school department fund, and the school capital reserve fund, which are considered to be major funds. Data from the other seven governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The Town adopts an annual appropriated budget for its general fund and school department. A budgetary comparison statement has been provided for each fund to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 14-18 of this report.

Proprietary funds. The Town maintains one different types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Town uses enterprise funds to account for its recreation department.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide information for the recreation department, which is considered to be a major fund of the Town.

The basic proprietary fund financial statements can be found on pages 19-21 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are *not* reported in the government-wide financial statements because the resources of those funds *are* not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town maintains one type of fiduciary fund. The *private-purpose trust fund* is used to report resources held for scholarships awarded to students who attended Hermon Schools.

The fiduciary fund financial statements can be found on pages 22-23 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-47 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Town's progress in funding its obligations to provide pension and OPEB benefits to its employees. Required supplementary information can be found immediately after the notes to the financial statements on pages 48-51.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and pension (and other employee benefit) trust funds are presented immediately following the required supplementary information on pensions and OPEB. Combining and individual fund statements and schedules can be found on pages 52-66 of this report.

Government-wide overall financial analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$27,310,761, at the close of the most recent fiscal year.

	Governmental activities		Business-type activities	
	2022	2021	2022	2021
Assets				
Current and other assets	\$ 16,297,254	15,481,175	313,773	223,149
Capital assets	19,515,764	19,426,957	-	-
Total assets	35,813,018	34,908,132	313,773	223,149
Total deferred outflows of resources	1,388,443	959,001	-	-
Liabilities				
Long-term liabilities	6,830,706	7,856,248	-	-
Other liabilities	2,419,904	1,559,211	-	-
Total liabilities	9,250,610	9,415,459	-	-
Total deferred inflows of resources	953,863	71,878	-	-
Net position				
Net investment in capital assets	15,287,012	14,582,574	-	-
Restricted	5,425,671	5,150,536	-	-
Unrestricted	6,284,305	6,646,686	313,773	223,149
Total net position	\$ 26,996,988	26,379,796	313,773	223,149

Current and other assets increased in governmental activities by \$816 thousand from the prior year. The Town's cash balances have increased due to receiving \$638 thousand of American Rescue Plan funds. These funds were not expended prior to year end and are considered unearned at June 30, 2022. This is also the main driver for the \$861 thousand increase in other liabilities.

Long-term liabilities, which consist of notes payable, compensated absences and postemployment benefit obligations, decreased by \$1 million from the previous year. The Town's net pension liability decreased \$481 thousand due to the decrease in the Town's share of the state's pension plan liability. Notes payable decreased by \$615 thousand due to regularly scheduled principal payments.

By far, the largest portion of the Town's net position, \$15,287,012, reflects its investment in capital assets (e.g., land, buildings, equipment, vehicles, and infrastructure), net of accumulated depreciation and less any related outstanding debt that was used to acquire those assets. The Town uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the Town's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the Town's net position, \$5,425,671 represents resources that are subject to external restrictions on how they may be used. As of the end of the current year, the Town's the unrestricted net position was a balance of \$6,598,078.

The Town's overall net position increased \$707,816 from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

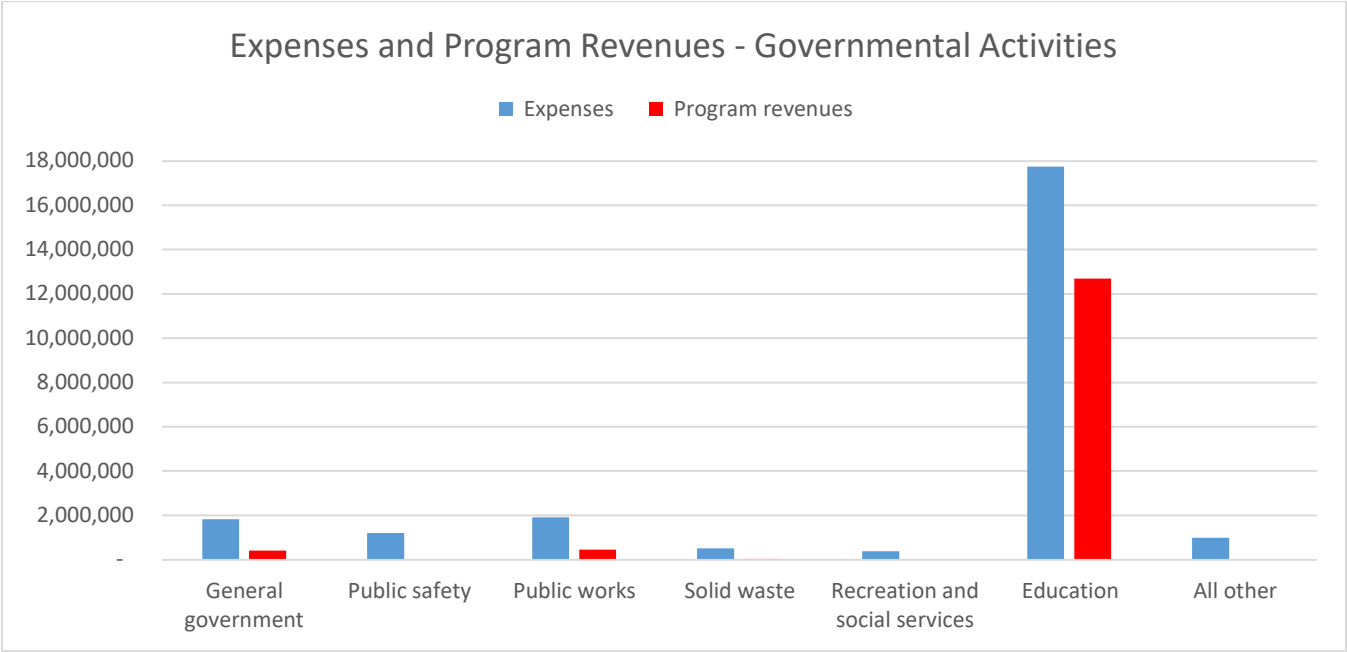
	Governmental activities		Business-type activities	
	2022	2021	2022	2021
Revenues				
Program revenues	\$			
Charges for services	2,598,756	2,754,929	399,356	210,867
Operating grants and cont.	10,869,844	11,513,236	-	-
Capital grants and cont.	119,914	305,571	-	-
General revenues				
Property taxes	10,306,466	10,172,399	-	-
Unrestricted grants and cont.	1,193,181	994,316	-	-
Other	91,981	292,151	-	-
Total revenues	25,180,142	26,032,602	399,356	210,867
Expenses				
General government	1,823,767	1,497,908	-	-
Public safety	1,202,867	1,127,653	-	-
Public works	1,914,566	1,659,689	-	-
Solid waste	510,453	498,852	-	-
Recreation and social services	374,667	365,013	308,732	239,048
Education	17,747,499	18,069,289	-	-
County tax	899,609	816,353	-	-
Interest on debt	89,522	98,906	-	-
Total expenses	24,562,950	24,133,663	308,732	239,048
Increase (decrease) in net position	617,192	1,898,939	90,624	(28,181)
Net position - beginning	26,379,796	24,537,713	223,149	251,330
Net position - ending	\$ 26,996,988	26,436,652	313,773	223,149

Governmental activities. During the current fiscal year, net position for governmental activities increased \$617,192 from the prior fiscal year for an ending balance of \$26,996,988. Expenditures in the fund financial statements exceeded revenues by \$59,752 during the year. The increase in the overall net position of governmental activities is primarily due to the reduction of \$616 thousand of principal on notes payable.

Revenues decreased \$852 thousand from the prior year primarily due to a \$643 thousand decrease in operating grants and contributions. The School Department received nearly \$2.4 million in covid related relief funding during the year ended June 30, 2021. During the current year, the School Department received approximately \$379 thousand of covid related relief funding. This decrease was offset by an increase in state educational subsidy of \$339 thousand and child nutrition funding of \$429 thousand.

Expenses grew slightly during the current year, increasing from \$24.13 million in the prior year to \$24.56 million in the current year. The most significant increases were \$326 thousand in the general government function and \$255 thousand in public works. The increase in general government was due to a one-time \$250 thousand Community Development Block Grant and an increase in personnel in assessing. These increases were partially offset by a \$322 thousand decrease in education due to the decrease in covid related funding.

As shown in the chart below, revenues generated by the Town’s programs are not sufficient to cover the costs. The Town relies on property taxes, state subsidies, and other general revenues to cover the costs associated with the various programs.



Business-type activities. For the Town’s business-type activities, the results for the current fiscal year were positive in that overall net position increased to reach an ending balance of \$313,773. The total increase in net position for business-type activities was \$90,624 or 41% from the prior fiscal year. The growth, in large part, an increase in recreational activities, most of which were canceled during the pandemic.

Financial analysis of governmental funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-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. In particular, unassigned fund balance may serve as a useful measure of a government’s net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Town itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the Town’s Council.

At June 30, 2022, the Town’s governmental funds reported combined fund balances of \$13,702,428, a decrease of \$59,752 in comparison with the prior year. Of this amount, \$3,759,011, or 27.4%, constitutes *unassigned fund balance*, which is available for spending at the government’s discretion. The remainder of the fund balance is either *nonspendable*, *restricted*, *committed*, or *assigned* to indicate that it is (1) not in spendable form, \$48,090; (2) not spendable because it is legally required to be maintained intact,

\$7,785; (3) restricted for particular purposes, \$5,417,886; (4) committed for particular purposes, \$3,589,656; or (5) assigned for particular purposes, \$880,000.

Analysis of Individual Funds

The general fund is the chief operating fund of the Town. At the end of the current fiscal year, fund balance of the general fund was \$5,838,750, a decrease of \$14,629. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures and transfers. Unassigned fund balance of \$3,850,872 represents 32.2% of total general fund expenditures and transfers, while total fund balance represents 48.8% of that same amount.

The school department, a major fund, had an increase in fund balance of \$205,653 to end the year at \$4,353,891. Although the entirety of the fund balance is classified as restricted for education, the school department considers \$782,161 committed for reserves, \$63,175 assigned for encumbrances and \$1,228,628 assigned for use of fund balance for the 2022-2023 fiscal year budget. The remaining balance is considered unassigned and totals \$2,279,927, which represents 13.6% of total school department expenditures and transfers. The school department budgeted for a decrease of \$770,000 (use of fund balance) for the year ended June 30, 2022. Revenues exceeded budgeted figures by \$170,579, with the largest positive variance being tuition and fees. Expenditures came in under budget by \$558,056.

The school capital reserve, a major fund, saw a decrease in fund balance of \$476,999, ending the fiscal year with a balance of \$739,093. The school department utilized \$598,417 of these reserves for capital purchases during the year, which included the high school parking lot, high school entrance, and reroofing the high school gym and elementary school cafeteria and lobby.

Proprietary Funds. The Town's proprietary funds provide the same type of information found in the business-type activities portion of the government-wide financial statements, but in more detail.

Unrestricted net position of the recreation department at the end of the year was \$313,773. The total growth in net position was \$90,624. As noted earlier in the discussion of business-type activities, the increase for the recreation department results from an increase in recreational activities after a long layoff due to cancellations during the covid pandemic.

General fund budgetary highlights

Original budget compared to final budget. During the year, the Town passed budget resolutions increasing the budgeted use of fund balance \$262,552 for the following purposes: \$100,000 to be transferred to the fire department capital reserve, \$54,359 to be transferred to the town hall equipment reserve, and \$108,193 to cover costs for the Newburgh Road expansion and Colebrook traffic signal.

Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
Excise taxes	\$ 2,426,000	2,927,698	501,698
State revenue sharing	225,000	522,548	297,548
MDOT funding	-	119,914	119,914
Tuition and fees	2,224,788	2,349,309	124,521

The Town budgets conservatively for excise tax revenue. A significant amount of revenue is generated from the registration of vehicles from Ryder. State revenue sharing figures were increased from the original estimates the Town used during the budget process. The Town received Municipal Partnership Initiative (MPI) funding from the Maine Department of Transportation (MDOT) for work on Billings Road. The school department had more tuition students than originally anticipated during the school year.

Expenditures	Estimated expenditures	Actual expenditures	Difference
Economic development	\$ 504,738	266,993	237,745
Public works	1,172,970	1,319,893	(146,923)
Solid waste	443,005	510,453	(67,448)
Regular instruction	6,830,402	6,446,102	384,300
Special education	2,460,875	2,073,370	387,505
Facilities maintenance	1,817,446	2,187,349	(369,903)

Economic development was under budget due to the Town not completing certain budgeted projects during the year. Public works expenditures exceeded budgeted figures due to the Town's efforts to repair roads. A portion of this over-appropriation was covered from MDOT funding mentioned in the previous paragraph. Solid waste was overspent due to increases in roadside pickup, tipping, and recycling fees.

Regular instruction and special education at the school department had savings in wages and benefits. This is due to unfilled positions and newer teachers and support staff coming in at lower rates than departing staff. There were also less out of district placement children than originally anticipated. Facilities maintenance shows a negative variance due to facility improvement projects utilizing capital reserve funding. The school department shows a positive variance of \$401,277 for transfers in. The school department will be including potential projects in their budget in future years.

Capital asset and debt administration

Capital assets. The Town's investment in capital assets as of June 30, 2022, amounts to \$19,515,764 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings, equipment, vehicles, and roads. The total increase in capital assets for the current fiscal year was 0.5%.

		Capital assets, net	
		Governmental activities	
		2022	2021
Land	\$	128,572	128,572
Construction in progress		76,313	-
Buildings and improvements		15,959,682	15,924,380
Furniture and equipment		1,085,874	1,062,538
Vehicles		880,172	1,093,693
Infrastructure		1,385,151	1,217,774
	\$	<u>19,515,764</u>	<u>19,426,957</u>

Major capital assets events during the current fiscal year included the following:

- Work was completed on Billings Road for a total cost of \$204,044.
- Improvements were made to the high school parking lot at a cost of \$349,425.
- \$160,114 of computer and telephone system upgrades were made at the Hermon Town Office.
- Reroofing of the high school gym and elementary school cafeteria and lobby cost \$207,890.
- Preliminary work was started on the high school track with costs totaling \$76,313.

Additional information on the Town's capital assets can be found in Note III.C of this report.

Long-term Debt. At the end of the current fiscal year, the Town had total notes outstanding of \$4,228,752.

		Outstanding debt	
		Governmental activities	
		2022	2021
Notes payable	\$	<u>4,228,752</u>	<u>4,844,383</u>

The Town's total debt decreased by \$615,631 (12.7%) during the current fiscal year. No new debt was issued during the year. Principal payments included \$510,000 for the elementary school improvements note through the Maine Municipal Bond Bank, \$21,782 for vehicles purchased through Camden National Bank, \$63,393 for buses purchased through Androscoggin Bank and Gorham Leasing Group, and \$11,433 for copiers acquired through Xerox Financial.

Additional information on the Town's long-term debt can be found in Note III.D and III.E of this report.

Economic factors and next year's budgets and rates

The following economic factors currently affect the Town and were considered in developing the 2022-2023 fiscal year budget.

- Employee retainment and recruitment. The tight labor market has caused the Town to adjust pay scales to remain competitive.
- Inflation and energy costs. Fuel and electricity costs are at record highs and these costs are caused increases in nearly every department's budget.
- Stable tax rates. Due to increased use of fund balance, higher revenue projections, and increases in property values; the Town's mil rate slightly decreased from 11.99 to 11.90.

At the end of the current fiscal year, the fund balance in the general fund was \$5,838,750. The Town has appropriated \$880,000 of this amount for spending in the 2022-2023 fiscal year budget. The School Department had a total fund balance of \$4,353,891, of which \$1,228,628 has been appropriated for spending in the 2022-2023 fiscal year budget. These actions were taken as additional measures to lessen the burden to local taxpayers and to stay in compliance with the provisions of Title 20-A that refer to the amount of unallocated balances allowable at Schools.

Requests for information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 333 Billings Road, Hermon, Maine 04401.

BASIC FINANCIAL STATEMENTS



Town of Hermon, Maine

Statement of net position

June 30, 2022

	Governmental activities	Business-type activities	Governmental activities
Assets			
Cash and cash equivalents	\$ 15,106,033		15,106,033
Taxes receivable	354,800	-	354,800
Accounts receivable, net	73,427	-	73,427
Intergovernmental receivables	1,022,752	-	1,022,752
Internal balances	(313,773)	313,773	-
Prepaid items	29,198	-	29,198
Inventory	24,817	-	24,817
Capital assets, not being depreciated	204,885	-	204,885
Capital assets, net of accumulated depreciation	19,310,879	-	19,310,879
Total assets	35,813,018	313,773	36,126,791
Deferred outflows of resources			
Pension related	901,767	-	901,767
OPEB related	486,676	-	486,676
Total deferred outflows of resources	1,388,443	-	1,388,443
Liabilities			
Accounts payable	298,199	-	298,199
Accrued wages and benefits	1,409,207	-	1,409,207
Accrued liabilities and unearned revenue	698,420	-	698,420
Accrued interest	14,078	-	14,078
Noncurrent liabilities:			
Due within one year	667,122	-	667,122
Due in more than one year	6,163,584	-	6,163,584
Total liabilities	9,250,610	-	9,250,610
Deferred inflows of resources			
Pension related	871,067	-	871,067
OPEB related	82,796	-	82,796
Total deferred inflows of resources	953,863	-	953,863
Net position			
Net investment in capital assets	15,287,012	-	15,287,012
Restricted	5,425,671	-	5,425,671
Unrestricted	6,284,305	313,773	6,598,078
Total net position	\$ 26,996,988	313,773	27,310,761

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Statement of activities

For the year ended June 30, 2022

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$ 1,823,767	132,026	269,096	-	(1,422,645)		(1,422,645)
Public safety	1,202,867	1,893	5,693	-	(1,195,281)		(1,195,281)
Public works	1,914,566	16,322	312,829	119,914	(1,465,501)		(1,465,501)
Solid waste	510,453	19,875	13,107	-	(477,471)		(477,471)
Recreation and social services	374,667	-	10,124	-	(364,543)		(364,543)
Education	17,747,499	2,428,640	10,258,995	-	(5,059,864)		(5,059,864)
County tax	899,609	-	-	-	(899,609)		(899,609)
Interest on debt	89,522	-	-	-	(89,522)		(89,522)
Total governmental activities	24,562,950	2,598,756	10,869,844	119,914	(10,974,436)		(10,974,436)
Business-type activities:							
Recreation	308,732	399,356	-	-		90,624	90,624
Total business-type activities	308,732	399,356	-	-		90,624	90,624
Total primary government	\$ 24,871,682	2,998,112	10,869,844	119,914	(10,974,436)	90,624	(10,883,812)
General revenues:							
Property taxes					10,306,466	-	10,306,466
Grants and contributions not restricted to specific programs					1,193,181	-	1,193,181
Unrestricted investment earnings					67,172	-	67,172
Miscellaneous					24,809	-	24,809
Total general revenues					11,591,628	-	11,591,628
Change in net position					617,192	90,624	707,816
Net position - beginning					26,379,796	223,149	26,602,945
Net position - ending					\$ 26,996,988	313,773	27,310,761

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Balance sheet
Governmental funds
June 30, 2022

	General	School department	School capital reserve	Total nonmajor funds	Total governmental funds
Assets					
Cash and cash equivalents	\$ 6,398,670	3,803,502	1,390,145	3,513,716	15,106,033
Taxes receivable	354,800	-	-	-	354,800
Accounts receivable, net	73,427	-	-	-	73,427
Intergovernmental receivables	92,127	41,535	-	889,090	1,022,752
Due from other funds	1,371,435	1,955,375	-	697,356	4,024,166
Prepaid items	29,198	-	-	-	29,198
Inventory	18,892	-	-	5,925	24,817
Total assets	\$ 8,338,549	5,800,412	1,390,145	5,106,087	20,635,193
Liabilities					
Accounts payable	95,238	184,653	-	18,308	298,199
Accrued wages and benefits	56,667	1,261,868	-	90,672	1,409,207
Accrued liabilities	46,341	-	-	-	46,341
Unearned revenue	14,159	-	-	637,920	652,079
Due to other funds	2,098,394	-	651,052	1,588,493	4,337,939
Total liabilities	2,310,799	1,446,521	651,052	2,335,393	6,743,765
Deferred inflows of resources					
Unavailable revenue - property taxes	189,000	-	-	-	189,000
Total deferred inflows of resources	189,000	-	-	-	189,000
Fund balances					
Nonspendable	48,090	-	-	7,785	55,875
Restricted	969,062	4,353,891	-	94,933	5,417,886
Committed	90,726	-	739,093	2,759,837	3,589,656
Assigned	880,000	-	-	-	880,000
Unassigned	3,850,872	-	-	(91,861)	3,759,011
Total fund balances	5,838,750	4,353,891	739,093	2,770,694	13,702,428
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,338,549	5,800,412	1,390,145	5,106,087	

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.	19,515,764
Other long-term assets are not available to pay for current expenditures and are deferred in the funds.	
Unavailable revenue - property taxes	189,000
Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds.	
Notes payable	(4,228,752)
Accrued interest on long-term debt	(14,078)
Compensated absences	(195,065)
Net pension liability with related deferred inflows and outflows	(153,888)
Net OPEB liability with related deferred inflows and outflows	(44,385)
Total OPEB liability with related deferred inflows and outflows	(1,774,036)
Net position of governmental funds	26,996,988

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Statement of revenues, expenditures, and changes in fund balances

Governmental funds

For the year ended June 30, 2022

	General	School department	School capital reserve	Total nonmajor funds	Total governmental funds
Revenues					
Property taxes	\$ 10,292,866	-	-	-	10,292,866
Intergovernmental	1,386,999	8,121,809	-	2,036,145	11,544,953
Licenses and permits	85,768	-	-	-	85,768
Charges for services	81,498	2,376,265	-	55,225	2,512,988
Student activity fees and fundraisers	-	-	-	209,677	209,677
Interest	67,172	39,168	21,418	30,494	158,252
Miscellaneous	24,809	167,059	-	170,170	362,038
Total revenues	11,939,112	10,704,301	21,418	2,501,711	25,166,542
Expenditures					
Current:					
General government	1,518,482	-	-	453,483	1,971,965
Public safety	1,073,769	-	-	48,778	1,122,547
Public works	1,319,893	-	-	655,354	1,975,247
Solid waste	510,453	-	-	-	510,453
Recreation and social services	337,631	-	-	26,435	364,066
Education	-	15,986,640	-	1,794,707	17,781,347
County tax	899,609	-	-	-	899,609
Debt service	-	601,060	-	-	601,060
Total expenditures	5,659,837	16,587,700	-	2,978,757	25,226,294
Excess (deficiency) of revenues over (under) expenditures	6,279,275	(5,883,399)	21,418	(477,046)	(59,752)
Other financing sources (uses)					
Transfers in	2,489	6,254,934	100,000	731,819	7,089,242
Transfers out	(6,296,393)	(165,882)	(598,417)	(28,550)	(7,089,242)
Total other financing sources (uses)	(6,293,904)	6,089,052	(498,417)	703,269	-
Net change in fund balances	(14,629)	205,653	(476,999)	226,223	(59,752)
Fund balances - beginning	5,853,379	4,148,238	1,216,092	2,544,471	13,762,180
Fund balances - ending	\$ 5,838,750	4,353,891	739,093	2,770,694	13,702,428

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Reconciliation of the statement of revenues, expenditures, and changes in fund balances - governmental funds to the government-wide statement of activities For the year ended June 30, 2022

Net change in fund balances - total governmental funds	\$	(59,752)
Governmental funds report capital outlays as expenditures. However, in the statement of net position, the cost of these assets is allocated over their useful lives and reported as depreciation expense.		
Capital outlays		1,129,604
Depreciation expense		(1,015,894)
Book value of disposed capital assets		(24,903)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Earned but unavailable taxes		13,600
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal paid on notes		615,631
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.		
Accrued interest on long-term debt		1,538
Compensated absences		(15,635)
Changes in pension liabilities and related deferred outflows and inflows of resources		95,967
Changes in OPEB liabilities and related deferred outflows and inflows of resources		(122,964)
Change in net position of governmental activities	\$	<u>617,192</u>

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2022

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Property taxes	\$ 9,816,946	9,816,946	10,292,866	475,920
Intergovernmental	963,388	963,388	1,386,999	423,611
Licenses and permits	66,800	66,800	85,768	18,968
Charges for services	39,100	39,100	81,498	42,398
Interest	70,000	70,000	66,146	(3,854)
Miscellaneous	15,000	15,000	24,809	9,809
Total revenues	10,971,234	10,971,234	11,938,086	966,852
Expenditures				
Current:				
General government	1,151,814	1,151,814	1,145,600	6,214
Economic development	504,738	504,738	266,993	237,745
Public safety	1,038,089	1,038,089	1,073,769	(35,680)
Public works	1,064,777	1,172,970	1,319,893	(146,923)
Solid waste	443,005	443,005	510,453	(67,448)
Recreation and social services	350,470	350,470	333,412	17,058
Education (transfer out)	5,653,657	5,653,657	5,657,034	(3,377)
County tax	900,000	900,000	899,609	391
Tax increment financing	110,000	110,000	103,990	6,010
General assistance	5,000	5,000	4,187	813
Capital outlay (transfer out)	490,000	644,359	644,359	-
Total expenditures	11,711,550	11,974,102	11,959,299	14,803
Excess (deficiency) of revenues over (under) expenditures	(740,316)	(1,002,868)	(21,213)	981,655
Other financing sources (uses)				
Use of fund balance	788,276	1,050,828	-	(1,050,828)
Total other financing sources (uses)	788,276	1,050,828	-	(1,050,828)
Net change in fund balance - budgetary basis	47,960	47,960	(21,213)	(69,173)
Reconciliation to GAAP				
Change in committed balances (reserves)			6,584	
Net change in fund balance - GAAP basis			(14,629)	
Fund balance - beginning			5,853,379	
Fund balance - end			\$ 5,838,750	

Town of Hermon, Maine

School department

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2022

	Original budget	Final budget	Actual	Variance positive (negative)
Revenues				
Local assessments (transfer in)	\$ 5,653,657	5,653,657	5,653,657	-
Intergovernmental	6,727,323	7,070,800	7,055,230	(15,570)
Charges for services	2,238,788	2,238,788	2,376,265	137,477
Interest	24,000	24,000	35,910	11,910
Miscellaneous	130,297	130,297	167,059	36,762
Total revenues	14,774,065	15,117,542	15,288,121	170,579
Expenditures				
Current:				
Regular instruction	6,634,402	6,830,402	6,446,102	384,300
Special education	2,460,875	2,460,875	2,073,370	387,505
Other instruction	544,106	544,106	577,973	(33,867)
Student and staff support	1,620,782	1,681,465	1,630,638	50,827
System administration	465,599	492,393	460,606	31,787
School administration	910,420	910,420	876,037	34,383
Transportation	654,375	684,375	611,351	73,024
Facilities maintenance	1,787,446	1,817,446	2,187,349	(369,903)
Debt service	601,060	601,060	601,060	-
Total expenditures	15,679,065	16,022,542	15,464,486	558,056
Excess (deficiency) of revenues over (under) expenditures	(905,000)	(905,000)	(176,365)	728,635
Other financing sources (uses)				
Transfers in	200,000	200,000	601,277	401,277
Transfers out	(65,000)	(65,000)	(365,002)	(300,002)
Use of fund balance	770,000	770,000	-	(770,000)
Total other financing sources (uses)	905,000	905,000	236,275	(668,725)
Net change in fund balance - budgetary basis	-	-	59,910	59,910
Reconciliation to GAAP				
Change in accrued teacher summer salaries and benefits			(56,635)	
Change in committed balances (reserves)			202,378	
Net change in fund balance - GAAP basis			205,653	
Fund balance - beginning			4,148,238	
Fund balance - end		\$	4,353,891	

Town of Hermon, Maine

Statement of net position

Proprietary funds

June 30, 2022

	<u>Recreation department</u>
Assets	
Current assets:	
Due from other funds	\$ 313,773
Total assets	<u>313,773</u>
Liabilities	
Current liabilities:	
Accounts payable	<u>-</u>
Total liabilities	<u>-</u>
Net position	
Unrestricted	313,773
Total net position	\$ <u><u>313,773</u></u>

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Statement of revenues, expenditures, and changes in net position

Proprietary funds

For the year ended June 30, 2022

		Recreation department
Operating revenues		
Charges for services	\$	399,356
Total operating revenues		<u>399,356</u>
Operating expenses		
Personnel services		244,220
Recreation programs		64,512
Total operating expenses		<u>308,732</u>
Operating income (loss)		<u>90,624</u>
Net position - beginning		<u>223,149</u>
Net position - ending	\$	<u><u>313,773</u></u>

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Statement of cash flows

Proprietary funds

For the year ended June 30, 2022

	Recreation department
Cash flows from operating activities	
Receipts from customers	\$ 399,356
Payments to suppliers	(64,512)
Payments to employees for salaries and benefits	(244,220)
Net cash provided by (used for) operating activities	<u>90,624</u>
Cash flows from noncapital financing activities	
(Increase) decrease in due from other funds	(90,624)
Net cash provided by (used for) noncapital financing activities	<u>(90,624)</u>
Net increase (decrease) in cash and cash equivalents	<u>-</u>
Cash and cash equivalents - beginning	<u>-</u>
Cash and cash equivalents - ending	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities	
Operating income (loss)	90,624
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities	
Increase (decrease) in accounts payable	-
Net cash provided by (used for) operating activities	<u>90,624</u>

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Statement of fiduciary net position

Fiduciary funds

June 30, 2022

		Private-purpose trust funds
Assets		
Cash and cash equivalents	\$	32,991
Due from other funds		-
Total assets		<u>32,991</u>
Liabilities		
Accounts payable		-
Total liabilities		<u>-</u>
Net position		
Restricted		32,991
Total net position	\$	<u><u>32,991</u></u>

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Statement of changes in fiduciary net position

Fiduciary funds

For the year ended June 30, 2022

	Private-purpose trust funds
Additions	
Contributions	\$ -
Interest earned	85
Total additions	<u>85</u>
Deductions	
Scholarships	300
Other	-
Total deductions	<u>300</u>
Net increase (decrease) in fiduciary net position	(215)
Net position - beginning	<u>33,206</u>
Net position - ending	\$ <u><u>32,991</u></u>

The notes to financial statements are an integral part of this statement.

Town of Hermon, Maine

Notes to the financial statements

June 30, 2022

I. Summary of significant accounting policies

The financial statements of the Town of Hermon, Maine (Town) have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units (hereinafter referred to as generally accepted accounting principles (GAAP)). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Town's significant accounting policies are described below.

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting entity

The Town is a municipal corporation governed by an elected seven-member Governing Council (Town Council). The School Department is governed by an elected seven-member School Committee. The accompanying financial statements present information for the primary government. The Town is not financially accountable for any other organizations and therefore does not report any component units.

C. Basis of presentation – government-wide financial statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the Town's enterprise funds. 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. Exceptions to this general rule are charges between the general fund and the enterprise funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of presentation – fund financial statements

The fund financial statements provide information about the Town's funds, including 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 Town's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *school department fund* is the School Department's primary operating fund. It accounts for all financial resources of the school department, except those accounted for in another fund.

The *school capital reserve fund* accounts for a reserve set up for the school department for major capital purchases and construction and rehabilitation of school buildings.

The Town reports the following major enterprise funds:

The *recreation department* accounts for the operation of the Town's recreation department.

Additionally, the Town reports the following fund type:

The *private-purpose trust fund* accounts for scholarships and other programs that benefit students.

During the course of operations, the Town 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. Further, certain activity occurs during the year involving transfers of resources between funds reported at gross amounts as transfers in/out. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column. 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. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

E. 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 recognition in the financial statements of various kinds of transactions or events.

The government-wide, proprietary, and fiduciary fund 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 when they have been earned and 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 Town considers revenues to be available if they are collected within periods ranging from 60 days to one year after the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, and claims and judgments, postemployment benefits and environmental obligations are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the Town the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through leases are reported as other financing sources.

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

F. Budgetary information

Budgetary basis of accounting

An annual budget of the general fund is adopted on a basis consistent with generally accepted accounting principles (GAAP). The capital project funds are appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards) and sometimes span a period of more than one year.

The general fund budget is legally adopted at an annual town meeting through the passage of a series of articles. By State law, the portion appropriated for educational purposes must be validated through a referendum vote. The budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America except for teachers' salaries, which are budgeted on a cash basis, and Maine Public Employees Retirement System on-behalf payments as described in the stewardship, compliance and accountability footnote. The level of control (level at which expenditures may not exceed budget) is the article level. Generally, all unexpended budgetary accounts lapse to fund balance at the close of the fiscal year.

Excess of expenditures over appropriations

The following appropriations were overspent as of June 30, 2022.

Public safety	\$35,680	Public works	146,923
Solid waste	67,448	Other instruction	33,867
Facilities maintenance	369,903		

Revenues from the Maine Department of Transportation of \$119,914 were utilized for a road project in public works. The school department utilized capital reserve funds to cover the over appropriation in facilities maintenance.

G. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Cash and cash equivalents

The Town's cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Taxes and accounts receivable

Revenues recognized but not yet received by year-end are reflected as receivables. No allowance for uncollectible amounts has been recorded as none is deemed necessary.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of salt, sand, food, and food supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets are tangible and intangible assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure 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 two years. For infrastructure assets the same

estimated minimum useful life is used (in excess of two years), but only those infrastructure projects that cost more than \$50,000 are reported as capital assets.

As the Town constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset’s capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible property, plant, equipment, the right to use leased equipment, and infrastructure of the primary government are depreciated/amortized using the straight-line method over the following estimated useful lives:

<u>Capital asset classes</u>	<u>Lives</u>
Buildings and improvements	5-50
Equipment, furniture, and vehicles	7-25
Infrastructure	25-50

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position includes a separate section for *deferred outflows of resources*. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Town has two items that qualify for reporting in this category. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

In addition to liabilities, the statement of financial position includes a separate section for *deferred inflows of resources*. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Town has three items that qualify for reporting in this category. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the Town reports deferred amounts related to pension and OPEB.

Net position

For government-wide reporting as well as in proprietary funds, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the

acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the Town considers restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance

In governmental fund types, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called "fund balance." The Town's governmental funds report the following categories of fund balance, based on the nature of any limitations requiring the use of resources for specific purposes.

Nonspendable fund balance represents amounts that are either not in a spendable form or are legally or contractually required to remain intact.

Restricted fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers such as grantors or enabling federal, state, or local legislation. Restrictions may be changed or lifted only with the consent of the resource providers.

Committed fund balance represents amounts that can be used only for the specific purposes determined by the adoption of a financial resolve committing fund balance for a specified purpose by the Town Council prior to the end of the fiscal year. Once adopted, the limitation imposed by the ordinance remains in place until the resources have been spent for the specified purpose or the Town Council adopts another financial resolve to remove or revise the limitation.

Assigned fund balance represents amounts that are intended to be used by the Town for specific purposes but do not meet the criteria to be classified as committed. The Town Council may assign fund balance, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not

normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

As previously mentioned, sometimes the Town will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. Although not a formal policy, the Town considers restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

H. Revenues and expenditures/expenses

Program revenues

Amounts reported as *program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided or fines imposed by a given function or segment, and (2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Property taxes

Property taxes were committed on September 30, 2021, on the assessed value listed as of the previous April 1. Taxes are due in one installment on April 1, 2022. Taxes unpaid by the due date are assessed interest. Tax liens are placed on real property of delinquent tax accounts within twelve months following the date taxes are committed for collection. Maine law permits the Town to levy taxes up to 105% of its net property tax requirement (budgeted expenditures less budgeted non-property tax revenues) for the related fiscal period. The amount raised in excess of 100% is referred to as overlay and amounted to \$47,960 for the year ended June 30, 2022.

Compensated absences

The Town's policy permits employees to accumulate earned but unused vacation and sick leave, which are eligible for payment upon separation from government service. Sick leave is valued based on the vesting method that calculates the amount of sick leave that is expected to become eligible for payout at termination. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the

liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

Proprietary funds operating and non-operating revenues and expenses

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 proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. Stewardship, compliance, and accountability

A. Violations of legal or contractual provisions

Note I.F. Excess of expenditures over appropriations describes any budgetary violations that occurred for the year ended June 30, 2022.

B. Deficit fund balances

At June 30, 2022, the following funds had deficit balances:

School lunch	\$23,401	Title IA	31,632
Local entitlement	10,643	ESSER2	25,280
ESSER 3	905		

These deficits will be eliminated as resources are obtained (e.g., from revenues and transfers). The deficits for Title IA, local entitlement, and ESSER2 are due to accrued salaries and benefits.

III. Detailed notes on activities and funds

A. Cash and investments

It is the policy of the Town to invest its funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow demands of the Town, and confirming to all state and local statutes governing the investment of public funds, using the “prudent person” standard for managing the overall portfolio. The primary objective of the policy is safety (preservation of capital), liquidity, and yield. The Town is not invested in any obligations typically known as derivatives.

B. Cash deposits with financial institutions

Custodial credit risk - deposits. In the case of deposits, this is the risk that, in the event of a bank's 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, 2022, the Town's bank balance was \$15,561,304, all of which was covered by F.D.I.C. or collateralized with securities held by the pledging or financial institution's trust department.

C. Capital assets

Capital assets activity for the year ended June 30, 2022, was as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year
Governmental activities				
Capital assets, not being depreciated				
Land	\$128,572	-	-	128,572
Construction in progress	-	76,313	-	76,313
Total capital assets, not being depreciated	128,572	76,313	-	204,885
Capital assets, being depreciated				
Buildings and improvements	26,733,033	607,107	-	27,340,140
Furniture and equipment	3,272,621	242,140	97,295	3,417,466
Vehicles	2,702,532	-	23,329	2,679,203
Infrastructure	1,275,758	204,044	-	1,479,802
Total capital assets, being depreciated	33,983,944	1,053,291	120,624	34,916,611
Less accumulated depreciation for				
Buildings and improvements	10,808,653	571,805	-	11,380,458
Furniture and equipment	2,210,083	208,321	86,812	2,331,592
Vehicles	1,608,839	199,101	8,909	1,799,031
Infrastructure	57,984	36,667	-	94,651
Total accumulated depreciation	14,685,559	1,015,894	95,721	15,605,732
Total capital assets, being depreciated, net	19,298,385	37,397	24,903	19,310,879
Total governmental activities capital assets	\$19,426,957	113,710	24,903	19,515,764

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

General government	\$35,555
Public safety	105,551
Public works	140,108
Recreation and social services	16,497
Education	718,183
Total depreciation expense	\$1,015,894

D. Changes in long-term liabilities

Changes in the Town's long-term liabilities for the year ended June 30, 2022, are as follows:

	Balance Beginning of year	Additions	Deletions	Balance end of year	Amount due within one year
Governmental activities					
Notes payable	\$4,844,383	-	615,631	4,228,752	568,408
Compensated absences	179,430	15,635	-	195,065	98,714
Net pension liability	665,313	27,372	508,097	184,588	-
Net OPEB liability	37,665	-	10,091	27,574	-
Total OPEB liability	2,129,457	76,133	10,863	2,194,727	-
Total governmental activities	\$7,856,248	119,140	1,144,682	6,830,706	667,122

E. Notes payable

The Town issues notes payable to provide funds for the acquisition and construction of major capital facilities and equipment. Notes payable at June 30, 2022, are as follows:

	Original borrowing	Interest rates	Final maturity	Outstand- ing at year end
Governmental activities				
Elementary school	\$5,100,000	1.72%-2.39%	2030	4,080,000
Truck	33,650	3.80%	2024	22,844
Copiers	79,720	3.00%	2026	59,265
Bus	99,999	1.79%	2024	66,643
Total governmental activities				\$4,228,752

The debt service requirements for the Town's notes are as follows:

Year ending June 30	Principal	Interest	Total
2023	\$568,408	84,170	652,578
2024	569,836	73,541	643,377
2025	525,029	56,523	581,552
2026	525,479	51,691	577,170
2027	510,000	40,596	550,596
2028-2030	1,530,000	53,703	1,583,703
Totals	\$4,228,752	360,224	4,588,976

F. Pension plans

Plan description

The Town participates in the Participating Local District (PLD) Consolidated and the State Employee and Teacher (SET) Plans, which are cost-sharing, multiple-employer defined benefit pension plans administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

Benefit terms are established in Maine statute; in the case of the PLD plan, an advisory group, also established by statute, reviews the terms of the plan and periodically makes recommendations to the Legislature to amend them. MPERS retirement programs 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 (effective October 1, 1999, the prior ten-year requirement was reduced by legislative action to five years for SET members; separate legislation enacted the same reduced requirement for employees of PLDs). In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. Normal retirement age for SET members is age 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. For PLD members, normal retirement age is 60 or 65. 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 statute for SET members and by contract with other participating employers under applicable statutory provisions.

Upon termination of membership, members' accumulated employee contributions are refundable with interest, credited in accordance with statute. Withdrawal of accumulated contributions results in forfeiture of all benefits and membership rights. The annual rate of interest credited to members' accounts is set by the MPERS Board of Trustees and is currently 0.93%.

Contributions

Retirement benefits are funded by contributions from employee and employers and by earnings from investments. Disability and death benefits are funded by employer normal cost contributions and by investment earnings. Employee and employer contribution rates are each a percentage of applicable employee compensation. Employee contribution rates are defined by law, or by the MPERS Board of Trustees and depend on the terms of the plan under which a member is covered. Employer contribution rates are determined through actuarial valuations.

PLD plan - Employees were required to contribute 6.75% and 7.5% of their annual pay for the age 65 AN Plan and the age 60 AN Plan, respectively. The Town's contractually required rate for the

year ended June 30, 2022, was 8.00% of annual pay. The Town made contributions to the pension plan of \$118,821 for the year ended June 30, 2022.

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, 2022, was 18.13% of annual payroll of which 3.84% of payroll was required from the Town and 14.29% was required from the State. The Town made contributions to the pension plan of \$300,968 for the year ended June 30, 2022.

Proportionate share of the net pension (asset) liability

PLD plan - At June 30, 2022, the Town reported an asset of \$39,911 for its proportionate share of the net pension liability. The pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the pension liability was based on the Town's contributions recognized by the plan during the measurement period, adjusted for contributions for employer-specific and employer-paid employee contributions. The Town's proportionate share was 0.1242% at the end of the measurement period and 0.1178% for the beginning of the period, which represents an increase of 0.0064%.

SET plan - At June 30, 2022, the Town reported a liability of \$224,499 for its proportionate share of the net pension liability. The State's proportionate share of the net pension liability associated with the Town was \$4,606,322, for a total of \$4,830,821. The pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the pension liability was based on unfunded actuarial liability contributions to the plan. The Town's proportionate share was 0.0265% at the end of the measurement period and 0.0121% for the beginning of the period, which represents an increase of 0.0144%.

Actuarial assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

	<u>PLD plan</u>	<u>SET plan</u>
Actuarial valuation date	June 30, 2021	June 30, 2021
Measurement date	June 30, 2021	June 30, 2021
Actuarial cost method	Entry age normal	Entry age normal
Assumptions		
Investment rate of return	6.50%	6.50%
Inflation rate	2.75%	2.75%
Annual salary increases	2.75%-11.48%	2.80%-13.03%
Cost of living adjustments	1.91%	2.20%

Mortality rates for PLD members are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Mortality rates for teachers are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2021 actuarial valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020.

Long-term expected rate of return

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 class of assets. 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Public equities	6.0%
U.S. government	2.3%
Private equity	7.6%
Real assets:	
Real estate	5.2%
Infrastructure	5.3%
Natural resources	5.0%
Traditional credit	3.0%
Alternative credit	7.2%
Diversifiers	5.9%

Discount rate

The discount rate used to measure the collective total pension liability was 6.5% for 2021 for each plan. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. 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 liability.

Discount rate sensitivity analysis

The following presents the Town's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
PLD plan - proportionate share net pension (asset) liability	\$567,960	(39,911)	(542,701)
SET plan – proportionate share net pension (asset) liability	589,560	224,499	(79,451)

Pension expense and deferred items summary

For the year ended June 30, 2022, the Town recognized pension expense (credit) of (\$833) and \$392,479 for its proportionate share of the pension expense for the PLD and SET plans, respectively. Additionally, the Town recognized revenue of \$1,032,161 for support provided by the State for the SET plan. At June 30, 2022, the Town reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
PLD plan		
Differences between expected and actual experience	\$25,818	2,713
Differences between expected and actual investment earnings	-	544,005
Changes of assumptions	134,019	-
Changes in proportion	16,575	4,744
Contributions paid subsequent to the measurement date	118,821	-
<u>Totals PLD plan</u>	<u>295,233</u>	<u>551,462</u>
SET plan		
Differences between expected and actual experience	3,328	4,589
Differences between expected and actual investment earnings	-	305,898
Changes of assumptions	153,060	-
Changes in proportion	149,178	9,118
Contributions paid subsequent to the measurement date	300,968	-
<u>Totals SET plan</u>	<u>606,534</u>	<u>319,605</u>
<u>Total deferred outflows and inflows of resources</u>	<u>\$901,767</u>	<u>871,067</u>

Deferred outflows of resources reported \$419,789 related to pensions resulting from the Town's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending		
<u>June 30</u>	<u>PLD plan</u>	<u>SET plan</u>
2023	(\$56,125)	57,247
2024	(43,923)	83,463
2025	(123,835)	(69,486)
2026	(151,167)	(85,263)

Pension plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net pension liability, deferred outflows and inflows of resources related to pension, and pension expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred.

Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.maineopers.org.

G. Other postemployment benefit (OPEB) obligations – life insurance

Plan description

The Town participates in the Participating Local District (PLD) Consolidated and the State Employee and Teacher (SET) Group Life Insurance Plans, which are cost-sharing, multiple-employer defined benefit OPEB plans administered by the Maine Public Employees Retirement System (MPERS), which is a component unit of the State of Maine. MPERS assets are held in trust for the plan beneficiaries. MPERS is established and administered under the laws of the State of Maine.

Benefits provided

The group life insurance plans provide basic group life insurance benefits, during retirement, to retirees who participated in the plans prior to retirement for a minimum of 10 years (the 10-year participation requirement does not apply to recipients of disability retirement benefits).

The level of coverage in retirement is initially set to an amount equal to the retiree's average final compensation. The initial amount of basic group life insurance is then subsequently reduced at the rate of 15% per year to the greater of 40% of the initial amount or \$2,500.

Contributions and funding policy

Premium rates are those determined by the MPERS Board of Trustees to be actuarially sufficient to pay anticipated claims. Premiums for basic life insurance coverage for retired teachers are paid by the State as the total dollar amount of each year's annual required contribution. PLD employers are required to remit a premium of \$0.46 per \$1,000 of coverage for covered active employees, a portion of which is to provide a level of coverage in retirement. PLD employers with retired PLD employees continue to remit a premium of \$0.46 per \$1,000 of coverage per month during the post-employment retired period.

The Town made contributions to the PLD plan of \$0 for the year ended June 30, 2022. Employees are not required to contribute to the PLD plan. The State of Maine made contributions to the SET plan on-behalf of the Town of \$34,418 for the year ended June 30, 2022. The Town and employees are not required to contribute to the SET plan.

Proportionate share of the net OPEB liability

PLD plan - At June 30, 2022, the Town reported a liability of \$27,574 for its proportionate share of the net OPEB liability. The OPEB liability was measured as of June 30, 2021, 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 OPEB liability was based on the Town's contributions recognized by the plan during the

measurement period. The Town's proportionate share was 0.2671% at the end of the measurement period and 0.2855% for the beginning of the period, which represents a decrease of 0.0184%.

SET plan - At June 30, 2022, the Town reported no liability for its proportionate share of the net OPEB liability. The State's proportionate share of the net OPEB liability associated with the Town was \$146,929, for a total of \$146,929. The OPEB liability was measured as of June 30, 2021, 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 OPEB liability was 0% at the end of the measurement period.

Actuarial assumptions

The total OPEB liability in the June 30, 2021, actuarial valuation was determined using the following actuarial assumptions:

	<u>PLD plan</u>	<u>SET plan</u>
Actuarial valuation date	June 30, 2021	June 30, 2021
Measurement date	June 30, 2021	June 30, 2021
Actuarial cost method	Entry age normal	Entry age normal
Asset valuation method	Fair value	Fair value
Assumptions		
Investment rate of return	6.50%	6.50%
Inflation rate	2.75%	2.75%
Annual salary increases	2.75%-11.48%	2.80%-13.03%

Mortality rates for PLD members are based on the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model. Mortality rates for teachers are based on the 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table, for males and females, projected generationally using the RPEC_2020 model.

The actuarial assumptions used for the year ended June 30, 2021 actuarial valuation were based on the results of an actuarial experience study for the period of June 30, 2016 through June 30, 2020.

Long-term expected rate of return

Assets of the plans are pooled for investment purposes and are allocated to each plan based on each plan's fiduciary net position. The long-term expected rate of return on the Plans' investments was determined using a building-block method in which best-estimate 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 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 geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset class</u>	<u>Long-term expected real rate of return</u>
Public equities	6.0%
Real estate	5.2%
Traditional credit	3.0%
U.S. government securities	2.3%

Discount rate

The discount rate used to measure the collective total OPEB liability was 6.5% for 2021 for the plans. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and non-employer entity contributions will be made at contractually required rates, actuarially determined. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount rate sensitivity analysis

The following presents the Town's proportionate share of the net OPEB liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
PLD plan - proportionate share net OPEB liability	\$40,932	27,574	16,858

OPEB expense and deferred items summary

For the year ended June 30, 2022, the Town recognized OPEB expense (credit) of (\$676) and \$1,844 for its proportionate share of the OPEB expense for the PLD and SET plans, respectively. Additionally, the Town recognized revenue of \$34,418 for support provided by the State for the SET plan. At June 30, 2022, the Town reported its proportionate share of the deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
PLD plan		
Differences between expected and actual experience	\$3,116	-
Differences between expected and actual investment earnings	-	8,463
Changes of assumptions	4,652	18,594
Changes in proportion	5,624	3,146
Contributions paid subsequent to the measurement date	-	-
<u>Total deferred outflows and inflows of resources</u>	<u>\$13,392</u>	<u>30,203</u>

Deferred outflows of resources reported \$0 related to OPEB resulting from the Town's contributions subsequent to the measurement date that will be recognized as a reduction of the net OPEB liability in

the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending

June 30

2023	(\$3,721)
2024	(2,269)
2025	(4,796)
2026	(5,669)
2027	(178)
Thereafter	(178)

OPEB plan fiduciary net position

The MPERS fiduciary net position has been determined using the same basis used to determine the net OPEB liability, deferred outflows and inflows of resources related to OPEB, and OPEB expense. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Therefore, benefit and administrative expenses are recognized when due and payable. Investments are reported at fair value.

Detailed information about the MPERS fiduciary net position is available in a separately issued MPERS financial report. That report may be obtained on the MPERS website at www.maineopers.org.

H. Other postemployment benefit (OPEB) obligations – health insurance

Plan description

The Town offers two post-retirement benefit plans providing health insurance to retiring employees. For municipal employees, the Town sponsors a single-employer defined benefit OPEB plan administered by the Maine Municipal Employees Health Trust (MMEHT). The Town Council has the authority to establish and amend the benefit terms and financing requirements. For School Department employees, the State sponsors 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*, for MMEHT or MEABT.

Plan membership

At January 1, 2022 (MMEHT) and June 30, 2020 (MEABT), membership consisted of:

	<u>MMEHT</u>	<u>MEABT</u>
Inactive members currently receiving benefits	-	53
Inactive members entitled to but not yet receiving benefits	-	-
<u>Active members</u>	<u>12</u>	<u>159</u>
<u>Total</u>	<u>12</u>	<u>212</u>

Benefits provided

MMEHT – Healthcare and life insurance benefits are provided for retirees and their dependents. The employee must meet the minimum requirement of age 55 with at least 5 years of service at retirement to be eligible for postretirement benefits. The retiree pays 100% of the premium equivalent rate for coverage elected. The non-Medicare retirees are offered the same plans that are available to the active employees. Medicare retirees are assumed to be enrolled in Medicare Parts A and B, which are primary, and the Retiree Group Companion Plan which includes prescription drug coverage. Medical benefits are provided for the life of the retiree and surviving spouses. The \$2,000 life insurance benefit is provided automatically to all retirees participating in the retiree medical plan. Spouses are not covered for life insurance, but surviving spouses covered by the retiree medical plan are covered for a \$2,000 life insurance benefit as well.

MEABT - Healthcare insurance benefits are provided 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 55% of the blended single premium for the retiree only. Under State law, the blended premium is determined by blending rates for active members and retired members. The retiree pays 45% of the blended premium rate for coverage elected. 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).

Net OPEB liability

At June 30, 2022, the Town reported a total OPEB liability of \$55,795 for MMEHT and \$2,138,932 for MEABT. The MMEHT OPEB liability was measured as of January 1, 2022, and was determined by an actuarial valuation as of that date. The MEABT OPEB liability was measured as of June 30, 2021, and was determined by an actuarial valuation as of June 30, 2020.

Actuarial assumptions

The total OPEB liability in the January 1, 2022 (MMEHT) and the June 30, 2020 (MEABT) actuarial valuations were determined using the following actuarial assumptions:

	<u>MMEHT</u>	<u>MEABT</u>
Actuarial valuation date	January 1, 2022	June 30, 2020
Measurement date	January 1, 2022	June 30, 2021
Actuarial cost method	Entry age normal	Entry age normal
Assumptions		
Inflation rate	2.00%	2.00%
Annual salary increases	2.75%	2.80%-13.03%
Healthcare cost trend rates - non-Medicare	7.61% in 2022	6.21% in 2021
decreasing to	3.53% in 2042	3.25% in 2040
Healthcare cost trend rates - Medicare	8.60% in 2022	0.00% in 2021
decreasing to	3.53% in 2042	3.25% in 2040

For MMEHT, rates of mortality are based on 112.1% and 118.5% of the 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table, respectively, for males and females, using the RP-2014 Total Dataset Employee Mortality Table. For MEABT, rates of mortality are based on the 2010 Public Plan Teacher Benefits Weighted Healthy Retiree Mortality Table.

Actuarial assumptions used for the January 1, 2022, MMEHT valuation were adopted by the Maine State Retirement Consolidated Plan for Participating Local Districts as of June 30, 2021 and based on the experience study covering the period from June 30, 2016 through June 30, 2020. Actuarial assumptions used for the June 30, 2020, MEABT valuation are the teacher assumptions that were used by the Maine Public Employees Retirement System State Employee and Teacher Retirement Program valuation at June 30, 2021 and are based on the experience study covering the period from June 30, 2015 through June 30, 2020.

Discount rate

Using the Bond Buyer 20-Bond GO Index, the discount rate used to measure the total OPEB liabilities were 2.06% for MMEHT and 2.16% for MEABT. These rates are assumed to be an index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Changes in total OPEB liability

	<u>MMEHT</u>	<u>MEABT</u>	<u>Total</u>
Balances beginning of year	\$66,658	2,062,799	2,129,457
Changes for the period			
Service cost	8,929	58,344	67,273
Interest	1,600	46,373	47,973
Changes of benefits	-	-	-
Differences between expected and actual experience	(12,817)	-	(12,817)
Changes of assumptions	(8,301)	17,259	8,958
Benefit payments	(274)	(45,843)	(46,117)
Net changes	(10,863)	76,133	65,270
Balances end of year	\$55,795	2,138,932	2,194,727

Discount rate and healthcare rate sensitivity analysis

The following is a sensitive analysis of the total OPEB liability to changes in the discount rate and the healthcare cost trend rate. The table below presents the total OPEB liability calculated using the discount rate of 2.06% for MMEHT and 2.16% for MEABT as well as what the OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
MMEHT - total OPEB liability	\$67,331	55,795	46,622
MEABT - total OPEB liability	2,528,728	2,138,932	1,827,874

The table below presents the total OPEB liability of the Town calculated using the healthcare rates disclosed above as well as what the total OPEB liability would be if it were calculated using a healthcare rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
MMEHT - total OPEB liability	\$45,150	55,795	70,094
MEABT – total OPEB liability	1,782,628	2,138,932	2,601,589

OPEB expense and deferred items summary

For the year ended June 30, 2022, the Town recognized OPEB expense of \$9,590 for MMEHT and \$167,555 for MEABT. At June 30, 2022, the Town reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	<u>Deferred outflows</u>	<u>Deferred inflows</u>
MMEHT		
Differences between expected and actual experience	\$514	15,702
Changes of assumptions	15,032	10,361
Contributions paid subsequent to the measurement date	180	-
<u>Totals MMEHT</u>	<u>15,726</u>	<u>26,063</u>
MEABT		
Differences between expected and actual experience	89,368	-
Changes of assumptions	318,170	26,530
Contributions paid subsequent to the measurement date	50,020	-
<u>Totals MEABT</u>	<u>457,558</u>	<u>26,530</u>
<u>Total deferred outflows and inflows of resources</u>	<u>\$473,284</u>	<u>52,593</u>

Deferred outflows of resources reported \$50,200 related to OPEB resulting from the Town's contributions subsequent to the measurement date that will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending</u>	<u>MMEHT</u>	<u>MEABT</u>
<u>June 30</u>		
2023	(\$939)	62,838
2024	(939)	62,836
2025	(939)	76,101
2026	(935)	59,024
2027	(1,393)	59,024
Thereafter	(5,372)	61,185

I. Fund balance

Components of fund balance

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund				
Inventory and prepaids	\$48,090	-	-	-
Tax increment financing districts	-	969,062	-	-
Reserves	-	-	90,726	-
Budget appropriation	-	-	-	880,000
School department - education	-	4,353,891	-	-
School capital reserve	-	-	739,093	-
Special revenue funds				
General government	-	47,559	-	-
Public safety	-	2,557	-	-
Public works	-	14,648	50,940	-
Recreation and social services	-	18,990	400	-
Education and other related activities	-	9,786	234,353	-
Capital project funds - reserves	-	-	2,474,144	-
Permanent funds				
Held in perpetuity	7,785	-	-	-
Social services	-	1,393	-	-
Total	\$55,875	5,417,886	3,589,656	880,000

As of June 30, 2022, the school department fund balance totaled \$4,353,891 and is reported as restricted for education in the financial statements. Of this total, \$782,161 is committed for reserves, \$63,175 is assigned for encumbrances, \$1,228,628 is assigned for use of surplus for the 2022-2023 fiscal year budget, and the remaining \$2,279,927 is considered unassigned.

J. Interfund balances

The outstanding balances between funds result from receipts and disbursements being made through consolidated cash accounts held by the general fund and school department. The composition of interfund balances as of June 30, 2022, is as follows:

<u>Receivable fund (due from)</u>	<u>Payable fund (due to)</u>	<u>Amount</u>
General fund	School capital reserve	\$651,052
General fund	Nonmajor funds	720,383
School department	General fund	1,087,265
School department	Nonmajor funds	868,110
Nonmajor funds	General fund	697,356
Recreation department	General fund	313,773
Total		\$4,337,939

K. Interfund transfers

The composition of interfund transfers for the year ended June 30, 2022, is as follows:

	Transfers in				
	General fund	School department	School capital reserve	Nonmajor funds	Total
<u>Transfers out</u>					
General fund	\$ -	5,653,657	-	642,736	6,296,393
School department	-	-	100,000	65,882	165,882
School capital reserve	-	598,417	-	-	598,417
Nonmajor funds	2,489	2,860		23,201	28,550
Total	\$2,489	6,254,934	100,000	731,819	7,089,242

During the year, transfers are used to move revenues from the fund with collection authorization, the general fund, to the school department (\$5,653,657), adult education (\$3,377), and capital reserves (\$639,359). The school department budgeted to move amounts to the capital reserve (\$100,000) and school lunch fund (\$65,000).

Further, during the year ended June 30, 2022, the Town made the following one-time transfers:

Transfer of \$598,417 from the school capital reserve to the school department to cover capital related expenditures.

Transfer of \$23,406 from Veterans Memorial Park special revenue fund to cover deficits of \$23,201 and \$205 in the Veteran Memorial Park reserve and Hermon Veterans Memorial reserve, respectively.

Transfer of \$2,284 to the legal liability reserve to close the police equipment reserve.

L. 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. The Town carries commercial insurance and participates in public entity risk pools sponsored by the Maine Municipal Association and the Maine School Management Association. Based on the coverages provided, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2022.

M. Contingencies

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the Town's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Town anticipates such amounts, if any, will be immaterial.

The Town is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Town's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Town.

N. Tax abatements

The Town has entered into property tax abatement agreements (credit enhancement agreements) with individual organizations under Municipal Tax Increment Financing Districts approved by the State of Maine Department of Economic and Community Development. For the year ended June 30, 2022, the Town abated property taxes totaling \$87,868 through these credit enhancement agreements, including the following, each of which exceeded 10 percent of the total amount remitted:

\$23,952 (27%) was disbursed to Hermon Holdings, LLC based on the credit enhancement agreement (CEA) 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.

\$16,712 (19%) was disbursed to Brushfire, LLC based on the CEA 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.

O. Restatement of net position

As of July 1, 2021, the Town increased the total OPEB liability by \$66,658, deferred outflows related to OPEB by \$18,033, and deferred inflows related to OPEB by \$8,231 to account for the health plan through the Maine Municipal Employee Health Trust. This restatement decreased beginning net position by \$56,856. These amounts were not recorded in prior years due to being immaterial to the financial statements.

Town of Hermon, Maine

Required supplementary information

Schedule of Town's proportionate share of the net pension liability

Maine Public Employees Retirement System

Last ten fiscal years (only eight years available)

	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD plan</u>								
Town's proportion of the net pension liability	0.1242%	0.1178%	0.1221%	0.1199%	0.1033%	0.0778%	0.0659%	0.0665%
Town's proportionate share of the net pension liability \$	(39,911)	468,186	373,347	328,183	422,772	413,471	210,201	102,291
Town's covered payroll	1,126,120	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	-3.54%	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	100.86%	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	0.0265%	0.0121%	0.0139%	0.0172%	0.0150%	0.0153%	0.0157%	0.0178%
Town's proportionate share of the net pension liability \$	224,499	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	4,606,322	8,651,743	7,509,991	6,685,074	7,294,373	8,709,868	6,641,782	5,330,683
Total \$	4,830,821	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 \$	7,354,405	6,813,692	6,528,232	6,297,314	3,248,889	5,967,610	5,804,673	5,728,803
Town's proportionate share of the net pension liability as a percentage of its covered payroll	3.05%	2.89%	3.12%	3.68%	6.71%	4.52%	3.66%	3.36%
Plan fiduciary net position as a percentage of the total pension liability	90.90%	81.03%	82.73%	82.90%	80.78%	76.21%	81.18%	83.91%

Schedule of Town's pension contributions

Maine Public Employees Retirement System

Last ten fiscal years (only eight years available)

	2022	2021	2020	2019	2018	2017	2016	2015
<u>PLD plan</u>								
Contractually determined contribution \$	118,821	85,585	76,276	73,509	66,360	52,924	36,460	27,029
Contributions in relation to the contractually required contribution	(118,821)	(85,585)	(76,276)	(73,509)	(66,360)	(52,924)	(36,460)	(27,029)
Contribution deficiency (excess) \$	-	-	-	-	-	-	-	-
Town's covered payroll	1,485,273	1,126,120	1,030,755	1,006,975	950,975	814,224	651,095	659,232
Contributions as a percentage of covered payroll	8.00%	7.60%	7.40%	7.30%	6.98%	6.50%	5.60%	4.10%
<u>SET plan</u>								
Contractually determined contribution \$	300,968	305,943	283,449	259,180	250,003	209,963	200,512	153,824
Contributions in relation to the contractually required contribution	(300,968)	(305,943)	(283,449)	(259,180)	(250,003)	(209,963)	(200,512)	(153,824)
Contribution deficiency (excess) \$	-	-	-	-	-	-	-	-
Town's covered payroll \$	7,840,885	7,354,405	6,813,692	6,528,232	6,297,314	3,248,889	5,967,610	5,804,673
Contributions as a percentage of covered payroll	3.84%	4.16%	4.16%	3.97%	3.97%	6.46%	3.36%	2.65%

Town of Hermon, Maine

Required supplementary information

Schedule of Town's proportionate share of the net OPEB liability

Maine Public Employees Retirement System

Last ten fiscal years (only five years available)

	2022	2021	2020	2019	2018
PLD plan					
Town's proportion of the net OPEB liability	0.2671%	0.2855%	0.2771%	0.2688%	0.2400%
Town's proportionate share of the net OPEB liability	\$ 27,574	37,665	59,284	54,300	40,126
Town's covered-employee payroll	1,126,120	1,030,755	1,006,975	950,975	814,224
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	2.45%	3.65%	5.89%	5.71%	4.93%
Plan fiduciary net position as a percentage of the total OPEB liability	67.26%	55.39%	43.18%	43.92%	47.42%
SET plan					
Town's proportion of the net OPEB liability	0.0000%	0.0000%	0.0000%	0.0000%	0.0000%
Town's proportionate share of the net OPEB liability	\$ -	-	-	-	-
State's proportionate share of the net OPEB liability associated with the Town	146,929	294,059	270,886	259,460	261,241
Total	\$ 146,929	294,059	270,886	259,460	261,241
Town's covered-employee payroll	\$ 7,354,405	6,813,692	6,528,232	6,297,314	3,248,889
Town's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	62.90%	49.51%	49.22%	48.04%	47.29%

Schedule of Town's OPEB contributions

Maine Public Employees Retirement System

Last ten fiscal years (only five years available)

	2022	2021	2020	2019	2018
PLD plan					
Contractually determined contribution	\$ -	-	-	-	-
Contributions in relation to the contractually required contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	-	-	-	-
Town's covered-employee payroll	1,485,273	1,126,120	1,030,755	1,006,975	950,975
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%

Town of Hermon, Maine

Required supplementary information

Schedule of changes in the Town's total OPEB liability and related ratios

Last ten fiscal years (only five and four years available)

	2022	2021	2020	2019	2018
<u>Total OPEB liability - MMEHT plan</u>					
Service cost	\$ 8,929	7,777	5,711	6,368	4,639
Interest	1,600	1,655	1,795	1,444	1,156
Changes of benefits	-	-	(964)	-	-
Differences between expected and actual experience	(12,817)	-	(5,955)	-	1,154
Changes of assumptions	(8,301)	4,723	14,210	(5,202)	2,936
Benefit payments	(274)	(263)	(175)	(168)	(247)
Net change in total OPEB liability - MMEHT plan	(10,863)	13,892	14,622	2,442	9,638
Total OPEB liability - beginning	66,658	52,766	38,144	35,702	26,064
Total OPEB liability - ending	\$ 55,795	66,658	52,766	38,144	35,702
Covered-employee payroll	\$ 649,888	695,399	695,399	644,363	644,363
Total OPEB liability as a percentage of covered-employee payroll	8.59%	9.59%	7.59%	5.92%	5.54%
<u>Total OPEB liability - MEABT plan</u>					
Service cost	\$ 58,344	19,615	16,269	17,636	
Interest	46,373	63,823	65,997	63,309	
Changes of benefits	-	(241,296)	-	-	
Differences between expected and actual experience	-	119,158	-	-	
Changes of assumptions	17,259	335,779	102,467	(79,586)	
Benefit payments	(45,843)	(75,686)	(64,188)	(61,969)	
Net change in total OPEB liability - MEABT plan	76,133	221,393	120,545	(60,610)	
Total OPEB liability - beginning	2,062,799	1,841,406	1,720,861	1,781,471	
Total OPEB liability - ending	\$ 2,138,932	2,062,799	1,841,406	1,720,861	
Covered-employee payroll	\$ 6,846,868	6,679,872	6,662,190	6,483,883	
Total OPEB liability as a percentage of covered-employee payroll	31.24%	30.88%	27.64%	26.54%	

Town of Hermon, Maine

Notes to required supplementary information

Pension plans

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2021	2020	2019	2018	2017	2016	2015	2014
Discount rate - PLD	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.25%	7.25%
Discount rate - SET	6.50%	6.75%	6.75%	6.75%	6.875%	7.125%	7.125%	7.25%
Inflation rate	2.75%	2.75%	2.75%	2.75%	2.75%	3.50%	3.50%	3.50%
Salary increases - PLD	2.75-11.48%	2.75% + merit	2.75-9.00%	2.75-9.00%	2.75-9.00%	3.50-9.50%	3.50-9.50%	3.50-9.50%
Salary increases - SET	2.80-13.03%	2.75% + merit	2.75-14.50%	2.75-14.50%	2.75-14.50%	3.50-13.50%	3.50-13.50%	3.50-13.50%
Cost of living increases - PLD	1.91%	1.91%	2.20%	2.20%	2.20%	2.55%	3.12%	3.12%
Cost of living increases - SET	2.20%	2.20%	2.20%	2.20%	2.20%	2.55%	2.55%	2.55%

Mortality rates - **2015**: RP2000 Combined Mortality Table projected forward to 2015 using Scale AA. **2016**: RP2014 Total Data Set Healthy Annuitant Mortality Table. **2021**: 2010 Public Plan General Benefits-Weighted Healthy Retiree Mortality Table (PLD) and 2010 Public Plan Teacher Benefits-Weighted Healthy Retiree Mortality Table (SET).

Other postemployment benefit (OPEB) obligations - life insurance

Changes of benefit terms - None

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2021	2020	2019	2018	2017
Discount rate - PLD	6.50%	6.75%	4.98%	5.13%	5.41%
Discount rate - SET	6.50%	6.75%	6.75%	6.75%	6.875%

Other postemployment benefit (OPEB) obligations - health insurance

Changes of benefit terms - In 2020, MEABT implemented the Medicare Advantage plan.

Changes of assumptions - The following are changes in actuarial assumptions used in valuations:

	2021	2020	2019	2018	2017	2016
Discount rate - MMEHT	2.06%	2.12%	2.74%	4.10%	3.44%	3.78%
Discount rate - MEABT	2.16%	2.21%	3.50%	3.87%	3.58%	n/a

Valuation method - In 2018, MMEHT changed from the projected unit credit funding method to the entry age normal funding method.

Town of Hermon, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2022

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

	2022				
	Original budget	Final budget	Actual	Variance positive (negative)	2021 actual
Revenues					
Property taxes					
Real estate and personal property	\$ 7,349,946	7,349,946	7,333,018	(16,928)	7,125,154
Excise taxes	2,426,000	2,426,000	2,927,698	501,698	3,031,441
Payments in lieu of taxes	11,000	11,000	11,000	-	11,000
Interest on taxes	30,000	30,000	21,150	(8,850)	27,820
Total property taxes	9,816,946	9,816,946	10,292,866	475,920	10,195,415
Intergovernmental					
State revenue sharing	225,000	225,000	522,548	297,548	318,808
Homestead exemption	351,552	351,552	351,553	1	345,353
Business equipment tax reimbursement	318,836	318,836	319,080	244	330,155
Snowmobile reimbursement	2,500	2,500	3,429	929	3,005
General assistance	2,500	2,500	2,931	431	1,647
MDOT funding	-	-	119,914	119,914	250,000
Urban rural initiative payment	63,000	63,000	67,544	4,544	62,584
Total intergovernmental	963,388	963,388	1,386,999	423,611	1,311,552
Licenses and permits					
Town clerk agent fees	37,000	37,000	46,725	9,725	49,162
Dog fees	2,300	2,300	2,532	232	2,501
Building permits	12,000	12,000	17,909	5,909	16,886
Plumbing fees	13,500	13,500	13,718	218	20,227
Planning and zoning fees	2,000	2,000	4,884	2,884	3,800
Total licenses and permits	66,800	66,800	85,768	18,968	92,576
Charges for services					
Hermon connection	2,000	2,000	2,475	475	2,450
Cemetery maintenance	2,500	2,500	6,535	4,035	9,655
Cable franchise	18,000	18,000	28,228	10,228	12,601
Sewer assessments	200	200	4,190	3,990	680
Wireless tower fees	-	-	15,555	15,555	12,909
Public safety	1,000	1,000	1,893	893	3,140
Public works	-	-	6,937	6,937	6,866
Solid waste and recycling	15,400	15,400	15,685	285	18,884
Recreation and social services	-	-	-	-	500
Total charges for services	39,100	39,100	81,498	42,398	67,685
Interest	70,000	70,000	66,146	(3,854)	117,070
Miscellaneous	15,000	15,000	24,809	9,809	35,586
Total revenues	10,971,234	10,971,234	11,938,086	966,852	11,819,884

Town of Hermon, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2022

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

	2022				2021 actual
	Original budget	Final budget	Actual	Variance positive (negative)	
Expenditures					
Current:					
General government					
Administration	359,388	359,388	359,069	319	313,454
Town manager	120,177	120,177	122,154	(1,977)	117,140
Town clerk	77,096	77,096	77,068	28	75,102
Finance	147,329	147,329	148,108	(779)	133,833
Assessor	177,419	177,419	151,027	26,392	95,133
Code enforcement	35,904	35,904	47,390	(11,486)	70,946
Assistant clerks	139,422	139,422	130,938	8,484	127,524
Municipal building	30,036	30,036	48,870	(18,834)	30,582
Town office	9,500	9,500	6,945	2,555	8,289
Town council	15,360	15,360	20,286	(4,926)	14,922
Town boards	8,505	8,505	6,992	1,513	7,677
Other	31,678	31,678	26,753	4,925	30,505
Total general government	1,151,814	1,151,814	1,145,600	6,214	1,025,107
Economic development					
Economic development	504,738	504,738	266,993	237,745	186,277
Total economic development	504,738	504,738	266,993	237,745	186,277
Public safety					
Police	504,956	504,956	510,453	(5,497)	487,990
Fire	408,862	408,862	421,484	(12,622)	421,262
Utilities	124,271	124,271	141,832	(17,561)	115,536
Total public safety	1,038,089	1,038,089	1,073,769	(35,680)	1,024,788
Public works					
General	251,829	251,829	272,301	(20,472)	255,419
Roads	755,201	863,394	966,189	(102,795)	1,218,248
Town garage	4,810	4,810	8,739	(3,929)	10,929
Trucks/tractor	38,762	38,762	60,934	(22,172)	61,422
Salt shed/storage	6,840	6,840	2,771	4,069	8,267
Cemetery	7,335	7,335	8,959	(1,624)	30,313
Total public works	1,064,777	1,172,970	1,319,893	(146,923)	1,584,598
Solid waste					
Landfill	29,485	29,485	28,011	1,474	24,346
Household waste	353,294	353,294	415,716	(62,422)	412,890
Sewer	60,226	60,226	66,726	(6,500)	45,048
Total solid waste	443,005	443,005	510,453	(67,448)	482,284

Town of Hermon, Maine

General fund

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2022

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

	2022				
	Original budget	Final budget	Actual	Variance positive (negative)	2021 actual
Expenditures					
Current:					
Recreation and social services					
Recreation	108,590	108,590	99,450	9,140	107,384
Social services	230,468	230,468	230,168	300	227,540
Jackson Beach	11,412	11,412	3,794	7,618	8,773
Total recreation and social services	350,470	350,470	333,412	17,058	343,697
Education (transfer out)	5,653,657	5,653,657	5,657,034	(3,377)	5,507,000
County tax	900,000	900,000	899,609	391	816,353
Tax increment financing	110,000	110,000	103,990	6,010	189,436
General assistance	5,000	5,000	4,187	813	2,343
Capital outlay	490,000	644,359	644,359	-	590,000
Total expenditures	11,711,550	11,974,102	11,959,299	14,803	11,751,883
Excess (deficiency) of revenues over (under) expenditures	(740,316)	(1,002,868)	(21,213)	981,655	68,001
Other financing sources (uses)					
Use of TIF fund balance	88,276	88,276	-	(88,276)	-
Use of fund balance	700,000	962,552	-	(962,552)	-
Total other financing sources (uses)	788,276	1,050,828	-	(1,050,828)	-
Net change in fund balance - budgetary basis	47,960	47,960	(21,213)	(69,173)	68,001
Reconciliation to GAAP					
Change in committed balances (reserves)			6,584		2,244
Net change in fund balance - GAAP basis			(14,629)		70,245
Fund balance - beginning			5,853,379		5,783,134
Fund balance - end		\$	5,838,750		5,853,379

Town of Hermon, Maine

School department

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2022

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

	2022				2021 actual
	Original budget	Final budget	Actual	Variance positive (negative)	
Revenues					
Local assessments					
Local allocation	\$ 4,239,798	4,239,798	4,239,798	-	4,242,321
Non-state funded debt service	601,061	601,061	601,061	-	610,419
Additional local appropriation	812,798	812,798	812,798	-	654,260
Total local assessments	5,653,657	5,653,657	5,653,657	-	5,507,000
Intergovernmental					
State subsidy	6,702,323	7,045,800	7,023,945	(21,855)	6,684,615
State agency client	20,000	20,000	31,285	11,285	16,315
MaineCare	5,000	5,000	-	(5,000)	10,546
Total intergovernmental	6,727,323	7,070,800	7,055,230	(15,570)	6,711,476
Charges for services					
Tuition and fees	2,224,788	2,224,788	2,349,309	124,521	2,363,745
Business operations	14,000	14,000		(14,000)	156,307
Event admission	-	-	26,956	26,956	-
Total charges for services	2,238,788	2,238,788	2,376,265	137,477	2,520,052
Interest	24,000	24,000	35,910	11,910	35,506
Miscellaneous					
JROTC revenue	77,800	77,800	82,285	4,485	-
E-rate revenue	25,000	25,000	45,792	20,792	-
Other	27,497	27,497	38,982	11,485	116,061
Total miscellaneous	130,297	130,297	167,059	36,762	116,061
Total revenues	14,774,065	15,117,542	15,288,121	170,579	14,890,095

Town of Hermon, Maine

School department

Statement of revenues, expenditures, and changes in fund balance

Budget and actual

For the year ended June 30, 2022

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

	2022				
	Original budget	Final budget	Actual	Variance positive (negative)	2021 actual
Expenditures					
Current:					
Regular instruction	6,634,402	6,830,402	6,446,102	384,300	6,029,910
Special education	2,460,875	2,460,875	2,073,370	387,505	1,928,487
Other instruction	544,106	544,106	577,973	(33,867)	419,618
Student and staff support	1,620,782	1,681,465	1,630,638	50,827	1,268,430
System administration	465,599	492,393	460,606	31,787	464,488
School administration	910,420	910,420	876,037	34,383	820,841
Transportation	654,375	684,375	611,351	73,024	504,543
Facilities maintenance	1,787,446	1,817,446	2,187,349	(369,903)	1,553,362
Debt service	601,060	601,060	601,060	-	610,419
Total expenditures	15,679,065	16,022,542	15,464,486	558,056	13,600,098
Excess (deficiency) of revenues over (under) expenditures	(905,000)	(905,000)	(176,365)	728,635	1,289,997
Other financing sources (uses)					
Transfers in	200,000	200,000	601,277	401,277	472,317
Transfers out	(65,000)	(65,000)	(365,002)	(300,002)	(50,000)
Use of fund balance	770,000	770,000	-	(770,000)	-
Total other financing sources (uses)	905,000	905,000	236,275	(668,725)	422,317
Net change in fund balance - budgetary basis	-	-	59,910	59,910	1,712,314
Reconciliation to GAAP					
Change in accrued teacher summer salaries and benefits			(56,635)		(50,738)
Change in committed balances (reserves)			202,378		(185,560)
Net change in fund balance - GAAP basis			205,653		1,476,016
Fund balance - beginning			4,148,238		2,672,222
Fund balance - end		\$	4,353,891		4,148,238

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Reserve funds

For the year ended June 30, 2022

	Beginning fund balance	Revenues	Expenditures	Transfers in (out)	Ending fund balance
Town reserves - general fund					
Municipal unemployment	\$ 32,811	384	1,899	5,000	36,296
Legal liability reserve	15,460	220	-	2,284	17,964
Rural fire protection	11,901	139	-	-	12,040
Sick leave reserve	23,394	273	-	-	23,667
Hermon Veterans Memorial	(174)	1	32	205	-
Boston Post Cane	750	9	-	-	759
Total town reserves	84,142	1,026	1,931	7,489	90,726
School reserves - school department					
School unemployment reserve	41,634	486	-	-	42,120
Tax stabilization reserve	(38,706)	(414)	-	39,120	-
School fuel reserve	219,642	2,567	-	-	222,209
School bus purchase reserve	57,213	345	-	30,000	87,558
Food service reserve	-	63	-	30,000	30,063
Enrollment stabilization reserve	-	211	-	100,000	100,211
Hermon athletic complex reserve	300,000	-	-	-	300,000
Total school reserves	579,783	3,258	-	199,120	782,161
	\$ 663,925	4,284	1,931	206,609	872,887

Town of Hermon, Maine

Combining balance sheet
Nonmajor governmental funds
June 30, 2022

	Special revenue funds	Capital project funds	Permanent funds	Total nonmajor governmental funds
Assets				
Cash and cash equivalents	\$ 319,175	3,185,349	9,192	3,513,716
Intergovernmental receivables	889,090	-	-	889,090
Due from other funds	697,356	-	-	697,356
Inventory	5,925	-	-	5,925
Total assets	\$ 1,911,546	3,185,349	9,192	5,106,087
Liabilities				
Accounts payable	18,308	-	-	18,308
Accrued wages and benefits	90,672	-	-	90,672
Unearned revenue	637,920	-	-	637,920
Due to other funds	877,274	711,205	14	1,588,493
Total liabilities	1,624,174	711,205	14	2,335,393
Fund balances				
Nonspendable	-	-	7,785	7,785
Restricted	93,540	-	1,393	94,933
Committed	285,693	2,474,144	-	2,759,837
Assigned	-	-	-	-
Unassigned	(91,861)	-	-	(91,861)
Total fund balances	287,372	2,474,144	9,178	2,770,694
Total liabilities and fund balances	\$ 1,911,546	3,185,349	9,192	5,106,087

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Nonmajor governmental funds

For the year ended June 30, 2022

	Special revenue funds	Capital project funds	Permanent funds	Total nonmajor governmental funds
Revenues				
Intergovernmental	\$ 2,036,145	-	-	2,036,145
Charges for services	55,225	-	-	55,225
Student activity fees and fundraisers	209,677	-	-	209,677
Interest	1,477	28,903	114	30,494
Miscellaneous	170,170	-	-	170,170
Total revenues	2,472,694	28,903	114	2,501,711
Expenditures				
Current:				
General government	266,565	186,918	-	453,483
Public safety	2,485	46,293	-	48,778
Public works	258,625	396,729	-	655,354
Recreation and social services	190	26,245	-	26,435
Education	1,794,707	-	-	1,794,707
Total expenditures	2,322,572	656,185	-	2,978,757
Excess (deficiency) of revenues over (under) expenditures	150,122	(627,282)	114	(477,046)
Other financing sources (uses)				
Transfers in	74,259	657,560	-	731,819
Transfers out	(26,266)	(2,284)	-	(28,550)
Total other financing sources (uses)	47,993	655,276	-	703,269
Net change in fund balances	198,115	27,994	114	226,223
Fund balances - beginning	89,257	2,446,150	9,064	2,544,471
Fund balances - ending	\$ 287,372	2,474,144	9,178	2,770,694

Town of Hermon, Maine

Combining balance sheet
Special revenue funds
June 30, 2022

	Town grants and other funds	School grants and other funds	School lunch	Student activities	Total special revenue funds
Assets					
Cash and cash equivalents	\$ 84,822	-	-	234,353	319,175
Intergovernmental receivables	-	847,963	41,127	-	889,090
Due from other funds	697,356	-	-	-	697,356
Inventory	-	-	5,925	-	5,925
Total assets	\$ 782,178	847,963	47,052	234,353	1,911,546
Liabilities					
Accounts payable	-	4,673	13,635	-	18,308
Accrued wages and benefits	-	67,555	23,117	-	90,672
Unearned revenue	637,920	-	-	-	637,920
Due to other funds	9,164	834,409	33,701	-	877,274
Total liabilities	647,084	906,637	70,453	-	1,624,174
Fund balances					
Restricted	83,754	9,786	-	-	93,540
Committed	51,340	-	-	234,353	285,693
Unassigned	-	(68,460)	(23,401)	-	(91,861)
Total fund balances	135,094	(58,674)	(23,401)	234,353	287,372
Total liabilities and fund balances	\$ 782,178	847,963	47,052	234,353	1,911,546

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Special revenue funds

For the year ended June 30, 2022

	Town grants and other funds	School grants and other funds	School lunch	Student activities	Total special revenue funds
Revenues					
Property taxes	\$ -	-	-	-	-
Intergovernmental	343,820	1,019,166	673,159	-	2,036,145
Charges for services	2,850	-	52,375	-	55,225
Student activity fees and fundraisers	-	-	-	209,677	209,677
Interest	1,477	-	-	-	1,477
Miscellaneous	166,105	1,000	3,065	-	170,170
Total revenues	514,252	1,020,166	728,599	209,677	2,472,694
Expenditures					
Current:					
General government	266,565	-	-	-	266,565
Public safety	2,485	-	-	-	2,485
Public works	258,625	-	-	-	258,625
Recreation and social services	190	-	-	-	190
Education	-	1,052,920	582,534	159,253	1,794,707
Total expenditures	527,865	1,052,920	582,534	159,253	2,322,572
Excess (deficiency) of revenues over (under) expenditures	(13,613)	(32,754)	146,065	50,424	150,122
Other financing sources (uses)					
Transfers in	5,000	4,259	65,000	-	74,259
Transfers out	(23,406)	(2,860)	-	-	(26,266)
Total other financing sources (uses)	(18,406)	1,399	65,000	-	47,993
Net change in fund balances	(32,019)	(31,355)	211,065	50,424	198,115
Fund balances - beginning	167,113	(27,319)	(234,466)	183,929	89,257
Fund balances - ending	\$ 135,094	(58,674)	(23,401)	234,353	287,372

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Town grants and other funds

For the year ended June 30, 2022

	Beginning fund balance	Revenues	Expenditures	Transfers in (out)	Ending fund balance
Library grant	\$ 3,277	-	-	-	3,277
Comp grant	7,550	-	-	-	7,550
Bangor wellness grant	2,043	-	-	-	2,043
Maine forest service grant	4,863	-	2,485	-	2,378
Fire department gear grant	179	-	-	-	179
Keep ME healthy	4,288	-	-	-	4,288
MDOT Hammond	14,648	-	-	-	14,648
Covid-19	23,430	-	-	-	23,430
Community development block grant	-	250,000	250,000	-	-
American rescue plan - COVID-19	-	-	-	-	-
Fuller road	-	242,500	242,500	-	-
Childcare	-	3,820	3,752	-	68
Veteran Memorial bricks	-	400	-	-	400
Cemetery reserve	58,531	3,534	16,125	5,000	50,940
Medical reimbursement	9,643	13,350	12,813	-	10,180
Athletic complex	10,285	119	-	-	10,404
Historical society	4,887	422	-	-	5,309
Veterans Memorial Park	23,489	107	190	(23,406)	-
	-	-	-	-	-
\$	167,113	514,252	527,865	(18,406)	135,094

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

School grants and other funds

For the year ended June 30, 2022

	Beginning fund balance	Revenues	Expenditures	Transfers in (out)	Ending fund balance
Adult education	\$ -	-	3,377	3,377	-
Miscellaneous one-time grants	7,881	1,000	193	-	8,688
Ticket to ride	1,098	-	-	-	1,098
Transition grant	(882)	-	-	882	-
PEPG development	705	-	699	(6)	-
MLTI laptop grant	-	81,702	81,702	-	-
Title IA - disadvantaged	(28,196)	201,984	205,420	-	(31,632)
Local entitlement	(10,779)	260,873	260,737	-	(10,643)
Local entitlement - ARP	-	29,665	29,665	-	-
Preschool	-	3,535	3,535	-	-
Preschool - ARP	-	2,396	2,396	-	-
ESSER 1	-	10,452	10,452	-	-
Coronavirus relief funds 1	-	615	615	-	-
Coronavirus relief - day programming	2,854	-	-	(2,854)	-
Coronavirus relief funds 2	-	2,466	2,466	-	-
ESSER 2	-	240,905	266,185	-	(25,280)
ESSER 3	-	124,466	125,371	-	(905)
Rural low income	-	28,186	28,186	-	-
Title IIA - supportive effective instruction	-	31,921	31,921	-	-
\$	(27,319)	1,020,166	1,052,920	1,399	(58,674)

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Student activity funds

For the year ended June 30, 2022

	Beginning fund balance	Revenues	Expenditures	Ending fund balance
Hermon High School	\$ 153,500	189,608	141,706	201,402
Hermon Middle School	6,967	12,448	10,309	9,106
Hermon Elementary School	23,462	7,621	7,238	23,845
	<u>\$ 183,929</u>	<u>209,677</u>	<u>159,253</u>	<u>234,353</u>

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Capital project funds

For the year ended June 30, 2022

	Beginning fund balance	Revenues	Expenditures	Transfers in (out)	Ending fund balance
Police equipment	\$ 2,296	(12)	-	(2,284)	-
Fire equipment	395,686	4,556	-	150,000	550,242
Highway capital	85,207	1,130	336,337	250,000	-
Public works facility	83,037	971	60,392	75,000	98,616
Recreation facilities	157,122	1,836	13,893	25,000	170,065
Municipal building	12,314	144	17,458	5,000	-
Sewer maintenance	557,159	6,512	-	25,000	588,671
Public land acquisition	11,745	137	-	-	11,882
Planning and ordinance	31,422	378	-	-	31,800
Public safety building	98,282	1,149	46,293	10,000	63,138
Town office equipment reserve	108,418	1,267	169,460	89,359	29,584
Jackson Beach reserve	58,002	678	-	-	58,680
Transfer station reserve	5,157	61	-	-	5,218
Elementary school reserve	297,240	3,474	-	-	300,714
Veteran Memorial Park	(15,937)	88	12,352	28,201	-
Solid waste reserve	559,000	6,534	-	-	565,534
	<u>\$ 2,446,150</u>	<u>28,903</u>	<u>656,185</u>	<u>655,276</u>	<u>2,474,144</u>

Town of Hermon, Maine

Combining statement of revenues, expenditures, and changes in fund balances

Permanent funds

For the year ended June 30, 2022

		Pike trust	Nowell trust	Total permanent funds
Revenues				
Investment income	\$	99	15	114
Total revenues		99	15	114
Expenditures				
Current:				
General government		-	-	-
Recreation and social services		-	-	-
Total expenditures		-	-	-
Net change in fund balances		99	15	114
Fund balances - beginning		7,873	1,191	9,064
Fund balances - ending	\$	7,972	1,206	9,178