

2015

Town of Hermon Maine Annual Financial Report For the Year Ended June 30, 2015

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TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2015

TOWN OF HERMON, MAINE
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For the year ended June 30, 2015

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Independent Auditor's Report

Town Council
Town of Hermon, Maine

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hermon, Maine, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hermon, Maine, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining and individual fund financial statements and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the combining and individual fund financial statements and schedule are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2015 on our consideration of the Town of Hermon, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hermon, Maine's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Ryan Kristen Ouellette". The signature is written in a cursive style with a large initial 'R'.

December 10, 2015
South Portland, Maine



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2015. The report is presented in a manner that fairly represents the Town's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the Town's financial position, and the data is correct to the best of our knowledge and belief.

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

The financial information of the Town includes all Town departments. All Town departments include municipal departments (Public Works, Public Safety, Administration, and others) and the School Department. The School Department and all other municipal departments combined are what comprise the Town.

BIOGRAPHICAL INFORMATION

The Town of Hermon is primarily a residential community with a portion of the Town that has multiple business parks along the Bangor border on Route 2 and Coldbrook roads. The growth of Hermon's business district has led to the utilization of resources available from the City of Bangor. Specifically, Hermon's water and sewer service is Town owned and maintained, but the service for these utilities is provided through Bangor.

The residential portions of Hermon are a suburb to the Bangor region and strive to maintain a rural character. Hermon is one of the more quickly growing communities in the State, and this growth created a population increase of approximately 25% from 1990 to 2000, and this trend has not changed since 2000. The growth in Hermon, both commercial and residential, has created a continual increase to the Town value and allowed the Town to maintain a mil rate below surrounding communities. Hermon is also one of the largest truck towns in the State of Maine. The Town heavily relies on excise tax from commercial vehicles to also keep the mil rate lower than other neighboring communities. However, the Council and administration are well aware that the continued growth puts larger demands on services, and efforts from the Town are to make sure the community is prepared for long-term success.

The goal of the community is to continue the success and growth of our business parks while maintaining separation for our residential community. Hermon's residential area continues its dedication to serve Bangor as a bedroom community that allows for country, family living. Some business is encouraged in the village area to serve the residents. We have seen growth over the last 5 years of the shopping plaza, which complements the community very well. The plaza includes a hometown grocery store, salon, dentist, insurance agents, chiropractor and acupuncturist, hardware store, Family Dollar, and Subway. These businesses are very important to the community, but the bulk of services continue to be available by traveling to Bangor.

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

FINANCIAL INFORMATION

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

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

- As shown on Statement 1, the total net position for governmental activities of the Town of Hermon was \$22,081,105, an increase of \$2,438,001 when compared to the beginning net position figure for year ending June 30, 2014 of \$19,643,104. The most significant reasons for the increase in net position were the increases in accounts receivable (\$481,920) and cash/investments (\$1,579,152) and the decrease in noncurrent liabilities (\$714,564).
- The Town's unamortized bond debt decreased by \$567,313 for a total outstanding debt of \$2,670,230. No new bond debt was issued in this fiscal year. The Billings Road bond debt was paid in full in July 2014, leaving the Sewer extension bond as the sole debt of the Town. The Sewer bond will be paid in full in November 2018. As of June 30, 2015, the outstanding balance of the Sewer bond was \$359,600. The remaining \$2,310,630 of outstanding bond debt as of June 30, 2015 is comprised of School Department debt for the Hermon Middle School.
- In the fiscal year ending June 30, 2011, the Town adopted Government Accounting Standards Board Statement No. 54 (GASB 54). This has reclassified how fund balance is reported. In years past, Government units reported fund balance as designated or undesignated. With the implementation of GASB 54, fund balance is now classified as nonspendable, restricted, committed, assigned, and unassigned. As of June 30, 2015, as shown in the Town's balance sheet for the General Fund (Exhibit A-1), the Town reported \$34,261 in nonspendable inventory and prepaid expenditures, has assigned for future use \$1,032,602 and restricted TIF funds of \$365,073, which leaves an unassigned fund balance of \$4,865,283 for a total fund balance of \$6,297,219 (excluding amounts restricted for education). This is an increase of \$1,744,066 from the previous year. You may also find the list of assigned, restricted, and nonspendable fund balances in the notes to the financial statements on page 42.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements

(207) 848-1010 (207) 848-3316 (fax)
<http://www.hermon.net>

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

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

The statement of net position is used to express the financial data required for the government-wide financial statements. This shows the total assets which include land, buildings, inventory, and other capital assets, net of accumulated depreciation. Assets and deferred outflows of resources are then reduced by the liabilities, which include total bonds and leases due over their entire lives as well as accrued compensated absences, and deferred inflows of resources. The result is the net position of the Town.

Government-wide statements distinguish business-type activities from governmental activities. Business-type activities are those that are funded through user fees or user-based revenue with no tax dollars being the key separation from governmental activities. It then follows that governmental activities are those that are primarily funded through taxes and governmental fees. At this time, the only business-type activity in Hermon is the Recreation Department.

Fund Financial Statements

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

General Fund

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

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

Major Capital Project Funds

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

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

Other Governmental Funds

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

Notes to Basic Financial Statements

The notes provide additional information and analysis that is essential to 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 28-47 of this report.

Other Information

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

The combining and individual fund financial statements referred to earlier in connection with non-major governmental funds are presented following the notes. Combining and individual fund financial statements can be found beginning on page 53 of this report.

GOVERNMENT-WIDE ANALYSIS

Net position may serve over time as a useful indicator of a government's financial health. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22,081,105 as of June 30, 2015. This figure is comprised of the net investment in capital assets, restricted net position for education, TIF revenues, special revenues, and permanent funds, and unrestricted net position.

Net Position for the Year Ending June 30, 2015

The current year's financial statements show a change in total assets and deferred outflows of resources compared to liabilities and deferred inflows of resources that net a 12.41% increase to total net position. The overall reasons for the percentage increase in net position are higher than anticipated revenues while keeping most expenses at or below budgeted figures.

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

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

	<u>Governmental Activities</u>			
	2015	2014 (Restated)	Change	% Change
ASSETS				
Cash and cash equivalents	\$ 654,174	1,095,586	(441,412)	-40.29%
Investments	10,826,522	8,805,958	2,020,564	22.95%
Other assets	1,548,747	1,054,105	494,642	46.93%
Capital assets, net	13,231,637	13,534,198	(302,561)	-2.24%
Total Assets	26,261,080	24,489,847	1,771,233	6.74%
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - related to pensions	244,433	155,860	88,573	56.83%
Total Deferred Outflows of Resources	244,433	155,860	88,573	56.83%
LIABILITIES				
Noncurrent liabilities - due within one year	553,148	590,323	(37,175)	-6.30%
Noncurrent liabilities - due in more than one year	2,531,139	3,208,528	(677,389)	-21.11%
Other liabilities	1,187,375	1,203,752	(16,377)	-1.36%
Total Liabilities	4,271,662	5,002,603	(730,941)	-14.61%
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - related to pensions	152,746	-	152,746	100.00%
Total Deferred Inflows of Resources	152,746	-	152,746	100.00%
NET POSITION				
Net investment in capital assets	10,507,629	10,219,867	287,762	2.82%
Restricted for:				
Expendable permanent funds	7,785	7,785	-	-
Nonexpendable trust principal	276	222	54	24.32%
General fund	3,329,893	3,466,231	(136,338)	-3.93%
Special revenue fund	111,045	119,426	(8,381)	-7.02%
Unrestricted	8,124,477	5,829,573	2,294,904	39.37%
Total Net Position	\$ 22,081,105	19,643,104	2,438,001	12.41%

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

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2015.

	<u>Governmental Activities</u>			
	<u>2015</u>	<u>2014</u> <u>(Restated)</u>	<u>Change</u>	<u>Percent</u> <u>Change</u>
Revenues				
Program revenues:				
Charges for services	\$ 2,211,109	2,057,802	153,307	7.45%
Operating grants and contributions	7,118,209	7,473,984	(355,775)	-4.76%
Capital grants and contributions	49,982	19,472	30,510	156.69%
General revenues:				
Property taxes	5,347,608	5,217,090	130,518	2.50%
Tax Increment Financing revenue	296,811	279,095	17,716	6.35%
Excise taxes	2,859,156	2,657,199	201,957	7.60%
Interest and costs on taxes	31,936	37,763	(5,827)	-15.43%
Grants and contributions not restricted:				
State Revenue Sharing	155,511	171,199	(15,688)	-9.16%
Homestead exemption	97,413	98,012	(599)	-0.61%
Other intergovernmental revenues	225,290	236,688	(11,398)	-4.82%
Unrestricted investment earnings	25,604	23,496	2,108	8.97%
MePERS reimbursement	905,853	-	905,853	100.00%
Sale of land held for resale	150,000	-	150,000	100.00%
Gain (loss) on disposal of capital assets	4,241	(7,526)	11,767	156.35%
Miscellaneous	54,423	73,799	(19,376)	-26.26%
Total revenues	19,533,146	18,338,073	1,195,073	6.52%
Expenses				
General government	589,531	693,879	(104,348)	-15.04%
Public safety	799,069	744,178	54,891	7.38%
Public works	912,845	836,525	76,320	9.12%
Solid waste	521,218	514,757	6,461	1.26%
Recreational and social services	127,969	146,002	(18,033)	-12.35%
Education	12,158,142	12,263,225	(105,083)	-0.86%
Unclassified	918,778	1,045,399	(126,621)	-12.11%
Grants and other special uses	750,512	796,015	(45,503)	-5.72%
Interest on debt	19,372	24,224	(4,852)	-20.03%
Capital maintenance expenses	297,709	388,429	(90,720)	-23.36%
Total expenses	17,095,145	17,452,633	(357,488)	-2.05%
Change in net position:	2,438,001	885,440	1,552,561	175.34%
Net position - beginning, as restated	19,643,104	18,757,664	885,440	4.72%
Net position - ending	\$ 22,081,105	19,643,104	2,438,001	12.41%

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

Comparatives of revenues identify a couple key changes. First, overall revenues have increased by \$1,195,073 from the previous year. The major increase in revenues from the previous year is due to the MePERS reimbursement and sale of Town owned land. These were one-time revenues recognized in the 2014-2015 fiscal year. Second, excise taxes had a considerable increase in revenue as well. There was a \$201,957 increase alone for excise taxes from the prior year. We have seen an upward trend over the last few years of excise tax revenue as the economy starts to stabilize. Not only are we seeing the residential side of excise taxes increase, but the commercial piece has had significant growth as well. Property tax revenue is variable due to mil rates, the economy, values of homes, new construction, the commercial district growth, as well as other miscellaneous factors, but did show an increase of \$130,518 from the previous year.

Details of revenues can be found on Statement 2.

Overall, expenses have decreased by \$357,488 from FY2014 to FY2015. All functions for the Town, with the exceptions of public safety, public works, and solid waste, showed decreases from FY2014 to FY2015.

Financial Analysis of the Town's Funds

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

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, total governmental funds reported a combined (Town and School) fund balance of \$11,611,126 (Statement 3), \$2,043,808 higher than the previous year. The following is a general analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds.

Revenues exceeded expenditures for the general fund alone by \$2,383,792 (Statement 6) in the current fiscal year. There are four major components of the increase in fund balance. First, the MePERS reimbursement of \$905,853. Second, excise tax collected was \$728,406 more than anticipated. Third, the School Department collected an additional \$397,635 more than anticipated in revenues. Fourth, the sale of Town owned land and assets created an additional \$169,400 in revenues that were not budgeted. Overall, actual expenditures for the School Department were \$679,280 less than budgeted and the Town's expenditures were \$680,101 less than budgeted for a total of \$1,359,381. Overall, the Town saw an increase in fund balance of \$1,808,200 (Statement 6) on a GAAP basis.

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

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2014. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			Percent Change
	2015	2014	Change	
Revenues				
Property taxes	\$ 5,353,077	5,281,477	71,600	1.36%
Tax Increment Financing revenue	296,811	279,095	17,716	6.35%
Excise taxes	2,859,156	2,657,199	201,957	7.60%
Interest on taxes	31,936	37,763	(5,827)	-15.43%
State revenue sharing	155,511	171,199	(15,688)	-9.16%
Homestead exemption	97,413	98,012	(599)	-0.61%
State education subsidy	5,035,590	5,450,212	(414,622)	-7.61%
MePERS reimbursement	905,853	-	905,853	100.00%
Other intergovernmental revenues	343,201	337,254	5,947	1.76%
Licenses and permits	52,873	55,244	(2,371)	-4.29%
Charges for services	1,992,871	1,789,789	203,082	11.35%
Interest earned	17,852	11,858	5,994	50.55%
Miscellaneous	720,040	572,969	147,071	25.67%
Total revenues:	17,862,184	16,742,071	1,120,113	6.69%
Expenditures				
Current:				
General government	692,695	674,805	17,890	2.65%
Public safety	712,372	690,510	21,862	3.17%
Public works	883,421	874,482	8,939	1.02%
Solid waste	511,099	514,757	(3,658)	-0.71%
Recreational and social services	130,077	146,002	(15,925)	-10.91%
Unclassified	917,951	1,035,386	(117,435)	-11.34%
Education	11,266,328	11,460,769	(194,441)	-1.70%
Capital expenditures	197,641	78,514	119,127	151.73%
Debt service	166,808	344,306	(177,498)	-51.55%
Total expenditures:	15,478,392	15,819,531	(341,139)	-2.16%
Excess of revenues over expenditures	\$ 2,383,792	922,540	1,461,252	158.39%

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

Overall, in 2015, revenues exceeded expenditures by \$2,383,792 in the General Fund. We have seen that excise tax revenue has had significant increases three years in a row. This is excellent since the Town of Hermon relies heavily on excise tax revenue to help keep the mil rate low while providing many services to the community. Excise taxes, School tuition and fees (under Charges for Services), and the MePERS reimbursement make up the largest portion of the increase in revenues from FY2014 to FY2015. There was a total decrease of \$341,139 in expenses from FY2014 to FY2015.

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

Capital Asset and Debt Administration

	Balance 6/30/2014	Additions	Deletions	Balance 6/30/2015
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 128,572	-	-	128,572
Construction in progress	61,599	32,215	48,155	45,659
Total capital assets, not being depreciated	190,171	32,215	48,155	174,231
Capital assets, being depreciated				
Buildings and improvements				
	19,528,215	216,723	-	19,744,938
Equipment, furniture, and fixtures				
	2,236,232	166,521	-	2,402,753
Vehicles				
	1,843,216	92,000	76,882	1,858,334
Total capital assets, being depreciated	23,607,663	475,244	76,882	24,006,025
Total accumulated depreciation	(10,263,636)	(746,706)	61,723	(10,948,619)
Total capital assets, net	\$ 13,534,198	(239,247)	(63,314)	13,231,637

Major capital additions incurred by the Town during FY2015 included the following:

- 2005 International truck (\$42,000); 2016 Blue Bird school bus (\$50,000); building improvements at Jackson Beach (\$104,137), transfer station improvements (\$70,999); and boat landing improvements (\$32,215). In total, capital asset additions for the year ending June 30, 2015 was \$507,459.
- Current year depreciation of \$746,706 increased total accumulated depreciation to \$10,948,619. The Town disposed of one capital asset during the year, a 2005 Ford F650. The asset's net book value (Cost less accumulated depreciation) at June 30, 2015 was \$15,159 and it was sold for \$19,400. This resulted in a gain on sale of capital assets, as shown on statement 2, of \$4,241.

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

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

Debt Administration

The Town's debt consists of three bonds and several capital leases. A summary of the Town's debt activity and other long-term liabilities for the year ended June 30, 2015 is as follows:

	Beginning balance	Additions	Reductions	Ending balance	Due within one year
Governmental activities:					
Bonds payable	\$ 3,237,543	-	567,313	2,670,230	530,215
Capital leases payable	76,788	-	23,010	53,778	22,933
Net pension liability	484,520	-	189,930	294,590	-
Accrued compensated absences	47,892	17,797	-	65,689	-
Governmental activities long-term liabilities	\$ 3,846,743	17,797	780,253	3,084,287	553,148

The Town did not incur any new additional debt during FY2015. Bonds and capital leases payable decreased by \$590,323 from the prior year due to regularly scheduled payments made throughout the year.

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

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

COMMITMENT:

Commitment is the most important number to analyze because no matter what the change is in any other category, this is the one that determines if property taxes are going up. It is the amount of money Hermon needs to raise to balance the budget and it comes from two sources - real estate and personal property taxes. For fiscal year ending June 30, 2015, total commitment was \$5,675,130 as compared to June 30, 2014, which was \$5,489,691. The mil rate for 2014-2015 was 12.00.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2015-16 budget from 2014-15. These points are only the highlights and serve to summarize changes to the overall budget rather than to provide an explanation to every adjustment to the budget.

- General Government is increasing by \$3,458, or 1.47%. There are miscellaneous changes throughout General Government, both increases and decreases within different sub-departments that balance out to a 1.47% overall increase. General Government is comprised of the Town Manager, Town Clerk, Deputy Clerks, Finance department, Assessor, Code Officer, Municipal building, supplies, Town Council, Town Boards, miscellaneous expenses, and administration expenses such as all insurances including health, worker's comp, tax bills, Hermon Connection, repairs, and audit and legal services.
- The Economic Development budget has decreased by 25.74%, or \$45,515. The two most significant decreases were to the economic development contract and the contract with the School Department for IT services. The Town of Hermon used to contract with a local outside economic development company. The Town has chosen to bring this in house and is a part time position.

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

- Public Safety, which encompasses Police, Fire, Animal Control, the public safety building, and traffic lights, is increasing by 1.98%, or \$15,015. Similar to General Government there are many miscellaneous increases and decreases among line items, but the major portion to the increase is the cost for health insurance for the Fire Department and an increase in the contract with the Bangor Water District for water hydrant rentals.
- The Public Works Department is increasing by 1.74%, or \$14,690. Some of the increases within the Department are for wages, health insurance, and the snowplow contract.
- The Solid Waste budget is increasing by 3.07%, or \$16,570. The increase is primarily due to roadside pickup expenses and for the additional pick up day for the recycling containers.
- Recreation and Social Services is increasing by 2.34%, or \$2,778. There are many miscellaneous increases and decreases in line items that make up this small difference from the prior fiscal year.
- Debt Service is decreasing 37.09%, or \$61,958. This is a result of a lower payment on the Water & Sewer Extension bond as the Town is paying less interest on the bond.
- Reserves are being decreased by \$17,500, or -2.98% from the prior year. There are some various increases and decreases within the different reserves. In the past few years the Town has funded and used the reserves for some mid-sized capital projects.
- Special Assessments includes County Taxes and TIFs. There is a 6.85% increase for Special Assessments. This is mostly due to the County tax increase of \$27,218 and TIF payments to taxpayers in the TIF districts have increased by \$16,800 due to some new TIF agreements.
- General Assistance is decreasing by 10.0% or \$1,500. The Town has been fortunate that general assistance has been well maintained and has been less than budgeted amounts.
- The local contribution from property taxes to the School Department is going from \$4,160,450 to \$4,465,777.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOWN OF HERMON, MAINE
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 654,174	-	654,174
Investments	10,826,522	-	10,826,522
Receivables:			
Taxes receivable - current year	288,013	-	288,013
Taxes receivable - prior year	29,447	-	29,447
Tax liens - prior years	79,860	-	79,860
Tax acquired property	10,483	-	10,483
Accounts receivable	1,202,670	-	1,202,670
Internal balances	(102,838)	102,838	-
Inventory	15,109	-	15,109
Prepaid expenses	26,003	-	26,003
Nondepreciable capital assets	174,231	-	174,231
Depreciable capital assets, net	13,057,406	-	13,057,406
Total assets	26,261,080	102,838	26,363,918
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - related to pensions	244,433	-	244,433
Total deferred outflows of resources	244,433	-	244,433
LIABILITIES			
Accounts payable	161,810	-	161,810
Accrued payroll and benefits	950,744	-	950,744
Prepaid taxes	13,506	-	13,506
Accrued interest	18,902	-	18,902
Other liabilities	42,413	-	42,413
Noncurrent liabilities:			
Due within one year	553,148	-	553,148
Due in more than one year	2,531,139	-	2,531,139
Total liabilities	4,271,662	-	4,271,662
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - related to pensions	152,746	-	152,746
Total deferred inflows of resources	152,746	-	152,746
NET POSITION			
Net investment in capital assets	10,507,629	-	10,507,629
Restricted for:			
General fund	3,329,893	-	3,329,893
Special revenue fund	111,045	-	111,045
Permanent funds:			
Expendable	7,785	-	7,785
Nonexpendable	276	-	276
Unrestricted	8,124,477	102,838	8,227,315
Total net position	\$ 22,081,105	102,838	22,183,943

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2015

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net position		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 589,531	52,873	-	-	(536,658)	-	(536,658)
Public safety	799,069	4,395	-	-	(794,674)	-	(794,674)
Public works	912,845	5,749	-	-	(907,096)	-	(907,096)
Solid waste	521,218	210,092	-	-	(311,126)	-	(311,126)
Recreational and social services	127,969	7	-	49,482	(78,480)	-	(78,480)
Education	12,158,142	1,742,719	6,474,287	-	(3,941,136)	-	(3,941,136)
Unclassified	918,778	10,832	-	-	(907,946)	-	(907,946)
Grants and other special uses	750,512	184,442	643,922	500	78,352	-	78,352
Interest on debt	19,372	-	-	-	(19,372)	-	(19,372)
Capital maintenance expenses	297,709	-	-	-	(297,709)	-	(297,709)
Total governmental activities	17,095,145	2,211,109	7,118,209	49,982	(7,715,845)	-	(7,715,845)
Business-type activities:							
Recreation department	223,525	234,500	-	-	-	10,975	10,975
Total business-type activities	223,525	234,500	-	-	-	10,975	10,975
Total primary government	\$ 17,318,670	2,445,609	7,118,209	49,982	(7,715,845)	10,975	(7,704,870)
General revenues:							
Property taxes					5,347,608	-	5,347,608
Tax Increment Financing revenue					296,811	-	296,811
Excise taxes					2,859,156	-	2,859,156
Interest and costs on taxes					31,936	-	31,936
Grants and contributions not restricted to specific programs:							
State Revenue Sharing					155,511	-	155,511
Homestead exemption					97,413	-	97,413
Other intergovernmental revenues					225,290	-	225,290
Unrestricted investment earnings					25,604	-	25,604
MePERS Reimbursement					905,853	-	905,853
Sale of land held for resale					150,000	-	150,000
Miscellaneous revenues					54,423	-	54,423
Gain on sale of capital assets					4,241	-	4,241
Total general revenues					10,153,846	-	10,153,846
Change in net position					2,438,001	10,975	2,448,976
Net position - beginning - as restated					19,643,104	91,863	19,734,967
Net position - ending					22,081,105	102,838	22,183,943

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2015

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 621,740	-	-	32,434	654,174
Investments	8,222,737	243,934	1,010,634	1,349,217	10,826,522
Receivables:					
Taxes receivable - current year	288,013	-	-	-	288,013
Taxes receivable - prior year	29,447	-	-	-	29,447
Tax liens - prior years	79,860	-	-	-	79,860
Tax acquired property	10,483	-	-	-	10,483
Accounts receivable	1,026,631	-	-	176,039	1,202,670
Inventory	8,258	-	-	6,851	15,109
Prepaid expenditures	26,003	-	-	-	26,003
Interfund loans receivable	363,862	-	-	36,335	400,197
Total assets	\$ 10,677,034	243,934	1,010,634	1,600,876	13,532,478
LIABILITIES					
Accounts payable	161,599	-	-	211	161,810
Accrued payroll and benefits	947,633	-	-	3,111	950,744
Prepaid taxes	13,506	-	-	-	13,506
Interfund loans payable	-	201,697	-	301,338	503,035
Other liabilities	42,413	-	-	-	42,413
Total liabilities	1,165,151	201,697	-	304,660	1,671,508
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	249,844	-	-	-	249,844
Total deferred inflows of resources	249,844	-	-	-	249,844
FUND BALANCES					
Nonspendable:					
Inventory	8,258	-	-	6,851	15,109
Nonexpendable principal	-	-	-	7,785	7,785
Prepaid expenditures	26,003	-	-	-	26,003
Restricted:					
General fund	3,329,893	-	-	-	3,329,893
Special revenue funds	-	-	-	111,045	111,045
Permanent funds	-	-	-	276	276
Assigned:					
General fund	1,032,602	-	-	-	1,032,602
Capital projects funds	-	42,237	1,010,634	1,171,141	2,224,012
Unassigned:					
General fund	4,865,283	-	-	-	4,865,283
Special revenue funds	-	-	-	(882)	(882)
Total fund balances	9,262,039	42,237	1,010,634	1,296,216	11,611,126
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,677,034	243,934	1,010,634	1,600,876	
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.					13,231,637
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					249,844
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.					
Bonds payable					(2,670,230)
Capital leases payable					(53,778)
Net pension liability, including related deferred inflows and outflows of resources					(202,903)
Accrued interest					(18,902)
Accrued compensated absences					(65,689)
Net position of governmental activities					\$ 22,081,105

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2015

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 8,540,980	-	-	-	8,540,980
Intergovernmental	6,537,568	-	-	630,361	7,167,929
Maine PERS on-behalf payments	852,836	-	-	-	852,836
Licenses and permits	52,873	-	-	-	52,873
Charges for services	1,992,871	-	-	-	1,992,871
Investment income	17,852	671	2,422	4,659	25,604
Other	720,040	-	-	200,641	920,681
Total revenues	18,715,020	671	2,422	835,661	19,553,774
Expenditures:					
Current:					
General government	692,695	-	-	-	692,695
Public safety	712,372	-	-	-	712,372
Public works	883,421	-	-	-	883,421
Solid waste	511,099	-	-	-	511,099
Recreational and social services	130,077	-	-	-	130,077
Education	11,289,526	-	-	-	11,289,526
Unclassified	917,951	-	-	827	918,778
Grants and other special uses	-	-	-	794,269	794,269
Maine PERS on-behalf payments	852,836	-	-	-	852,836
Debt service	166,808	-	-	-	166,808
Capital outlay	197,641	201,818	-	158,626	558,085
Total expenditures	16,354,426	201,818	-	953,722	17,509,966
Excess (deficiency) of revenues over (under) expenditures	2,360,594	(201,147)	2,422	(118,061)	2,043,808
Other financing sources (uses):					
Transfers from other funds	-	225,000	150,000	177,394	552,394
Transfers to other funds	(552,394)	-	-	-	(552,394)
Total other financing sources (uses)	(552,394)	225,000	150,000	177,394	-
Net change in fund balances	1,808,200	23,853	152,422	59,333	2,043,808
Fund balances, beginning of year	7,453,839	18,384	858,212	1,236,883	9,567,318
Fund balances, end of year	\$ 9,262,039	42,237	1,010,634	1,296,216	11,611,126

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the year ended June 30, 2015

Net change in fund balances - total governmental funds (from Statement 4)	\$	2,043,808
<p>Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$746,706) and loss on disposal (\$15,159) exceeded capital outlay (\$459,304) in the current period.</p>		
		(302,561)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. This is the decrease in unavailable revenue - property taxes.</p>		
		(5,469)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the increase in accrued compensated absences (\$17,797) and the decrease in accrued interest (\$3,940) and net pension liability with related deferred inflows and outflows of resources (\$125,757).</p>		
		111,900
<p>Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
		567,313
		23,010
<hr/>		
Change in net position of governmental activities (see Statement 2)	\$	2,438,001

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the year ended June 30, 2015

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,688,499	8,182,167	8,540,980	358,813
Intergovernmental	5,608,540	5,608,540	6,537,568	929,028
Licenses and permits	51,800	51,800	52,873	1,073
Charges for services	1,703,562	1,703,562	1,992,871	289,309
Interest earned	14,000	14,000	17,852	3,852
Other revenues	445,515	445,515	720,040	274,525
Total revenues	15,511,916	16,005,584	17,862,184	1,856,600
Expenditures:				
Current:				
General government	741,225	741,225	692,695	48,530
Public safety	758,122	758,122	712,372	45,750
Public works	896,413	896,413	883,421	12,992
Solid waste	539,070	539,070	511,099	27,971
Recreation and social services	149,374	149,374	130,077	19,297
Unclassified	959,746	1,453,414	917,951	535,463
Education	11,945,608	11,945,608	11,266,328	679,280
Debt service:				
Principal	146,997	146,997	146,997	-
Interest	20,050	20,050	19,811	239
Capital expenditures	187,500	187,500	197,641	(10,141)
Total expenditures	16,344,105	16,837,773	15,478,392	1,359,381
Excess (deficiency) of revenues over (under) expenditures	(832,189)	(832,189)	2,383,792	3,215,981
Other financing sources (uses):				
Utilization of prior year surplus - School	989,583	989,583	-	(989,583)
Utilization of prior year surplus - Town	455,000	455,000	-	(455,000)
Transfers out	(612,394)	(612,394)	(552,394)	60,000
Total other financing sources (uses)	832,189	832,189	(552,394)	(1,384,583)
Net change in fund balance, budgetary basis	-	-	1,831,398	1,831,398
Reconciliation to GAAP:				
Change in accrued summer salaries			(23,198)	
Net change in fund balance, GAAP basis			1,808,200	
Fund balance, beginning of year			7,453,839	
Fund balance, end of year	\$		9,262,039	

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Net Position
Proprietary Fund
June 30, 2015

	Recreation Department
ASSETS	
Current assets:	
Interfund loans receivable	\$ 102,838
Total assets	102,838
LIABILITIES	
Current liabilities:	
Accounts payable	-
Total liabilities	-
NET POSITION	
Unrestricted	102,838
Total net position	\$ 102,838

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended June 30, 2015

	Recreation Department
Operating revenues:	
Charges for services	\$ 234,500
Total operating revenues	234,500
Operating expenses:	
Payroll and related expenses	109,107
Recreation programs	114,418
Total operating expenses	223,525
Operating income	10,975
Total net position, beginning of year	91,863
Total net position, end of year	\$ 102,838

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Fund
For the year ended June 30, 2015

		Recreation Department
Cash flows from operating activities:		
Receipts from customers and users	\$	234,500
Payments to suppliers		(114,418)
Payments to employees		(109,107)
Net cash provided by operating activities		10,975
Cash flows from noncapital financing and related activities:		
Net interfund activity		(10,975)
Net cash used in noncapital financing and related activities		(10,975)
Increase (decrease) in cash		-
Cash and cash equivalents, beginning of year		-
Cash and cash equivalents, end of year	\$	-
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	10,975
Net cash provided by operating activities		10,975

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

	Agency Funds	Private-purpose Trusts
	Student Activity Funds	School Department Scholarships
ASSETS		
Cash and cash equivalents	\$ 147,856	189,766
Total assets	147,856	189,766
LIABILITIES		
Due to student groups	147,856	-
Total liabilities	147,856	-
NET POSITION		
Held in trust	\$ -	189,766

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2015

	Private-purpose Trusts
	School Department Scholarships
Additions	\$ 541
Deductions	-
Change in net position	541
Net position, beginning of year	189,225
Net position, end of year	\$ 189,766

See accompanying notes to basic financial statements.

TOWN OF HERMON, MAINE
Notes to Basic Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 information on all of the nonfiduciary activities of the primary government. All fiduciary activities are reported only in the fund financial statements.

B. Reporting Entity

The Town of Hermon operates under an elected Town Council and Town Manager form of government. The Town's School Department operates under an elected School Committee. The Town's major operations include public works, public safety, public services, education, and general administrative services.

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, while business-type activities incorporate data from the government'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.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The *Highway Capital Reserve Fund* is used to account for road construction and repairs.

The *School Capital Improvements Fund* is used to account for major purchases by the school (school bus, telephone system), and construction of schools.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The government reports the following major enterprise fund:

The *Recreation Department Fund* is used to account for revenues generated from the variety of services provided by Hermon Recreation on a user basis. The expenses related to these programs are to be covered with revenues generated. Costs covered are program related expenses, food costs, payroll, facilities improvements, clothing/uniforms, and equipment purchases.

Additionally, the Town reports the following fund type:

Fiduciary funds account for assets held by the Town in a trustee capacity or as an agent on behalf of others. The Town's fiduciary funds include the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. The funds are used to account for assets that the Town holds for others in an agency capacity.

Private-purpose trust funds are used to account for resources legally held in trust for the benefit of others.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

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 transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary, agency funds and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund are charges to customers for sales and services; operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

F. Cash and Investments

Cash includes amounts in demand deposits as well as time deposits and certificates of deposit owned by the Town. Investments are stated at fair value. All highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents.

G. Interfund Loans Receivable/Payable

Transactions between funds that are representative of lending/ borrowing arrangements outstanding at the end of the fiscal year are referred to as interfund loans or as interfund advances (i.e., the noncurrent portion of interfund loans).

H. Prepaid Expenditures

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The Town utilizes the consumption method for prepaid items in which items purchased are recorded as an asset and the recognition of the expenditure is deferred until the period the prepaid item is actually consumed or used.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

I. Inventory

Inventory in the School Lunch Program consists of food and supplies and is valued at the lower of cost or market (first-in, first-out basis) and is offset with a nonspendable fund balance for inventories. Inventories of the School Lunch Fund include the value of the U.S. Department of Agriculture commodities donated to the Fund. Inventory in the General Fund consists of parts and supplies for the use of public works and is carried at cost (first-in, first-out basis).

J. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government are depreciated using the straight-line method over the assets' estimated useful lives ranging from 3 to 50 years.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until that time. The deferred outflows relate to the net pension liability, which include the Town's contributions subsequent to the measurement date, which are recognized as a reduction of the net pension liability in the subsequent year. They also include changes in assumptions, differences between expected and actual experience, and changes in proportion and differences between Town contributions and proportionate share of contributions, which are deferred and amortized over the average expected remaining service lives of active and inactive members in the plan.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds have one type of item that qualifies for reporting in this category, unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The governmental activities have deferred inflows that relate to the net pension liability, which include the net difference between projected and actual earnings on pension plan investments, which is deferred and amortized over a five-year period.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

L. Compensated Absences

Under the terms of personnel policies and union contracts, vacation and sick leave are granted in varying amounts according to length of service. All vacation and sick time is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

M. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, if material to basic financial statements, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

N. Encumbrances

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

O. Use of Estimates

Preparation of the Town's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent items at the date of the financial statements and the reported amounts of revenues and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

P. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Maine Public Employees Retirement System Consolidated Plan for Participating Local Districts (PLD Plan) and the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan) and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Q. Fund Equity

GASB 54 paragraph 27 requires governments that have formally adopted a fund balance policy to disclose the policy that sets forth the minimum fund balance amount. It is the intent of the Town to maintain a minimum fund balance of one month, 8.33%, of operating expenditures with a targeted balance of two months or 16.66%. The maximum fund balance is not to exceed 25% of the operating expenditures. Any amount in excess of 25% is to be appropriated to reserve accounts for use on future, specific projects. The Town Council may recommend transfers to the Town that would reduce the balance below 25%, but no transfers shall be made that would reduce the balance to less than 8.33%.

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

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

The voters have the responsibility for committing fund balance amounts and likewise would be required to modify or rescind those commitments. For assigned fund balance, management determines amounts carried forward for uncompleted projects authorized by the voters at Town Meetings for specific purposes in the General Fund at year-end based on Department requests.

When both restricted and unrestricted resources are available for use, it is the government’s practice to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned and unassigned resources are available for use, it is the government’s practice to use committed or assigned resources first, and then unassigned resources, as they are needed.

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget is adopted for the General Fund only, and is adopted on a basis consistent with generally accepted accounting principles (GAAP), except for encumbrances and Maine Public Employees Retirement on-behalf payments. Maine Public Employees Retirement contributions are made by the State of Maine on behalf of the School Department. These amounts have not been budgeted in the General Fund and result in a difference in reporting on a budgetary basis of accounting vs. reporting under accounting principles generally accepted in the United States of America of \$852,836. These amounts have been included as revenue and expenditures in the General Fund on Statement 4 (GAAP basis) and on the Statement of Activities. There is no effect on the fund balance or net position at the end of the year.

Through June 30, 2015, the Town did not budget for expenditures related to summer salaries and benefits for teachers on an accrual basis.

B. Deficit Fund Balance

For the year ended June 30, 2015, the following funds had a deficit fund balances:

Transition Grant	\$ 882
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This deficit is expected to be funded by future revenues or transfers from the General Fund.

C. Excess of Expenditures over Appropriations

For the year ended June 30, 2015, expenditures exceeded appropriations for the following:

Legal liability	\$ 34
Credit reserve	50
Bicentennial celebration	29,949
Fire equipment	317
Jackson Beach	53,498
Transfer station	21,012
Municipal building	696
Trucks/tractor	14,927
Sewer	893

CASH AND INVESTMENTS

A. Deposits

Custodial Credit Risk-Town Deposits: Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. As of June 30, 2015, the Town reported deposits of \$991,796 with a bank balance of \$1,525,061. Of the Town's bank balances of \$1,525,061, none was exposed to custodial credit risk. The entire bank balance was covered by the F.D.I.C. or by additional insurance purchased on behalf of the Town by the respective banking institutions.

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

CASH AND INVESTMENTS, CONTINUED

Deposits have been reported as follows:

Reported in governmental funds	\$ 654,174
Reported in fiduciary funds	337,622
Total deposits	\$ 991,796

B. Investments

At June 30, 2015, the Town had the following investments and maturities:

		<u>Fair value</u>	<u>Less than 1 year</u>	<u>1-5 years</u>	<u>More than 5 years</u>
U. S. Government securities	\$	1,810,368	1,507,548	301,508	-
Repurchase agreements		6,436,965	6,436,965	-	-
Money Market		2,579,189	N/A		
Total investments	\$	10,826,522	7,944,513	301,508	-

Investments have been reported as follows:

Reported in governmental funds	\$ 10,826,522
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Credit Risk: Maine statutes authorize the Town to invest in obligations of the U.S. Treasury and U.S. agencies, repurchase agreements and certain corporate stocks and bonds. As of June 30, 2015, all of the Town's investments were rated, at a minimum, AA+ by Standard & Poor's. The Town's policy is to invest in legally authorized investments under 30A MRSA section 5706.

Interest rate risk: The Town's investment policy states that interest rate risk should be mitigated by a) structuring the Town's portfolio so that securities mature to meet the Town's cash needs for ongoing operations, thereby precluding the need to sell securities on the open market prior to their maturity and b) investing in primarily in shorter-term securities.

PROPERTY TAX

Property taxes for the current period were committed on September 11, 2014, on the assessed value listed as of April 1, 2014, for all real and personal property located in the Town. Payment of taxes was due on April 1, 2015. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after this date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$55,098 for the period ended June 30, 2015.

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

PROPERTY TAX, CONTINUED

Tax liens are placed on real property within twelve months following the tax commitment date if taxes are delinquent. The Town has the authority to foreclose on property eighteen months after the filing of the lien if tax liens and associated costs remain unpaid.

Property taxes levied during the year were recorded as receivables at the time the levy was made. The receivables collected during the year and in the first sixty days following the end of the fiscal year have been recorded as revenues. The remaining receivables have been recorded as unavailable revenues.

The following summarizes the period ended June 30, 2015 levy:

	<u>2015</u>
Assessed value	\$ 472,927,465
<u>Tax rate (per \$1,000)</u>	<u>12.00</u>
Commitment	5,675,130
<u>Supplemental taxes assessed</u>	<u>378</u>
	5,675,508
Less:	
<u>Collections and abatements</u>	<u>5,387,495</u>
<u>Receivable at June 30, 2014</u>	<u>\$ 288,013</u>
Due date	April 1, 2015
Interest rate on delinquent taxes	7.0%
Collection rate	94.93%

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

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Balance June 30, <u>2014</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2015</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 128,572	-	-	128,572
Construction in progress	61,599	32,215	48,155	45,659
<u>Total capital assets, not being depreciated</u>	<u>190,171</u>	<u>32,215</u>	<u>48,155</u>	<u>174,231</u>
Capital assets, being depreciated:				
Buildings and building improvements	19,528,215	216,723	-	19,744,938
Equipment, furniture and fixtures	2,236,232	166,521	-	2,402,753
Vehicles	1,843,216	92,000	76,882	1,858,334
<u>Total capital assets being depreciated</u>	<u>23,607,663</u>	<u>475,244</u>	<u>76,882</u>	<u>24,006,025</u>
Less accumulated depreciation for:				
Buildings and building improvements	7,667,341	523,178	-	8,190,519
Equipment, furniture and fixtures	1,443,999	106,665	-	1,550,664
Vehicles	1,152,296	116,863	61,723	1,207,436
<u>Total accumulated depreciation</u>	<u>10,263,636</u>	<u>746,706</u>	<u>61,723</u>	<u>10,948,619</u>
<u>Total capital assets being depreciated, net</u>	<u>13,344,027</u>	<u>(271,462)</u>	<u>(15,159)</u>	<u>13,057,406</u>
<u>Governmental activities capital assets, net</u>	<u>\$ 13,534,198</u>	<u>(239,247)</u>	<u>(63,314)</u>	<u>13,231,637</u>

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

Governmental activities:	
General government	\$ 22,307
Public safety	86,697
Public works	35,917
Education	585,336
Solid waste	10,119
Recreation	6,330
<u>Total depreciation expense – governmental activities</u>	<u>\$ 746,706</u>

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

INTERFUND BALANCES

Individual interfund receivables and payables at June 30, 2015 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$ 363,862</u>	<u>-</u>
<u>Highway Capital Reserve</u>	<u>-</u>	<u>201,697</u>
Nonmajor special revenue funds:		
Adult Education	15,837	-
Title IIA	-	2,232
Title 1A	-	5,886
Local Entitlement	-	97,665
Pre-K Local Entitlement	-	2,413
Rural Low Income	-	22,121
Drug Free Communities	211	-
ARRA MARTI	250	-
Ticket to Ride	1,098	-
School Lunch Fund	-	1,050
Transition Grant	-	882
Comp. Grant	7,550	-
Library Grant	3,277	-
Bangor Wellness Grant	2,702	-
Boat Landing Grant	-	32,215
Route 2 Project	-	3,417
Maine Forest Service Grants	3,278	-
Cemetery Reserve	-	43,119
Veterans Memorial Project	-	425
Medical Reimbursement	-	1,430
<u>Total nonmajor special revenue funds</u>	<u>34,203</u>	<u>212,855</u>
Nonmajor capital project funds:		
Public Works Facilities	-	63,204
Recreation Facilities	2,132	-
Municipal Building	-	850
Sewer Maintenance	-	24,429
<u>Total nonmajor capital project fund</u>	<u>2,132</u>	<u>88,483</u>
<u>Recreation Department</u>	<u>102,838</u>	<u>-</u>
<u>Totals</u>	<u>\$ 503,035</u>	<u>503,035</u>

The purpose of interfund loans is to charge revenues and expenditures to the appropriate fund when that activity is accounted for through the centralized checking account. The balances represent each fund's portion of the centralized checking account.

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

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2015 were as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ -	552,394
Highway Capital Reserve	225,000	-
School Capital Improvements	150,000	-
Nonmajor special revenue funds:		
Adult Education	2,894	-
School Lunch Fund	25,000	-
Cemetery Reserve	8,500	-
Total nonmajor special revenue funds	36,394	-
Nonmajor capital project funds:		
Public Works Facilities	75,000	-
Recreation Facilities	22,500	-
Municipal Building	5,000	-
Sewer Maintenance	28,500	-
Fire Station Reserve	10,000	-
Total nonmajor capital project funds	141,000	-
Totals	\$ 552,394	552,394

These transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2015 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 3,237,543	-	567,313	2,670,230	530,215
Capital leases payable	76,788	-	23,010	53,778	22,933
Net pension liability	484,520	-	189,930	294,590	-
Accrued compensated absences	47,892	17,797	-	65,689	-
Governmental activities					
long-term liabilities	\$ 3,846,743	17,797	780,253	3,084,287	553,148

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

LONG-TERM DEBT

Bonds and Notes Payable

Long-term debt payable at June 30, 2015 is comprised of the following:

	<u>Amount of Original issue</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
<u>General obligation bonds</u>				
1998 Sewer construction	\$ 1,798,000	4.13-4.83%	November 1, 2018	359,600
2005 School construction	3,879,000	3.88%-4.00%	November 1, 2019	2,250,000
2007 School construction	953,604(a)	0%	December 1, 2016	60,630
Total				<u>\$ 2,670,230</u>

(a) The original amount of the bond was for \$953,604, of which \$650,453 has been forgiven by the State.

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

<u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total debt service</u>
2016	\$ 530,215	96,988	627,203
2017	550,215	75,849	626,064
2018	539,900	53,909	593,809
2019	559,900	31,170	591,070
2020	490,000	9,800	499,800
Totals	<u>\$ 2,670,230</u>	<u>267,716</u>	<u>2,937,946</u>

CAPITAL LEASES

The Town has entered into lease agreements as a lessee for the financing of photocopiers and a truck. These obligations have been recorded in the entity-wide financial statements at the present value of future minimum lease payments. The following is a summary of equipment leased under capital lease agreements by the Town as of June 30, 2015:

Photocopiers (Town)	\$ 5,609
Photocopiers (School)	76,040
Truck (School)	22,359

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

CAPITAL LEASES, CONTINUED

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2015:

Year ended	
<u>June 30,</u>	
2016	\$ 24,485
2017	16,120
<u>2018</u>	<u>16,120</u>
Total minimum lease payments	56,725
<u>Less amounts representing interest</u>	<u>(2,947)</u>
Present value of future minimum lease payments	<u>\$ 53,778</u>

STATUTORY DEBT LIMIT

In accordance with 30-A MRSA, Section 5702, as amended, no municipality shall incur debt for specified purposes in excess of certain percentages of state valuation of such municipality. Additionally, no municipality shall incur debt in the aggregate in excess of 15% of its state assessed valuation. At June 30, 2015, the Town's outstanding debt did not exceed these limits.

RISK MANAGEMENT

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

Based on the coverage provided by these pools, as well as coverage provided by commercial insurance purchased, the Town is not aware of any material actual or potential claim liabilities which should be recorded at June 30, 2015.

FUND BALANCES

The General Fund unassigned fund balance total of \$4,865,283 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Unassigned fund balances totaling (\$882) are also reported for one special revenue fund that has a negative fund balance as of June 30, 2015, as shown on Statement 3.

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

FUND BALANCES, CONTINUED

As of June 30, 2015, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General fund:			
Nonspendable – inventory	\$ 8,258	-	-
Nonspendable – prepaid expenditures	26,003	-	-
Restricted for education	-	2,964,820	-
Restricted for Tax Increment Financing	-	365,073	-
Assigned for:			
Reappropriated to the 2016 budget	-	-	300,000
Police equipment	-	-	39,069
Municipal unemployment	-	-	19,848
Legal liability	-	-	48,915
Fire equipment	-	-	315,192
Public land acquisition	-	-	21,966
Planning and ordinance	-	-	63,374
Credit reserve	-	-	71,195
Economic development	-	-	110,316
Fire station repair/maintenance	-	-	2,203
Technology	-	-	20,521
Bicentennial	-	-	4,099
Transfer station	-	-	10,217
Elementary School	-	-	4,032
Rural fire protection	-	-	1,655
Total general fund	34,261	3,329,893	1,032,602
Highway Capital Reserve	-	-	42,237
School Capital Improvements	-	-	1,010,634
Other governmental funds:			
Inventory	6,851	-	-
Grants and other purposes	-	111,045	-
Capital outlay	-	-	1,171,141
Permanent funds – principal	7,785	-	-
Permanent funds – unexpended income	-	276	-
Total other governmental funds	14,636	111,321	1,171,141
Grand totals	\$ 48,897	3,441,214	3,256,614

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM

General Information about the Pension Plan

Plan Description - Employees of the Town are provided with pensions through the Maine Public Employees Retirement System Consolidated Plan for Local Participating Districts (PLD Plan) and teaching-certified employees of the Town are provided with pensions through the Maine Public Employees Retirement System State Employee and Teacher Plan (SET Plan), cost-sharing multiple-employer defined benefit pension plans, administered by the Maine Public Employees Retirement System (MPERS). Benefit terms are established in Maine statute. MPERS issues a publicly available financial report that can be obtained at www.maineopers.org.

Benefits Provided - The PLD and SET Plans provide defined retirement benefits based on members' average final compensation and service credit earned as of retirement. Vesting (i.e. eligibility for benefits upon reaching qualification) occurs upon the earning of five years of service credit. In some cases, vesting occurs on the earning of one year of service credit immediately preceding retirement at or after normal retirement age. For PLD members, normal retirement age is 60 (65 for new members to the PLD Plan on or after July 1, 2014). For SET Plan members, normal retirement age is 60, 62, or 65. The normal retirement age is determined by whether a member had met certain creditable service requirements on specific dates, as established by statute. The monthly benefit of members who retire before normal retirement age by virtue of having at least 25 years of service credit is reduced by a statutorily prescribed factor for each year of age that a member is below her/his normal retirement age at retirement. MPERS also provides disability and death benefits, which are established by contract under applicable statutory provisions (PLD Plan) or by statute (SET Plan).

Contributions - Employee contribution rates are defined by law or Board rule and depend on the terms of the plan under which an employee is covered. Employer contributions are determined by actuarial valuations. The contractually required contribution rates are actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

PLD Plan - Employees are required to contribute 7.0% of their annual pay. The Town's contractually required contribution rate for the year ended June 30, 2015, was 4.1% of annual payroll. Contributions to the pension plan from the Town were \$4,977 for the year ended June 30, 2015.

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, 2015, was 15.68% of annual payroll of which 2.65% of payroll was required from the Town and 13.03% was required from the State. Contributions to the pension plan from the Town were \$153,824 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

The net pension liabilities were measured as of June 30, 2014, and the total pension liabilities used to calculate the net pension liabilities were determined by actuarial valuations as of that date. The Town's proportion of the net pension liabilities were based on projections of the Town's long-term share of contributions to the pension plans relative to the projected contributions of all participating local districts (PLD Plan) and of all participating School Administrative Units and the State (SET Plan), actuarially determined.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

PLD Plan - At June 30, 2015, the Town reported a liability of \$102,291 for its proportionate share of the net pension liability. At June 30, 2014, the Town's proportion of the PLD Plan was 0.0665%.

SET Plan - At June 30, 2015, the Town reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the Town. The amount recognized by the Town as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the Town were as follows:

Town's proportionate share of the net pension liability	\$ 192,299
State's proportionate share of the net pension liability	
<u>associated with the Town</u>	<u>5,330,683</u>
Total	<u>\$ 5,522,982</u>

At June 30, 2014, the Town's proportion of the SET Plan was 0.0178%

For the year ended June 30, 2015, the Town recognized a pension gain of \$15,767 for the PLD Plan and pension expense of \$805,160 and revenue of \$756,349 for support provided by the State for the SET Plan. At June 30, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 8,993	-
Changes of assumptions	8,829	-
Net difference between projected and actual earnings on pension plan investments	-	152,746
Changes in proportion and differences between Town contributions and proportionate share of contributions	67,810	-
Town contributions subsequent to the measurement date	<u>158,801</u>	<u>-</u>
Total	<u>\$ 244,433</u>	<u>152,746</u>

\$158,801 is reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liabilities in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2016	\$ 1,839
2017	1,839
2018	(32,605)
2019	(38,187)

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>PLD Plan</u>	<u>SET Plan</u>
Inflation	3.5%	3.5%
Salary Increases, per year	3.5% to 9.5%	3.5% to 13.5%
Investment return, per annum, compounded annually	7.25%	7.125%
Cost of living benefit increases, per annum	3.12%	2.55%

Mortality rates were based on the RP2000 Combined Mortality Table projected forward to 2015 using Scale AA.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2005 to June 30, 2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US equities	20%	2.5%
Non-US equities	20%	5.5%
Private equity	10%	7.6%
Real estate	10%	3.7%
Infrastructure	10%	4.0%
Hard assets	5%	4.8%
Fixed income	25%	0.0%
<u>Total</u>	<u>100%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.25 for the PLD Plan and 7.125% for the SET Plan. The projection of cash flows used to determine the discount rates assumed that employee contributions will be made at the current contribution rate and that contributions from participating local districts will be made at contractually required rates, actuarially determined. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liabilities.

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

MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM, CONTINUED

Sensitivity of the Town's Proportionate Share of the Net Pension Liabilities to Changes in the Discount Rate -

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% for the PLD Plan and 7.125% for the SET Plan, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25% for PLD Plan and 6.125% for SET Plan) or 1 percentage-point higher (8.25% for PLD Plan and 8.125% for SET Plan) than the current rate:

<u>PLD Plan</u>	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 319,118	\$ 102,291	\$ (78,949)
<u>SET Plan</u>	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
Town's proportionate share of the net pension liability	\$ 368,332	\$ 192,299	\$ 44,999

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS financial report.

Payables to the Pension Plan - None as of June 30, 2015.

DEFERRED COMPENSATION PLAN

The Town of Hermon offers all its employees not participating in Maine Public Employees Retirement System a deferred compensation plan created in accordance with Internal Revenue Code (IRC) Section 457 (The School Department offers its employees a 403(b) plan). The plan permits participating employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Assets of the plan are placed in trust for the exclusive benefit of participants and their beneficiaries. Accordingly, the assets and the liability for the compensation deferred by plan participants, including earnings on plan assets are not included in the Town's financial statements.

The School Department does not contribute to the 403(b) plan and thus there are no employer contribution requirements. The Town is required to contribute 4.7% of an employee's compensation for the year for employees participating in the 457 plan. Employees under either plan are permitted to contribute to the plan, up to applicable Internal Revenue Code limits. For the year ended June 30, 2015, the Town recognized pension expense of \$34,529.

Employees are immediately vested in their own as well as Town contributions and earnings on those contributions. Therefore, there is no forfeiture provision.

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

JOINT VENTURE

The Town is a member of a non-profit corporation, the Municipal Review Committee, Inc. (MRC), whose mission is to ensure the continuing availability of long-term, reliable, safe, and environmentally-sound methods of solid waste disposal. The Town's proportionate interest in the net position of the MRC on December 31, 2014, the date of MRC's most recent audited financial statements, was \$601,905 (1.72%). Complete financial statements may be obtained from the MRC at 40 Harlow Street, Bangor, ME 04401.

As of December 31, 2014, the MRC in turn owned 25.52% of the limited partnership interests in Penobscot Energy Recovery Company (PERC). Allocation of PERC ownership interests among the members of the MRC is based upon their respective shares of cumulative performance credits and other cash flows and reserves. At June 30, 2015, the Town's proportionate interest in PERC was 0.44%.

NEW PRONOUNCEMENTS AND RESTATEMENT OF NET POSITION

For the fiscal year ended June 30, 2015, the Town has elected to implement Statement No. 68 of the Governmental Accounting Standards Board – *Accounting and Financial Reporting for Pensions*, an amendment of GASB Statement No. 27. As a result of implementing GASB Statement No. 68, the Town has restated beginning net position in the government-wide statement of net position to account for the addition of the Town's proportionate share of the net pension liability of \$484,520 and deferred outflows for the Town's contributions subsequent to the measurement date of \$155,860, which effectively decreased the Town's net position as of July 1, 2014 by \$328,660.

SUBSEQUENT EVENT

On October 22, 2015, the Town refinanced the 2005 Middle School construction bond originally issued on May 1, 2006 for \$3,879,000. As of June 30, 2015, the unpaid principal was \$2,250,000. The Town paid the next principal installment subsequent to June 30, 2015, which brought the unpaid principal down to \$1,840,000. The Town refinanced this amount with an average interest rate of 1.367% over four years. This results in a net present value savings of \$107,365. The final maturity date of the refunded bonds is June 30, 2020.

TOWN OF HERMON, MAINE
Required Supplementary Information

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

	<u>2015**</u>
<u>PLD Plan</u>	
Town's proportion of the net pension liability	0.0665%
Town's proportionate share of the net pension liability	\$ 102,291
Town's covered-employee payroll	121,396
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	84.26%
Plan fiduciary net position as a percentage of the total pension liability	94.10%
<u>SET Plan</u>	
Town's proportion of the net pension liability	0.0178%
Town's proportionate share of the net pension liability	192,299
State's proportionate share of the net pension liability associated with the Town	5,330,683
<u>Total</u>	<u>\$ 5,522,982</u>
Town's covered-employee payroll	\$ 5,804,673
Town's proportion share of the net pension liability as a percentage of its covered-employee payroll	3.31%
Plan fiduciary net position as a percentage of the total pension liability	83.91%

* Only one year of information available.

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

TOWN OF HERMON, MAINE
Required Supplementary Information, Continued

Schedule of Town Contributions
Maine Public Employees Retirement System Consolidated Plan (PLD) and State Employee and Teacher Plan (SET)
Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
<u>PLD Plan</u>		
Contractually required contribution	\$ 4,977	4,047
Contributions in relation to the contractually required contribution	(4,977)	(4,047)
<u>Contribution deficiency (excess)</u>	<u>-</u>	<u>-</u>
Town's covered-employee payroll	121,396	119,016
Contributions as a percentage of covered-Employee payroll	4.10%	3.40%
<u>SET Plan</u>		
Contractually required contribution	\$ 153,824	151,813
Contributions in relation to the contractually required contribution	(153,824)	(151,813)
<u>Contribution deficiency (excess)</u>	<u>-</u>	<u>-</u>
Town's covered-employee payroll	\$ 5,804,673	5,728,803
Contributions as a percentage of covered-Employee payroll	2.65%	2.65%

* Only two years of information available.

TOWN OF HERMON, MAINE
Notes to Required Supplementary Information

Changes of Benefit Terms - None

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

GENERAL FUND

The General Fund is the general operating fund of the Town. All general tax revenues and other receipts that are not allocated by law or contractual agreement to another fund are accounted for in this fund. The fund pays general operating expenditures, fixed charges, and capital improvement costs which are not paid through other funds.

TOWN OF HERMON, MAINE
Balance Sheet - General Fund
June 30, 2015

	2015
ASSETS	
Cash and cash equivalents	\$ 621,740
Investments	8,222,737
Receivables:	
Taxes receivable - current year	288,013
Taxes receivable - prior years	29,447
Tax liens - prior years	79,860
Tax acquired property	10,483
Accounts receivable	1,026,631
Inventory	8,258
Prepaid expenditures	26,003
Interfund loans receivables	363,862
Total assets	\$ 10,677,034
LIABILITIES	
Accounts payable	161,599
Accrued payroll and benefits	947,633
Prepaid taxes	13,506
Other liabilities	42,413
Total liabilities	1,165,151
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	249,844
Total deferred inflows of resources	249,844
FUND BALANCE	
Nonspendable - inventory	8,258
Nonspendable - prepaid expenditures	26,003
Restricted for education	2,964,820
Restricted for TIF	365,073
Assigned - Town	1,032,602
Unassigned - Town	4,865,283
Total fund balance	9,262,039
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,677,034

TOWN OF HERMON, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis
For the year ended June 30, 2015

	2015		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 5,230,938	5,353,077	122,139
Tax Increment Financing revenue	790,479	296,811	(493,668)
Excise taxes	2,130,750	2,859,156	728,406
Interest on taxes	30,000	31,936	1,936
Total taxes	8,182,167	8,540,980	358,813
Intergovernmental:			
State education subsidy	5,070,660	5,035,590	(35,070)
State agency client	30,000	28,330	(1,670)
Homestead reimbursement	94,073	97,413	3,340
BETE reimbursement	183,002	146,984	(36,018)
Medicaid reimbursements	2,000	40,099	38,099
State revenue sharing	147,805	155,511	7,706
General assistance	7,500	1,274	(6,226)
Snowmobile reimbursement	2,500	2,628	128
Payment in lieu of taxes	11,000	11,000	-
URIP funds	60,000	63,404	3,404
MePERS reimbursement	-	905,853	905,853
Jackson Beach reimbursement	-	49,482	49,482
Total intergovernmental	5,608,540	6,537,568	929,028
Licenses and permits:			
Vehicle registration fees	28,000	30,522	2,522
Animal control fees	1,800	2,159	359
Planning/zoning fees	2,000	550	(1,450)
Plumbing fees	11,000	11,328	328
Building permits	9,000	8,314	(686)
Total licenses and permits	51,800	52,873	1,073

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

	2015		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
School tuition and fees	\$ 1,440,000	1,742,719	302,719
Solid waste and recycling	225,062	210,092	(14,970)
Public safety	7,000	4,395	(2,605)
Public works revenues	-	2,834	2,834
Recreation and social services	-	7	7
Wireless fees	9,000	10,832	1,832
Cable franchise	21,000	19,077	(1,923)
Cemetery maintenance	1,000	2,915	1,915
Sewer fees	500	-	(500)
Total charges for services	1,703,562	1,992,871	289,309
Interest earned	14,000	17,852	3,852
Total interest earned	14,000	17,852	3,852
Other revenues:			
School Department	427,915	517,432	89,517
Sale of capital assets	-	169,400	169,400
Miscellaneous	17,600	33,208	15,608
Total other revenues	445,515	720,040	274,525
Total revenues	16,005,584	17,862,184	1,856,600

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

	2015		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Administration	\$ 226,171	192,064	34,107
Town manager	101,178	99,563	1,615
Town clerk	43,322	42,881	441
Finance	80,530	80,209	321
Assessor	59,150	58,167	983
Code enforcement	53,780	53,541	239
Assistant clerks	99,513	98,287	1,226
Municipal building	19,742	20,438	(696)
Town office	9,770	9,357	413
Town council	15,885	13,821	2,064
Town boards	9,830	2,877	6,953
Other expenses	22,354	21,490	864
Total general government	741,225	692,695	48,530
Public safety:			
Police department	378,961	350,496	28,465
Fire department	292,361	276,095	16,266
Utilities	86,800	85,781	1,019
Total public safety	758,122	712,372	45,750
Public works:			
General	183,377	178,981	4,396
Roads	641,806	627,664	14,142
Town garage	4,160	2,353	1,807
Trucks/tractor	31,584	46,511	(14,927)
Salt shed/storage	2,450	1,265	1,185
Cemetery	33,036	26,647	6,389
Total public works	896,413	883,421	12,992

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

	2015		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Solid waste:			
Landfill	\$ 25,822	21,366	4,456
Household waste	469,797	445,389	24,408
Sewer	43,451	44,344	(893)
Total solid waste	539,070	511,099	27,971
Recreation and social services:			
Recreation	118,958	104,352	14,606
Social services	17,450	17,450	-
Library	8,500	7,652	848
Jackson Beach	4,466	623	3,843
Total recreation and social services	149,374	130,077	19,297
Unclassified:			
Economic development	76,811	32,678	44,133
County tax	563,037	563,037	-
General assistance	15,000	3,589	11,411
Tax increment financing	573,668	147,270	426,398
Wireless	100,000	100,000	-
Municipal unemployment	8,000	1,838	6,162
Legal liability	-	34	(34)
Planning and maintenance	3,000	2,418	582
Credit reserve	-	50	(50)
Bicentennial Celebration	7,000	36,949	(29,949)
Rural Fire Protection	1,800	146	1,654
School Tax Stabilization Reserve	50,000	-	50,000
Overlay/abatements	55,098	29,942	25,156
Total unclassified	1,453,414	917,951	535,463

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

	2015		Variance positive (negative)
	Budget	Actual	
Expenditures, continued:			
Education:			
Regular instruction	\$ 5,140,551	4,960,516	180,035
Special education instruction	1,583,993	1,419,223	164,770
Career and technical education	166,500	166,346	154
Other instruction	381,430	316,842	64,588
Student and staff support	1,198,311	1,126,953	71,358
System administration	354,628	324,706	29,922
School administration	665,723	665,542	181
Transportation	539,126	400,724	138,402
Facilities maintenance	1,397,231	1,367,361	29,870
Debt service	518,115	518,115	-
Total education	11,945,608	11,266,328	679,280
Capital expenditures:			
Police equipment	20,500	3,630	16,870
Fire equipment	57,000	57,317	(317)
Land acquisition	2,500	14	2,486
Technology	2,500	1,541	959
Jackson Beach	2,500	55,998	(53,498)
Economic development	45,000	4,657	40,343
Elementary school	7,500	3,472	4,028
Transfer station	50,000	71,012	(21,012)
Total capital expenditures	187,500	197,641	(10,141)
Debt service - Town only:			
Principal	146,997	146,997	-
Interest	20,050	19,811	239
Total debt service - Town	167,047	166,808	239
Total expenditures	16,837,773	15,478,392	1,359,381
Excess (deficiency) of revenues over (under) expenditures	(832,189)	2,383,792	3,215,981

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

	2015		Variance positive (negative)
	Budget	Actual	
Other financing sources (uses):			
Utilization of prior year surplus - School	\$ 989,583	-	(989,583)
Utilization of prior year surplus - Town	455,000	-	(455,000)
Transfers out:			
Transfer to capital project funds	(576,000)	(516,000)	60,000
Transfer to special revenue funds	(36,394)	(36,394)	-
Total other financing sources (uses)	832,189	(552,394)	(1,384,583)
Net change in fund balances, budgetary basis	-	1,831,398	1,831,398
Fund balance, beginning of year (budgetary basis)		8,265,226	
Fund balance, end of year (budgetary basis)		10,096,624	
Reconciliation to GAAP:			
Less accrued summer salaries		(834,585)	
Fund balance, end of year (GAAP basis)		\$ 9,262,039	

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2015

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 24,373	-	8,061	32,434
Investments	91,725	1,257,492	-	1,349,217
Accounts receivable	176,039	-	-	176,039
Inventory	6,851	-	-	6,851
Interfund loans receivable	34,203	2,132	-	36,335
Total assets	\$ 333,191	1,259,624	8,061	1,600,876
LIABILITIES				
Accounts payable	211	-	-	211
Accrued payroll and benefits	3,111	-	-	3,111
Interfund loans payable	212,855	88,483	-	301,338
Total liabilities	216,177	88,483	-	304,660
FUND BALANCES				
Nonspendable:				
Inventory	6,851	-	-	6,851
Nonexpendable principal	-	-	7,785	7,785
Restricted	111,045	-	276	111,321
Assigned	-	1,171,141	-	1,171,141
Unassigned	(882)	-	-	(882)
Total fund balances	117,014	1,171,141	8,061	1,296,216
Total liabilities and fund balances	\$ 333,191	1,259,624	8,061	1,600,876

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2015

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 630,361	-	-	630,361
Investment income	338	4,188	133	4,659
Other	198,503	2,138	-	200,641
Total revenues	829,202	6,326	133	835,661
Expenditures:				
Current:				
Grants and other special uses	794,190	-	79	794,269
Bank charges	-	827	-	827
Capital outlay	74,643	83,983	-	158,626
Total expenditures	868,833	84,810	79	953,722
Excess (deficiency) of revenues over (under) expenditures	(39,631)	(78,484)	54	(118,061)
Other financing sources:				
Transfer from other funds	36,394	141,000	-	177,394
Total other financing sources	36,394	141,000	-	177,394
Net change in fund balances	(3,237)	62,516	54	59,333
Fund balances, beginning of year	120,251	1,108,625	8,007	1,236,883
Fund balances, end of year	\$ 117,014	1,171,141	8,061	1,296,216

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to be expended for particular purposes.

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Adult Education	Best Buy Media Center	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Rural Low Income	Drug Free Communities	ARRA MARTI
ASSETS									
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	2,232	5,886	97,665	2,413	22,121	-	-
Inventory	-	-	-	-	-	-	-	-	-
Interfund loans receivable	15,837	-	-	-	-	-	-	211	250
Total assets	\$ 15,837	-	2,232	5,886	97,665	2,413	22,121	211	250
LIABILITIES									
Accounts payable	-	-	-	-	-	-	-	211	-
Accrued payroll and benefits	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	-	2,232	5,886	97,665	2,413	22,121	-	-
Total liabilities	-	-	2,232	5,886	97,665	2,413	22,121	211	-
FUND BALANCES (DEFICITS)									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Restricted	15,837	-	-	-	-	-	-	-	250
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	15,837	-	-	-	-	-	-	-	250
Total liabilities and fund balances	\$ 15,837	-	2,232	5,886	97,665	2,413	22,121	211	250

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Ticket to Ride Grant	School Lunch Fund	Transition Grant	Comp. Grant	Library Grant	Bangor Wellness Grant	Boat Landing Grant	Homeland Security Grant	Route 2 Project
ASSETS									
Cash and cash equivalents	\$ -	4,181	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	10,090	-	-	-	-	32,215	-	3,417
Inventory	-	6,851	-	-	-	-	-	-	-
Interfund loans receivable	1,098	-	-	7,550	3,277	2,702	-	-	-
Total assets	\$ 1,098	21,122	-	7,550	3,277	2,702	32,215	-	3,417
LIABILITIES									
Accounts payable	-	-	-	-	-	-	-	-	-
Accrued payroll and benefits	-	3,111	-	-	-	-	-	-	-
Interfund loans payable	-	1,050	882	-	-	-	32,215	-	3,417
Total liabilities	-	4,161	882	-	-	-	32,215	-	3,417
FUND BALANCES (DEFICITS)									
Nonspendable:									
Inventory	-	6,851	-	-	-	-	-	-	-
Restricted	1,098	10,110	-	7,550	3,277	2,702	-	-	-
Unassigned	-	-	(882)	-	-	-	-	-	-
Total fund balances (deficits)	1,098	16,961	(882)	7,550	3,277	2,702	-	-	-
Total liabilities and fund balances	\$ 1,098	21,122	-	7,550	3,277	2,702	32,215	-	3,417

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2015

	Maine Forest						
	Service	Cemetery	Veterans	Medical	Athletic		
	Grants	Reserve	Memorial Park	Reimbursement	Complex	Totals	
ASSETS							
Cash and cash equivalents	\$ -	-	4,229	5,550	10,413	24,373	
Investments	-	91,725	-	-	-	91,725	
Accounts receivable	-	-	-	-	-	176,039	
Inventory	-	-	-	-	-	6,851	
Interfund loans receivable	3,278	-	-	-	-	34,203	
Total assets	\$ 3,278	91,725	4,229	5,550	10,413	333,191	
LIABILITIES							
Accounts payable	-	-	-	-	-	211	
Accrued payroll and benefits	-	-	-	-	-	3,111	
Interfund loans payable	-	43,119	425	1,430	-	212,855	
Total liabilities	-	43,119	425	1,430	-	216,177	
FUND BALANCES (DEFICITS)							
Nonspendable:							
Inventory	-	-	-	-	-	6,851	
Restricted	3,278	48,606	3,804	4,120	10,413	111,045	
Unassigned	-	-	-	-	-	(882)	
Total fund balances (deficits)	3,278	48,606	3,804	4,120	10,413	117,014	
Total liabilities and fund balances	\$ 3,278	91,725	4,229	5,550	10,413	333,191	

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2015

	Adult Education	Best Buy Media Center	Title IIA	Title 1A	Local Entitlement	Pre-K Local Entitlement	Rural Low Income	Drug Free Communities	ARRA MARTI
Revenues:									
Intergovernmental	\$ -	-	30,524	119,672	242,751	3,605	22,121	1,809	-
Other	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Total revenues	-	-	30,524	119,672	242,751	3,605	22,121	1,809	-
Expenditures:									
Current:									
Grants and other special uses	2,894	7,000	30,524	119,672	242,751	2,413	22,121	1,809	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	2,894	7,000	30,524	119,672	242,751	2,413	22,121	1,809	-
Excess (deficiency) of revenues over (under) expenditures	(2,894)	(7,000)	-	-	-	1,192	-	-	-
Other financing sources:									
Transfer from other funds	2,894	-	-	-	-	-	-	-	-
Total other financing sources	2,894	-	-	-	-	-	-	-	-
Net change in fund balances	-	(7,000)	-	-	-	1,192	-	-	-
Fund balances (deficits), beginning of year	15,837	7,000	-	-	-	(1,192)	-	-	250
Fund balances (deficits), end of year	\$ 15,837	-	-	-	-	-	-	-	250

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2015

	Ticket to Ride Grant	School Lunch Fund	Transition Grant	Comp. Grant	Library Grant	Bangor Wellness Grant	Boat Landing Grant	Homeland Security Grant	Route 2 Project
Revenues:									
Intergovernmental	\$ 300	152,957	8,618	-	-	-	32,215	12,372	3,417
Other	-	184,442	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Total revenues	300	337,399	8,618	-	-	-	32,215	12,372	3,417
Expenditures:									
Current:									
Grants and other special uses	-	347,455	9,500	-	410	298	-	-	-
Capital outlay	-	-	-	-	-	-	32,215	12,372	3,417
Total expenditures	-	347,455	9,500	-	410	298	32,215	12,372	3,417
Excess (deficiency) of revenues over (under) expenditures	300	(10,056)	(882)	-	(410)	(298)	-	-	-
Other financing sources:									
Transfer from other funds	-	25,000	-	-	-	-	-	-	-
Total other financing sources	-	25,000	-	-	-	-	-	-	-
Net change in fund balances	300	14,944	(882)	-	(410)	(298)	-	-	-
Fund balances (deficits), beginning of year	798	2,017	-	7,550	3,687	3,000	-	-	-
Fund balances (deficits), end of year	\$ 1,098	16,961	(882)	7,550	3,277	2,702	-	-	-

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2015

	Maine Forest						
	Service	Cemetery	Veterans	Medical	Athletic		
	Grants	Reserve	Memorial Park	Reimbursement	Complex		Totals
Revenues:							
Intergovernmental	\$ -	-	-	-	-		630,361
Other	-	4,850	500	8,711	-		198,503
Investment income	-	300	7	12	19		338
Total revenues	-	5,150	507	8,723	19		829,202
Expenditures:							
Current:							
Grants and other special uses	-	-	-	7,343	-		794,190
Capital outlay	-	9,745	674	-	16,220		74,643
Total expenditures	-	9,745	674	7,343	16,220		868,833
Excess (deficiency) of revenues over (under) expenditures	-	(4,595)	(167)	1,380	(16,201)		(39,631)
Other financing sources:							
Transfer from other funds	-	8,500	-	-	-		36,394
Total other financing sources	-	8,500	-	-	-		36,394
Net change in fund balances	-	3,905	(167)	1,380	(16,201)		(3,237)
Fund balances (deficits), beginning of year	3,278	44,701	3,971	2,740	26,614		120,251
Fund balances (deficits), end of year	\$ 3,278	48,606	3,804	4,120	10,413		117,014

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital projects funds are used to account for the purchase or construction of capital assets other than those accounted for in other funds.

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2015

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Totals
ASSETS						
Investments	\$ 223,824	363,790	26,514	578,896	64,468	1,257,492
Interfund loans receivable	-	2,132	-	-	-	2,132
Total assets	\$ 223,824	365,922	26,514	578,896	64,468	1,259,624
LIABILITIES						
Interfund loans payable	63,204	-	850	24,429	-	88,483
Total liabilities	63,204	-	850	24,429	-	88,483
FUND BALANCES						
Assigned	160,620	365,922	25,664	554,467	64,468	1,171,141
Total fund balances	160,620	365,922	25,664	554,467	64,468	1,171,141
Total liabilities and fund balances	\$ 223,824	365,922	26,514	578,896	64,468	1,259,624

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the year ended June 30, 2015

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Totals
Revenues:						
Other	\$ -	2,138	-	-	-	2,138
Investment income	678	1,243	92	1,971	204	4,188
Total revenues	678	3,381	92	1,971	204	6,326
Expenditures:						
Current:						
Bank charges	131	250	18	388	40	827
Capital outlay	63,204	-	850	19,929	-	83,983
Total expenditures	63,335	250	868	20,317	40	84,810
Excess (deficiency) of revenues over (under) expenditures	(62,657)	3,131	(776)	(18,346)	164	(78,484)
Other financing sources:						
Transfer from other funds	75,000	22,500	5,000	28,500	10,000	141,000
Total other financing sources	75,000	22,500	5,000	28,500	10,000	141,000
Net change in fund balances	12,343	25,631	4,224	10,154	10,164	62,516
Fund balances, beginning of year	148,277	340,291	21,440	544,313	54,304	1,108,625
Fund balances, end of year	\$ 160,620	365,922	25,664	554,467	64,468	1,171,141

NONMAJOR GOVERNMENTAL FUNDS

PERMANENT FUNDS

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Permanent Funds
June 30, 2015

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 6,981	1,080	8,061
Total assets	\$ 6,981	1,080	8,061
LIABILITIES			
Interfund loans payable	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Nonspendable:			
Nonexpendable principal	6,785	1,000	7,785
Restricted	196	80	276
Total fund balances	6,981	1,080	8,061
Total liabilities and fund balances	\$ 6,981	1,080	8,061

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2015

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 131	2	133
Total revenues	131	2	133
Expenditures:			
Current:			
Other	79	-	79
Total expenditures	79	-	79
Net change in fund balances	52	2	54
Fund balances, beginning of year	6,929	1,078	8,007
Fund balances, end of year	\$ 6,981	1,080	8,061

SCHEDULE

TOWN OF HERMON, MAINE
School Department - General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - Budgetary Basis
For the year ended June 30, 2015

	2015		Variance positive (negative)
	Budget	Actual	
Revenues:			
State education subsidy	\$ 5,070,660	5,035,590	(35,070)
State agency client	30,000	28,330	(1,670)
Tuition and fees	1,440,000	1,742,719	302,719
Medicaid reimbursements	2,000	40,099	38,099
Investment earnings	-	4,040	4,040
Other revenues	427,915	517,432	89,517
Total revenues	6,970,575	7,368,210	397,635
Expenditures:			
Regular instruction	5,140,551	4,960,516	180,035
Special education instruction	1,583,993	1,419,223	164,770
Career and technical education	166,500	166,346	154
Other instruction	381,430	316,842	64,588
Student and staff support	1,198,311	1,126,953	71,358
System administration	354,628	324,706	29,922
School administration	665,723	665,542	181
Transportation	539,126	400,724	138,402
Facilities maintenance	1,397,231	1,367,361	29,870
Debt service	518,115	518,115	-
Total expenditures	11,945,608	11,266,328	679,280
Other financing sources (uses):			
Town appropriation	4,163,344	4,163,344	-
Utilization of prior year surplus	989,583	-	(989,583)
Transfer to school lunch program	(25,000)	(25,000)	-
Transfer to adult education	(2,894)	(2,894)	-
Transfer to school capital improvement project	(150,000)	(150,000)	-
Total other financing sources	4,975,033	3,985,450	(989,583)
Net change in fund balance	-	87,332	87,332
Fund balance, beginning of year (budgetary basis)		3,712,073	
Fund balance, end of year (budgetary basis)		3,799,405	
Reconciliation to GAAP:			
Less accrued summer salaries		(834,585)	
Fund balance, end of year (GAAP basis)	\$	2,964,820	