

TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2013

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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, 2013, 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, 2013, 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, 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's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

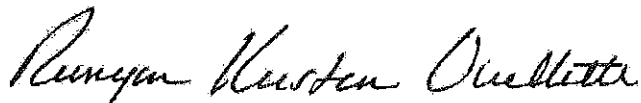
Town Council

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013 on our consideration of the Town of Hermon, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hermon, Maine's internal control over financial reporting and compliance.

A handwritten signature in cursive script, reading "Ryan Kasten Ouellette".

December 3, 2013
South Portland, Maine



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 3, 2013

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2013. 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 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, both commercial & residential, in Hermon 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 the growth over the last 5 years of the shopping center compliment the community very well, which includes a hometown grocery store, pizza shop, sandwich shop, dentist, insurance agents, and a hardware store. These businesses are very important to the community, but the bulk of services continue to be available by traveling to Bangor.

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, excluding business-type activities, of the Town of Hermon were \$18,757,664, an increase of \$1,450,294 when compared to the beginning net position figure for year ending June 30, 2012 of \$17,307,370. Overall, even the small increase of 8.4% is excellent because the Town-wide assets were up by \$309,218, only 1.3% from the prior year. However, Town-wide liabilities were down by \$1,141,076, which allowed for the increase in net position.
- The Town's unamortized bond debt decreased by \$1,098,508 for a total outstanding debt of \$4,332,448. No new bond debt was issued in this fiscal year. The Billings Road bond debt will be 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, 2013, the outstanding balance of the Sewer Bond was \$539,400. The remaining \$3,511,260 of outstanding Bond debt as of June 30, 2013 belongs to the School Department.
- 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 non-spendable, restricted, committed, assigned, and unassigned. As of June 30, 2013, as reported in the Town's balance sheet for the General Fund (Exhibit A-1), the Town has assigned for future use \$975,660 in funds, restricted TIF funds of \$535,538, and unassigned fund balance of \$2,667,354 for a total fund balance of \$4,178,552 (excluding amounts restricted for education). This is an increase of \$555,208 from the previous year.

The School Department wanted to highlight the following information for the fiscal year:

- The Hermon School Department Fund Balance before teacher summer salaries was \$3,446,913 for the year ended June 30, 2013. Teacher summer salaries were \$795,583. The remaining School Fund Balance has been restricted/assigned for the following: School Tax Rate Stabilization Fund for Middle School debt service \$565,598; School Unemployment Fund \$37,746; used as Revenues in the 2013-2014 Budget \$736,325 for a total of \$1,339,669 that results in \$2,107,244 unassigned School Fund Balance excluding teacher summer salaries.
- On September 12, 2013, the Town taxpayers voted to transfer \$200,000 of the unassigned School Fund Balance to a School Fuel Reserve. After this transfer and teacher summer salaries, the unassigned School Fund Balance is \$1,111,661.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is an introduction to the Town's basic financial statements. The basic financial statements are prepared and are part of the Town's annual audit. The MD&A serves as a subjective explanation by the Town of the data contained in the audit. The three areas that the financial statements are broken into include: 1. Government-wide statements, 2. Fund Financial statements, and 3. Notes to the financial statements. Subjective analyses of the statements are also made and other supplementary information supplied to better explain the statements.

Government-wide Financial Statements

The government-wide statements are a total overview of the Town's financial status. They include all assets, liabilities, and activities in a manner similar to private sector accounting. The purpose is to show Town finance's 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 financials. This shows the total assets which include land, buildings, inventory, and other capital assets. These are then reduced by the liabilities which include total bonds and leases due over their entire lives as well as accrued compensated absences. 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 use 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 enterprise.

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, 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 and depreciation 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 Projects Fund

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.

Other Governmental Funds

Other Governmental Funds are comprised of non-major special revenue, capital projects, and permanent funds. These funds were each individually determined to be non-major and are required to be categorized and grouped into other governmental funds. A separate schedule is provided in the other supplemental information.

Notes to Financial Statements

The notes to the financial statements are included in the audit to give specific comment to certain areas. These are a crucial part of the audit and are closely monitored by Town administration. The reason they are monitored is that they provide additional insight into activities of the Town. These can show areas of strength and weakness for continued success and improvement. The notes to the financial statements are included on pages 26-40.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes.

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 exceeded liabilities by \$18,757,664 as of June 30, 2013. This figure is comprised of net capital assets, restricted fund balance for education, special revenues, and permanent funds, and unrestricted fund balance.

Net Position for the Period Ending June 30, 2013

The current year's financial statements show a change in asset classes, with a decrease of liabilities that net an 8.4% increase to total net position. The overall reasons for the percentage increase in net position are having more cash/investments on hand, payment of significant bond debt, and an increase in total fund balance due to higher than anticipated revenues while keeping most expenses below budgeted figures.

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

	<u>Governmental Activities</u>			
	2013	2012	Change	% Change
ASSETS				
Cash & cash equivalents	\$ 1,479,735	1,277,518	202,217	15.8%
Investments	7,908,569	7,228,679	679,890	9.4%
Other assets	949,641	1,030,491	(80,850)	-7.8%
Capital assets, net	13,970,423	14,462,462	(492,039)	-3.4%
Total Assets	24,308,368	23,999,150	309,218	1.3%
LIABILITIES				
Long-term debt due within one year	1,147,325	1,149,166	(1,841)	-0.2%
Long-term debt due in more than one year	3,239,316	4,386,642	(1,147,326)	-26.2%
Other liabilities	1,164,063	1,155,972	8,091	0.7%
Total Liabilities	5,550,704	6,691,780	(1,141,076)	-17.1%
NET POSITION				
Net investment in capital assets	9,583,782	9,040,142	543,640	6.0%
Restricted for:				
Expendable Permanent Funds	7,785	7,785	-	--
Nonexpendable trust principal	142	102	40	39.2%
General Fund	3,186,868	2,459,575	727,293	29.6%
Special Revenue Fund	73,270	57,207	16,063	28.1%
Unrestricted	5,905,817	5,742,559	163,258	2.8%
Total Net Position	\$ 18,757,664	17,307,370	1,450,294	8.4%

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2013.

<u>Governmental Activities</u>				
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Program Revenues				
Charges for services	\$ 2,065,483	\$ 2,352,171	(286,688)	-12.2%
Operating grants & contributions	7,457,273	7,262,108	195,165	2.7%
Capital grants & contributions	61,379	26,757	34,622	129.4%
General revenues				
Property taxes	5,139,021	5,111,814	27,207	0.5%
Tax Increment Financing Revenue	162,911	-	162,911	-
Excise taxes	2,370,745	2,195,670	175,075	8.0%
Interest and costs on taxes	30,875	47,733	(16,858)	-35.3%
Grants and contributions not restricted				
State Revenue Sharing	253,502	228,899	24,603	10.7%
Homestead exemption	100,717	92,907	7,810	8.4%
Other Intergovernmental revenues	188,706	210,564	(21,858)	-10.4%
Unrestricted Investment earnings	28,340	33,205	(4,865)	-14.7%
Loss on disposal of assets	(4,143)	-	(4,143)	-
Miscellaneous	72,064	88,921	(16,857)	-19.0%
Total revenues:	17,926,873	17,650,749	276,124	1.6%
Expenses				
General government	681,580	735,582	(54,002)	-7.3%
Public safety	712,958	742,534	(29,576)	-4.0%
Public works	815,841	1,770,511	(954,670)	-53.9%
Solid waste	484,742	476,553	8,189	1.7%
Recreational and social services	135,653	148,996	(13,343)	-9.0%
Education	11,844,385	11,502,510	341,875	3.0%
Unclassified	896,761	967,448	(70,687)	-7.3%
Grants and other special uses	841,015	929,338	(88,323)	-9.5%
Interest on debt	33,076	42,714	(9,638)	-22.6%
Capital maintenance expenses	30,568	146,944	(116,376)	-79.2%
Total expenses:	16,476,579	17,463,130	(986,551)	-5.6%
Change in net position:	\$ 1,450,294	\$ 187,619	\$ 1,262,675	673.0%

Comparatives of revenues identify a couple key changes. First, overall revenues have increased by \$276,124 from the previous year. Second, excise taxes had a considerable increase in revenue, while we have continued to see a decrease in investment earnings due to market conditions and interest rates. There was a \$175,075 increase alone for excise taxes from 2012 to 2013. We have seen an upward trend over the last few years of excise tax revenue as the economy starts to stabilize. Property tax revenue is variable due to mil-rates, other revenues, values of homes, new construction, School Department needs of local contribution from property taxes, and the commercial district growth. 75% of property taxes raised in Hermon go to the School Department. Details of revenues can be found in Exhibit A-2.

Expenses have decreased by \$986,551 from 2012 to 2013. The Public Works department was the largest decrease from the prior year. This is mainly due to the major overhaul of the Wing/Annis Road in the Public Works department that took place in the prior fiscal year. All classes listed above show a decrease in expenses, except Solid Waste and Education. Education expenses were \$341,875 more in 2013 than 2012, a 3% increase from the prior year's actual expenses.

Internally, the goal is to recognize efficiencies that mitigate the loss without increasing property taxes.

Financial Analysis of the Town's Funds

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

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, total governmental funds reported a combined (Town and School) fund balance of \$8,943,840, \$914,960 higher than the previous year. As analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds is as follows:

Revenues exceeded expenditures for the general fund alone by \$969,710 in the current fiscal year. Two of the largest components of the increase in fund balance are that Excise tax and property tax collected \$561,576 more than anticipated. The School Department also collected an additional \$151,407 more than anticipated in Other Revenues. Overall actual expenditures for the School Department were \$1,273,972 less than budgeted figures and the Town was \$325,027 less than budgeted figures for a total of \$1,598,999.

In the 2011-2012 fiscal year the overall fund balance for the Town and School had decreased by \$550,097, so a net increase over the two years of 364,863.

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2012. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Property taxes	\$ 5,148,721	\$ 5,229,614	\$ (80,893)	-1.5%
Tax Increment Financing Revenue	162,911	-	162,911	-
Excise taxes	2,370,745	2,195,670	175,075	8.0%
Interest on taxes	30,875	47,733	(16,858)	-35.3%
State Revenue Sharing	253,502	228,899	24,603	10.7%
Homestead exemption	100,717	92,907	7,810	8.4%
State education subsidy	5,384,925	4,223,757	1,161,168	27.5%
Other intergovernmental revenues	319,983	980,486	(660,503)	-67.4%
Licenses and permits	46,475	57,956	(11,481)	-19.8%
Charges for services	1,787,211	2,063,080	(275,869)	-13.4%
Interest earned	11,645	18,913	(7,268)	-38.4%
Miscellaneous	586,637	867,407	(280,770)	-32.4%
Total revenues:	16,204,347	16,006,422	197,925	1.2%
Expenditures				
Current:				
General government	651,234	706,295	(55,061)	-7.8%
Public safety	629,708	665,509	(35,801)	-5.4%
Public works	807,783	1,767,483	(959,700)	-54.3%
Solid waste	484,742	476,553	8,189	1.7%
Recreational and social services	135,653	148,996	(13,343)	-9.0%
Unclassified	887,873	965,938	(78,065)	-8.1%
Education	11,204,404	11,052,873	151,531	1.4%
Capital expenditures	8,832	17,261	(8,429)	-48.8%
Debt service	348,286	352,176	(3,890)	-1.1%
Total expenditures:	15,158,515	16,153,084	(994,569)	-6.2%
Excess (deficiency) of revenues over				
(under) expenditures	\$ 1,045,832	\$ (146,662)	\$ 1,192,494	-813.1%

Overall, in 2013, revenues exceeded expenditures by \$1,045,832 in the General Fund. We have seen that excise tax revenue has started to increase over the past few years. 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. State education subsidy had the largest increase in revenues from the prior year by \$1,161,168. The large decrease in expenses from the prior year was Public Works department. To reiterate the prior explanation, Public Works expenses were much lower in 2013 due to the Wing/Annis project that was completed in 2012.

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

Capital Asset and Debt Administration

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental Activities				
Land	\$ 113,488	15,084	-	128,572
Construction in Progress	-	13,444	-	13,444
Total assets not being depreciated	113,488	28,528	-	142,016
 Buildings and improvements	 19,344,026	 15,999	 -	 19,360,025
Equipment, furniture, and fixtures	2,196,884	12,348	(7,145)	2,202,087
Vehicles	1,967,838	76,248	(82,821)	1,961,265
Total assets being depreciated	23,508,748	104,595	(89,966)	23,523,377
 Total depreciation	 (9,046,284)	 (734,509)	 85,823	 (9,694,970)
 Total capital assets, net	 \$ 14,575,952	 (601,386)	 (4,143)	 13,970,423

Additional information on the Town's capital assets can be found in the notes to the financial statements on page 34.

Debt Administration

The Town's debt consists of five bonds and several capital leases. A summary of the Town's debt activity for the year ended June 30, 2013 is as follows:

	Long-term Debt				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities					
Bonds payable	\$ 5,430,956	-	(1,098,508)	4,332,448	1,095,155
Capital leases payable	104,852	-	(50,659)	54,193	52,170
Accrued compensated absences	55,700	5,624	-	61,324	-
Governmental activities long-term liabilities	\$ 5,591,508	5,624	(1,149,167)	4,447,965	1,147,325

Additional information on the Town's long-term debt can be found in the notes to the basic financial statements on page 37.

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 stay on to balance the budget and it comes from two sources - real estate and personal property taxes. For fiscal year ending June 30, 2013, total commitment was \$5,291,527 as compared to June 30, 2012; which was \$5,111,528. The mil rate for 2013 is 11.7. In the declining economy, many people feel that house values are dropping. However, local assessing information and sales analyses indicate fewer sales, but no decline in price. It may be that Hermon is not lowering prices as fast or that our real estate is more stable than the state as a whole, but for budget purposes the assessment of homes in Hermon remains stable.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2013-14 budget from the 2012-13. 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 facing a decrease of \$17,117 or 2.32%. There are miscellaneous changes throughout General Government, both increases and decreases within different sub-departments that balance out to a 2.32% overall decrease. The major decrease in General Government is to health insurance expenses. General Government is comprised of the Town Manager, Town Clerk, Deputy Clerks, Finance department, Assessor, Code Officer, Municipal building, supplies, Town Council, Town Boards, and miscellaneous expenses, administration expenses such as all insurances including health, tax bills, repairs, and audit & legal services.
- The Economic Development budget has decreased by 12.69% or \$25,004. This is due to a reduction in Economic Development Promo line item of \$15,000 and a reduction of \$10,000 for the Redzone contract that was terminated in April 2013.
- Public Safety, which encompasses Police, Fire, Animal Control, the public safety building, and traffic lights, is increasing by 4.8% or \$33,730. 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 hiring an additional full time police officer.
- The Public Works Department is decreasing by 2.94% or \$25,541. This year the total decrease to Public Works budget is due to a cut in cold patch for the roads and a reduction in the snowplow contract. The two public works employees will be plowing more Town roads than in prior years.
- The Solid Waste budget is increasing by 2.95% or \$14,901. The increase is primarily due to Transfer station improvements and an increase in PERC tipping fees.
- Recreation and Social Services is decreasing by 1.06% or \$1,561. There are many miscellaneous increases and decreases in line items that make up this small difference from the prior fiscal year.
- Debt Service is down 1.14% or \$3,979. This is a result lower payment on the Water & Sewer Extension bond as the Town is paying less interest on the bond. The Billings Road Bond will be retired in July of 2014.

- Reserves are being increased by \$87,967 or 32.70% from the prior year. Some of the increase in the current year will be spent for some capital projects. Over the past few years Reserves have been vulnerable to budget cuts, but we cannot sustain cuts to Reserves year after year. We expect to see small increases over the next few years to get funding levels back to approximately \$450,000.
- Special Assessments includes County Taxes, TIFs, and Adult Ed. There is a 3.33% increase for Special Assessments. This is mostly due to the County tax increase of \$17,668 and TIF payments to taxpayers in the TIF districts have increased by \$2,188.
- General Assistance is decreasing by \$15,000.00 or 50%.
- The local contribution from property taxes to the School Department is going from \$3,953,500 to \$4,160,449.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with 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.

TOWN OF HERMON, MAINE
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,479,735	-	1,479,735
Investments	7,908,569	-	7,908,569
Receivables:			
Taxes receivable - current year	303,226	-	303,226
Taxes receivable - prior year	94,941	-	94,941
Tax liens - prior years	76,366	-	76,366
Tax acquired property	4,579	-	4,579
Accounts receivable	547,566	-	547,566
Internal balances	(85,324)	85,324	-
Inventory	8,071	-	8,071
Prepaid expenses	216	-	216
Nondepreciable capital assets	142,016	-	142,016
Depreciable capital assets, net	13,828,407	-	13,828,407
Total assets	24,308,368	85,324	24,393,692
LIABILITIES			
Accounts payable	126,693	-	126,693
Accrued payroll	871,218	-	871,218
Accrued compensated absences	61,324	-	61,324
Prepaid taxes	14,776	-	14,776
Accrued interest	28,334	-	28,334
Other liabilities	61,718	-	61,718
Noncurrent liabilities:			
Due within one year	1,147,325	-	1,147,325
Due in more than one year	3,239,316	-	3,239,316
Total liabilities	5,550,704	-	5,550,704
NET POSITION			
Net investment in capital assets	9,583,782	-	9,583,782
Restricted for:			
General fund	3,186,868	-	3,186,868
Special revenue fund	73,270	-	73,270
Permanent funds:			
Expendable	7,785	-	7,785
Nonexpendable	142	-	142
Unrestricted	5,905,817	85,324	5,991,141
Total net position	\$ 18,757,664	85,324	18,842,988

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2013

		Program revenues			Net (expense) revenue and changes in net position		
Functions/programs	Expenses	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	\$ 681,580	46,475	-	-	(635,105)	-	(635,105)
Public safety	712,958	13,158	-	-	(699,800)	-	(699,800)
Public works	815,841	2,665	-	-	(813,176)	-	(813,176)
Solid waste	484,742	220,502	-	-	(264,240)	-	(264,240)
Recreational and social services	135,653	-	-	-	(135,653)	-	(135,653)
Education	11,844,385	1,520,468	6,892,915	-	(3,431,002)	-	(3,431,002)
Unclassified	896,761	10,210	-	-	(886,551)	-	(886,551)
Grants and other special uses	841,015	252,005	564,358	61,379	36,727	-	36,727
Interest on debt	33,076	-	-	-	(33,076)	-	(33,076)
Capital maintenance expenses	30,568	-	-	-	(30,568)	-	(30,568)
Total governmental activities	16,476,579	2,065,483	7,457,273	61,379	(6,892,444)	-	(6,892,444)
Business-type activities:							
Recreation department	173,570	201,563	-	-	-	27,993	27,993
Total business-type activities	173,570	201,563	-	-	-	27,993	27,993
Total primary government	\$ 16,650,149	2,267,046	7,457,273	61,379	(6,892,444)	27,993	(6,864,451)
General revenues:							
Property taxes					5,139,021	-	5,139,021
Tax Increment Financing revenue					162,911	-	162,911
Excise taxes					2,370,745	-	2,370,745
Interest and costs on taxes					30,875	-	30,875
Grants and contributions not restricted to specific programs:							
State revenue sharing					253,502	-	253,502
Homestead exemption					100,717	-	100,717
Other intergovernmental revenues					188,706	-	188,706
Unrestricted investment earnings					28,340	-	28,340
Loss on disposal of assets					(4,143)	-	(4,143)
Miscellaneous revenues					72,064	-	72,064
Total general revenues					8,342,738	-	8,342,738
Change in net position					1,450,294	27,993	1,478,287
Net position - beginning					17,307,370	57,331	17,364,701
Net position - ending					18,757,664	85,324	18,842,988

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2013

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,450,745	-	-	28,990	1,479,735
Investments	5,836,400	148,378	846,018	1,077,773	7,908,569
Receivables:					
Taxes receivable - current year	303,226	-	-	-	303,226
Taxes receivable - prior year	94,941	-	-	-	94,941
Tax liens - prior years	76,366	-	-	-	76,366
Tax acquired property	4,579	-	-	-	4,579
Accounts receivable	298,134	-	-	249,432	547,566
Inventory	-	-	-	8,071	8,071
Prepaid expenditures	216	-	-	-	216
Interfund loans receivable	140,383	-	-	33,274	173,657
Total assets	\$ 8,204,990	148,378	846,018	1,397,540	10,596,926
LIABILITIES					
Accounts payable	108,249	-	-	18,444	126,693
Accrued payroll	870,665	-	-	553	871,218
Prepaid taxes	14,776	-	-	-	14,776
Interfund loans payable	-	2,305	-	256,676	258,981
Other liabilities	61,718	-	-	-	61,718
Total liabilities	1,055,408	2,305	-	275,673	1,333,386
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	319,700	-	-	-	319,700
Total deferred inflows of resources	319,700	-	-	-	319,700
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	8,071	8,071
Nonexpendable principal	-	-	-	7,785	7,785
Restricted:					
General fund	3,186,868	-	-	-	3,186,868
Special revenue funds	-	-	-	73,270	73,270
Permanent funds	-	-	-	142	142
Assigned:					
General fund	975,660	-	-	-	975,660
Capital projects funds	-	146,073	846,018	1,047,633	2,039,724
Unassigned:					
General fund	2,667,354	-	-	-	2,667,354
Special revenue funds	-	-	-	(15,034)	(15,034)
Total fund balances	6,829,882	146,073	846,018	1,121,867	8,943,840
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,204,990	148,378	846,018	1,397,540	
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.					13,970,423
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					319,700
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.					(4,332,448)
Bonds payable					(54,193)
Capital leases					(28,334)
Accrued interest					(61,324)
Accrued compensated absences					
Net position of governmental activities					\$ 18,757,664

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,713,252	-	-	-	7,713,252
Intergovernmental	6,059,127	-	-	555,029	6,614,156
Maine PERS on-behalf payments	866,552	-	-	-	866,552
Licenses and permits	46,475	-	-	-	46,475
Charges for services	1,787,211	-	-	-	1,787,211
Investment income	11,645	1,642	4,794	10,259	28,340
Other	586,637	-	-	298,090	884,727
Total revenues	17,070,899	1,642	4,794	863,378	17,940,713
Expenditures:					
Current:					
General government	651,234	-	-	-	651,234
Public safety	629,708	-	-	-	629,708
Public works	807,783	-	-	-	807,783
Solid waste	484,742	-	-	-	484,742
Recreational and social services	135,653	-	-	-	135,653
Education	11,280,526	-	-	-	11,280,526
Unclassified	887,873	-	-	-	887,873
Grants and other special uses	-	-	-	841,015	841,015
Maine PERS on-behalf payments	866,552	-	-	-	866,552
Debt service	348,286	-	-	-	348,286
Capital outlay	8,832	12,481	465	70,603	92,381
Total expenditures	16,101,189	12,481	465	911,618	17,025,753
Excess (deficiency) of revenues over (under) expenditures	969,710	(10,839)	4,329	(48,240)	914,960
Other financing sources (uses):					
Transfers from other funds	-	75,000	-	147,747	222,747
Transfers to other funds	(222,747)	-	-	-	(222,747)
Total other financing sources (uses)	(222,747)	75,000	-	147,747	-
Net change in fund balances	746,963	64,161	4,329	99,507	914,960
Fund balances, beginning of year	6,082,919	81,912	841,689	1,022,360	8,028,880
Fund balances, end of year	\$ 6,829,882	146,073	846,018	1,121,867	8,943,840

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE

Annual Financial Report

For the Year Ended June 30, 2013

TOWN OF HERMON, MAINE
Annual Financial Report
For the year ended June 30, 2013

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TOWN OF HERMON, MAINE
Annual Financial Report
For the year ended June 30, 2013

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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, 2013, 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, 2013, 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, 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

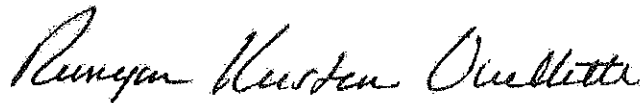
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hermon's basic financial statements. The combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013 on our consideration of the Town of Hermon, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Hermon, Maine's internal control over financial reporting and compliance.

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

December 3, 2013
South Portland, Maine



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 3, 2013

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2013. 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 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, both commercial & residential, in Hermon 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 the growth over the last 5 years of the shopping center compliment the community very well, which includes a hometown grocery store, pizza shop, sandwich shop, dentist, insurance agents, and a hardware store. These businesses are very important to the community, but the bulk of services continue to be available by traveling to Bangor.

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, excluding business-type activities, of the Town of Hermon were \$18,757,664, an increase of \$1,450,294 when compared to the beginning net position figure for year ending June 30, 2012 of \$17,307,370. Overall, even the small increase of 8.4% is excellent because the Town-wide assets were up by \$309,218, only 1.3% from the prior year. However, Town-wide liabilities were down by \$1,141,076, which allowed for the increase in net position.
- The Town's unamortized bond debt decreased by \$1,098,508 for a total outstanding debt of \$4,332,448. No new bond debt was issued in this fiscal year. The Billings Road bond debt will be 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, 2013, the outstanding balance of the Sewer Bond was \$539,400. The remaining \$3,511,260 of outstanding Bond debt as of June 30, 2013 belongs to the School Department.
- 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 non-spendable, restricted, committed, assigned, and unassigned. As of June 30, 2013, as reported in the Town's balance sheet for the General Fund (Exhibit A-1), the Town has assigned for future use \$975,660 in funds, restricted TIF funds of \$535,538, and unassigned fund balance of \$2,667,354 for a total fund balance of \$4,178,552 (excluding amounts restricted for education). This is an increase of \$555,208 from the previous year.

The School Department wanted to highlight the following information for the fiscal year:

- The Hermon School Department Fund Balance before teacher summer salaries was \$3,446,913 for the year ended June 30, 2013. Teacher summer salaries were \$795,583. The remaining School Fund Balance has been restricted/assigned for the following: School Tax Rate Stabilization Fund for Middle School debt service \$565,598; School Unemployment Fund \$37,746; used as Revenues in the 2013-2014 Budget \$736,325 for a total of \$1,339,669 that results in \$2,107,244 unassigned School Fund Balance excluding teacher summer salaries.
- On September 12, 2013, the Town taxpayers voted to transfer \$200,000 of the unassigned School Fund Balance to a School Fuel Reserve. After this transfer and teacher summer salaries, the unassigned School Fund Balance is \$1,111,661.

OVERVIEW OF FINANCIAL STATEMENTS

The discussion and analysis is an introduction to the Town's basic financial statements. The basic financial statements are prepared and are part of the Town's annual audit. The MD&A serves as a subjective explanation by the Town of the data contained in the audit. The three areas that the financial statements are broken into include: 1. Government-wide statements, 2. Fund Financial statements, and 3. Notes to the financial statements. Subjective analyses of the statements are also made and other supplementary information supplied to better explain the statements.

Government-wide Financial Statements

The government-wide statements are a total overview of the Town's financial status. They include all assets, liabilities, and activities in a manner similar to private sector accounting. The purpose is to show Town finance's 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 financials. This shows the total assets which include land, buildings, inventory, and other capital assets. These are then reduced by the liabilities which include total bonds and leases due over their entire lives as well as accrued compensated absences. 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 use 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 enterprise.

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, 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 and depreciation 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 Projects Fund

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.

Other Governmental Funds

Other Governmental Funds are comprised of non-major special revenue, capital projects, and permanent funds. These funds were each individually determined to be non-major and are required to be categorized and grouped into other governmental funds. A separate schedule is provided in the other supplemental information.

Notes to Financial Statements

The notes to the financial statements are included in the audit to give specific comment to certain areas. These are a crucial part of the audit and are closely monitored by Town administration. The reason they are monitored is that they provide additional insight into activities of the Town. These can show areas of strength and weakness for continued success and improvement. The notes to the financial statements are included on pages 26-40.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning financial performance.

The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes.

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 exceeded liabilities by \$18,757,664 as of June 30, 2013. This figure is comprised of net capital assets, restricted fund balance for education, special revenues, and permanent funds, and unrestricted fund balance.

Net Position for the Period Ending June 30, 2013

The current year's financial statements show a change in asset classes, with a decrease of liabilities that net an 8.4% increase to total net position. The overall reasons for the percentage increase in net position are having more cash/investments on hand, payment of significant bond debt, and an increase in total fund balance due to higher than anticipated revenues while keeping most expenses below budgeted figures.

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

	<u>Governmental Activities</u>			
	2013	2012	Change	% Change
ASSETS				
Cash & cash equivalents	\$ 1,479,735	1,277,518	202,217	15.8%
Investments	7,908,569	7,228,679	679,890	9.4%
Other assets	949,641	1,030,491	(80,850)	-7.8%
Capital assets, net	13,970,423	14,462,462	(492,039)	-3.4%
Total Assets	24,308,368	23,999,150	309,218	1.3%
LIABILITIES				
Long-term debt due within one year	1,147,325	1,149,166	(1,841)	-0.2%
Long-term debt due in more than one year	3,239,316	4,386,642	(1,147,326)	-26.2%
Other liabilities	1,164,063	1,155,972	8,091	0.7%
Total Liabilities	5,550,704	6,691,780	(1,141,076)	-17.1%
NET POSITION				
Net investment in capital assets	9,583,782	9,040,142	543,640	6.0%
Restricted for:				
Expendable Permanent Funds	7,785	7,785	-	-
Nonexpendable trust principal	142	102	40	39.2%
General Fund	3,186,868	2,459,575	727,293	29.6%
Special Revenue Fund	73,270	57,207	16,063	28.1%
Unrestricted	5,905,817	5,742,559	163,258	2.8%
Total Net Position	\$ 18,757,664	17,307,370	1,450,294	8.4%

The following table presents a summary of the Statement of Activities for the fiscal year ended June 30, 2013.

<u>Governmental Activities</u>				
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Program Revenues				
Charges for services	\$ 2,065,483	\$ 2,352,171	(286,688)	-12.2%
Operating grants & contributions	7,457,273	7,262,108	195,165	2.7%
Capital grants & contributions	61,379	26,757	34,622	129.4%
General revenues				
Property taxes	5,139,021	5,111,814	27,207	0.5%
Tax Increment Financing Revenue	162,911	-	162,911	-
Excise taxes	2,370,745	2,195,670	175,075	8.0%
Interest and costs on taxes	30,875	47,733	(16,858)	-35.3%
Grants and contributions not restricted				
State Revenue Sharing	253,502	228,899	24,603	10.7%
Homestead exemption	100,717	92,907	7,810	8.4%
Other intergovernmental revenues	188,706	210,564	(21,858)	-10.4%
Unrestricted Investment earnings	28,340	33,205	(4,865)	-14.7%
Loss on disposal of assets	(4,143)	-	(4,143)	-
Miscellaneous	72,064	88,921	(16,857)	-19.0%
Total revenues:	17,926,873	17,650,749	276,124	1.6%
Expenses				
General government	681,580	735,582	(54,002)	-7.3%
Public safety	712,958	742,534	(29,576)	-4.0%
Public works	815,841	1,770,511	(954,670)	-53.9%
Solid waste	484,742	476,553	8,189	1.7%
Recreational and social services	135,653	148,996	(13,343)	-9.0%
Education	11,844,385	11,502,510	341,875	3.0%
Unclassified	896,761	967,448	(70,687)	-7.3%
Grants and other special uses	841,015	929,338	(88,323)	-9.5%
Interest on debt	33,076	42,714	(9,638)	-22.6%
Capital maintenance expenses	30,568	146,944	(116,376)	-79.2%
Total expenses:	16,476,579	17,463,130	(986,551)	-5.6%
Change in net position:	\$ 1,450,294	\$ 187,619	\$ 1,262,675	673.0%

Comparatives of revenues identify a couple key changes. First, overall revenues have increased by \$276,124 from the previous year. Second, excise taxes had a considerable increase in revenue, while we have continued to see a decrease in investment earnings due to market conditions and interest rates. There was a \$175,075 increase alone for excise taxes from 2012 to 2013. We have seen an upward trend over the last few years of excise tax revenue as the economy starts to stabilize. Property tax revenue is variable due to mil-rates, other revenues, values of homes, new construction, School Department needs of local contribution from property taxes; and the commercial district growth. 75% of property taxes raised in Hermon go to the School Department. Details of revenues can be found in Exhibit A-2.

Expenses have decreased by \$986,551 from 2012 to 2013. The Public Works department was the largest decrease from the prior year. This is mainly due to the major overhaul of the Wing/Annis Road in the Public Works department that took place in the prior fiscal year. All classes listed above show a decrease in expenses, except Solid Waste and Education. Education expenses were \$341,875 more in 2013 than 2012, a 3% increase from the prior year's actual expenses.

Internally, the goal is to recognize efficiencies that mitigate the loss without increasing property taxes.

Financial Analysis of the Town's Funds

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

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, total governmental funds reported a combined (Town and School) fund balance of \$8,943,840, \$914,960 higher than the previous year. As analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds is as follows:

Revenues exceeded expenditures for the general fund alone by \$969,710 in the current fiscal year. Two of the largest components of the increase in fund balance are that Excise tax and property tax collected \$561,576 more than anticipated. The School Department also collected an additional \$151,407 more than anticipated in Other Revenues. Overall actual expenditures for the School Department were \$1,273,972 less than budgeted figures and the Town was \$325,027 less than budgeted figures for a total of \$1,598,999.

In the 2011-2012 fiscal year the overall fund balance for the Town and School had decreased by \$550,097, so a net increase over the two years of 364,863.

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2012. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			
	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Property taxes	\$ 5,148,721	\$ 5,229,614	\$ (80,893)	-1.5%
Tax Increment Financing Revenue	162,911	-	162,911	-
Excise taxes	2,370,745	2,195,670	175,075	8.0%
Interest on taxes	30,875	47,733	(16,858)	-35.3%
State Revenue Sharing	253,502	228,899	24,603	10.7%
Homestead exemption	100,717	92,907	7,810	8.4%
State education subsidy	5,384,925	4,223,757	1,161,168	27.5%
Other intergovernmental revenues	319,983	980,486	(660,503)	-67.4%
Licenses and permits	46,475	57,956	(11,481)	-19.8%
Charges for services	1,787,211	2,063,080	(275,869)	-13.4%
Interest earned	11,645	18,913	(7,268)	-38.4%
Miscellaneous	586,637	867,407	(280,770)	-32.4%
Total revenues:	16,204,347	16,006,422	197,925	1.2%
Expenditures				
Current:				
General government	651,234	706,295	(55,061)	-7.8%
Public safety	629,708	665,509	(35,801)	-5.4%
Public works	807,783	1,767,483	(959,700)	-54.3%
Solid waste	484,742	476,553	8,189	1.7%
Recreational and social services	135,653	148,996	(13,343)	-9.0%
Unclassified	887,873	965,938	(78,065)	-8.1%
Education	11,204,404	11,052,873	151,531	1.4%
Capital expenditures	8,832	17,261	(8,429)	-48.8%
Debt service	348,286	352,176	(3,890)	-1.1%
Total expenditures:	15,158,515	16,153,084	(994,569)	-6.2%
Excess (deficiency) of revenues over				
(under) expenditures	\$ 1,045,832	\$ (146,662)	\$ 1,192,494	-813.1%

Overall, in 2013, revenues exceeded expenditures by \$1,045,832 in the General Fund. We have seen that excise tax revenue has started to increase over the past few years. 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. State education subsidy had the largest increase in revenues from the prior year by \$1,161,168. The large decrease in expenses from the prior year was Public Works department. To reiterate the prior explanation, Public Works expenses were much lower in 2013 due to the Wing/Annis project that was completed in 2012.

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

Capital Asset and Debt Administration

	Balance 6/30/2012	Additions	Deletions	Balance 6/30/2013
Governmental Activities				
Land	\$ 113,488	15,084	-	128,572
Construction in Progress	-	13,444	-	13,444
Total assets not being depreciated	113,488	28,528	-	142,016
Buildings and improvements	19,344,026	15,999	-	19,360,025
Equipment, furniture, and fixtures	2,196,884	12,348	(7,145)	2,202,087
Vehicles	1,967,838	76,248	(82,821)	1,961,265
Total assets being depreciated	23,508,748	104,595	(89,966)	23,523,377
Total depreciation	(9,046,284)	(734,509)	85,823	(9,694,970)
Total capital assets, net	\$ 14,575,952	(601,386)	(4,143)	13,970,423

Additional information on the Town's capital assets can be found in the notes to the financial statements on page 34.

Debt Administration

The Town's debt consists of five bonds and several capital leases. A summary of the Town's debt activity for the year ended June 30, 2013 is as follows:

	Long-term Debt				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities					
Bonds payable	\$ 5,430,956	-	(1,098,508)	4,332,448	1,095,155
Capital leases payable	104,852	-	(50,659)	54,193	52,170
Accrued compensated absences	55,700	5,624	-	61,324	-
Governmental activities long-term liabilities	\$ 5,591,508	5,624	(1,149,167)	4,447,965	1,147,325

Additional information on the Town's long-term debt can be found in the notes to the basic financial statements on page 37.

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 stay on to balance the budget and it comes from two sources - real estate and personal property taxes. For fiscal year ending June 30, 2013, total commitment was \$5,291,527 as compared to June 30, 2012; which was \$5,111,528. The mil rate for 2013 is 11.7. In the declining economy, many people feel that house values are dropping. However, local assessing information and sales analyses indicate fewer sales, but no decline in price. It may be that Hermon is not lowering prices as fast or that our real estate is more stable than the state as a whole, but for budget purposes the assessment of homes in Hermon remains stable.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2013-14 budget from the 2012-13. 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 facing a decrease of \$17,117 or 2.32%. There are miscellaneous changes throughout General Government, both increases and decreases within different sub-departments that balance out to a 2.32% overall decrease. The major decrease in General Government is to health insurance expenses. General Government is comprised of the Town Manager, Town Clerk, Deputy Clerks, Finance department, Assessor, Code Officer, Municipal building, supplies, Town Council, Town Boards, and miscellaneous expenses, administration expenses such as all insurances including health, tax bills, repairs, and audit & legal services.
- The Economic Development budget has decreased by 12.69% or \$25,004. This is due to a reduction in Economic Development Promo line item of \$15,000 and a reduction of \$10,000 for the Redzone contract that was terminated in April 2013.
- Public Safety, which encompasses Police, Fire, Animal Control, the public safety building, and traffic lights, is increasing by 4.8% or \$33,730. 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 hiring an additional full time police officer.
- The Public Works Department is decreasing by 2.94% or \$25,541. This year the total decrease to Public Works budget is due to a cut in cold patch for the roads and a reduction in the snowplow contract. The two public works employees will be plowing more Town roads than in prior years.
- The Solid Waste budget is increasing by 2.95% or \$14,901. The increase is primarily due to Transfer station improvements and an increase in PERC tipping fees.
- Recreation and Social Services is decreasing by 1.06% or \$1,561. There are many miscellaneous increases and decreases in line items that make up this small difference from the prior fiscal year.
- Debt Service is down 1.14% or \$3,979. This is a result lower payment on the Water & Sewer Extension bond as the Town is paying less interest on the bond. The Billings Road Bond will be retired in July of 2014.

- Reserves are being increased by \$87,967 or 32.70% from the prior year. Some of the increase in the current year will be spent for some capital projects. Over the past few years Reserves have been vulnerable to budget cuts, but we cannot sustain cuts to Reserves year after year. We expect to see small increases over the next few years to get funding levels back to approximately \$450,000.
- Special Assessments includes County Taxes, TIFs, and Adult Ed. There is a 3.33% increase for Special Assessments. This is mostly due to the County tax increase of \$17,668 and TIF payments to taxpayers in the TIF districts have increased by \$2,188.
- General Assistance is decreasing by \$15,000.00 or 50%.
- The local contribution from property taxes to the School Department is going from \$3,953,500 to \$4,160,449.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with 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.

TOWN OF HERMON, MAINE
Statement of Net Position
June 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,479,735	-	1,479,735
Investments	7,908,569	-	7,908,569
Receivables:			
Taxes receivable - current year	303,226	-	303,226
Taxes receivable - prior year	94,941	-	94,941
Tax liens - prior years	76,366	-	76,366
Tax acquired property	4,579	-	4,579
Accounts receivable	547,566	-	547,566
Internal balances	(85,324)	85,324	-
Inventory	8,071	-	8,071
Prepaid expenses	216	-	216
Nondepreciable capital assets	142,016	-	142,016
Depreciable capital assets, net	13,828,407	-	13,828,407
Total assets	24,308,368	85,324	24,393,692
LIABILITIES			
Accounts payable	126,693	-	126,693
Accrued payroll	871,218	-	871,218
Accrued compensated absences	61,324	-	61,324
Prepaid taxes	14,776	-	14,776
Accrued interest	28,334	-	28,334
Other liabilities	61,718	-	61,718
Noncurrent liabilities:			
Due within one year	1,147,325	-	1,147,325
Due in more than one year	3,239,316	-	3,239,316
Total liabilities	5,550,704	-	5,550,704
NET POSITION			
Net investment in capital assets	9,583,782	-	9,583,782
Restricted for:			
General fund	3,186,868	-	3,186,868
Special revenue fund	73,270	-	73,270
Permanent funds:			
Expendable	7,785	-	7,785
Nonexpendable	142	-	142
Unrestricted	5,905,817	85,324	5,991,141
Total net position	\$ 18,757,664	85,324	18,842,988

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2013

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	\$ 681,580	46,475	-	-	(635,105)	-	(635,105)
Public safety	712,958	13,158	-	-	(699,800)	-	(699,800)
Public works	815,841	2,665	-	-	(813,176)	-	(813,176)
Solid waste	484,742	220,502	-	-	(264,240)	-	(264,240)
Recreational and social services	135,653	-	-	-	(135,653)	-	(135,653)
Education	11,844,385	1,520,468	6,892,915	-	(3,431,002)	-	(3,431,002)
Unclassified	896,761	10,210	-	-	(886,551)	-	(886,551)
Grants and other special uses	841,015	252,005	564,358	61,379	36,727	-	36,727
Interest on debt	33,076	-	-	-	(33,076)	-	(33,076)
Capital maintenance expenses	30,568	-	-	-	(30,568)	-	(30,568)
Total governmental activities	16,476,579	2,065,483	7,457,273	61,379	(6,892,444)	-	(6,892,444)
Business-type activities:							
Recreation department	173,570	201,563	-	-	-	27,993	27,993
Total business-type activities	173,570	201,563	-	-	-	27,993	27,993
Total primary government	\$ 16,650,149	2,267,046	7,457,273	61,379	(6,892,444)	27,993	(6,864,451)
General revenues:							
Property taxes					5,139,021	-	5,139,021
Tax Increment Financing revenue					162,911	-	162,911
Excise taxes					2,370,745	-	2,370,745
Interest and costs on taxes					30,875	-	30,875
Grants and contributions not restricted to specific programs:							
State revenue sharing					253,502	-	253,502
Homestead exemption					100,717	-	100,717
Other intergovernmental revenues					188,706	-	188,706
Unrestricted investment earnings					28,340	-	28,340
Loss on disposal of assets					(4,143)	-	(4,143)
Miscellaneous revenues					72,064	-	72,064
Total general revenues					8,342,738	-	8,342,738
Change in net position					1,450,294	27,993	1,478,287
Net position - beginning					17,307,370	57,331	17,364,701
Net position - ending					18,757,664	85,324	18,842,988

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2013

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,450,745	-	-	28,990	1,479,735
Investments	5,836,400	148,378	846,018	1,077,773	7,908,569
Receivables:					
Taxes receivable - current year	303,226	-	-	-	303,226
Taxes receivable - prior year	94,941	-	-	-	94,941
Tax liens - prior years	76,366	-	-	-	76,366
Tax acquired property	4,579	-	-	-	4,579
Accounts receivable	298,134	-	-	249,432	547,566
Inventory	-	-	-	8,071	8,071
Prepaid expenditures	216	-	-	-	216
Interfund loans receivable	140,383	-	-	33,274	173,657
Total assets	\$ 8,204,990	148,378	846,018	1,397,540	10,596,926
LIABILITIES					
Accounts payable	108,249	-	-	18,444	126,693
Accrued payroll	870,665	-	-	553	871,218
Prepaid taxes	14,776	-	-	-	14,776
Interfund loans payable	-	2,305	-	256,676	258,981
Other liabilities	61,718	-	-	-	61,718
Total liabilities	1,055,408	2,305	-	275,673	1,333,386
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	319,700	-	-	-	319,700
Total deferred inflows of resources	319,700	-	-	-	319,700
FUND BALANCES					
Nonspendable:					
Inventory	-	-	-	8,071	8,071
Nonexpendable principal	-	-	-	7,785	7,785
Restricted:					
General fund	3,186,868	-	-	-	3,186,868
Special revenue funds	-	-	-	73,270	73,270
Permanent funds	-	-	-	142	142
Assigned:					
General fund	975,660	-	-	-	975,660
Capital projects funds	-	146,073	846,018	1,047,633	2,039,724
Unassigned:					
General fund	2,667,354	-	-	-	2,667,354
Special revenue funds	-	-	-	(15,034)	(15,034)
Total fund balances	6,829,882	146,073	846,018	1,121,867	8,943,840
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,204,990	148,378	846,018	1,397,540	

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.	13,970,423
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	319,700
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	(4,332,448)
Capital leases	(54,193)
Accrued interest	(28,334)
Accrued compensated absences	(61,324)

Net position of governmental activities **\$ 18,757,664**

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,713,252	-	-	-	7,713,252
Intergovernmental	6,059,127	-	-	555,029	6,614,156
Maine PERS on-behalf payments	866,552	-	-	-	866,552
Licenses and permits	46,475	-	-	-	46,475
Charges for services	1,787,211	-	-	-	1,787,211
Investment income	11,645	1,642	4,794	10,259	28,340
Other	586,637	-	-	298,090	884,727
Total revenues	17,070,899	1,642	4,794	863,378	17,940,713
Expenditures:					
Current:					
General government	651,234	-	-	-	651,234
Public safety	629,708	-	-	-	629,708
Public works	807,783	-	-	-	807,783
Solid waste	484,742	-	-	-	484,742
Recreational and social services	135,653	-	-	-	135,653
Education	11,280,526	-	-	-	11,280,526
Unclassified	887,873	-	-	-	887,873
Grants and other special uses	-	-	-	841,015	841,015
Maine PERS on-behalf payments	866,552	-	-	-	866,552
Debt service	348,286	-	-	-	348,286
Capital outlay	8,832	12,481	465	70,603	92,381
Total expenditures	16,101,189	12,481	465	911,618	17,025,753
Excess (deficiency) of revenues over (under) expenditures	969,710	(10,839)	4,329	(48,240)	914,960
Other financing sources (uses):					
Transfers from other funds	-	75,000	-	147,747	222,747
Transfers to other funds	(222,747)	-	-	-	(222,747)
Total other financing sources (uses)	(222,747)	75,000	-	147,747	-
Net change in fund balances	746,963	64,161	4,329	99,507	914,960
Fund balances, beginning of year	6,082,919	81,912	841,689	1,022,360	8,028,880
Fund balances, end of year	\$ 6,829,882	146,073	846,018	1,121,867	8,943,840

See accompanying notes to 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, 2013

Net change in fund balances - total governmental funds (from Statement 4)	\$	914,960
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which depreciation expense (\$734,509) and loss on disposal (\$4,143) exceeded capital outlay (\$133,123) in the current period.		(605,529)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(9,700)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. This is the change in accrued compensated absences (\$5,624) and accrued interest (\$7,020).

1,396

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.

This is the amount of lease repayments.		1,098,508
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This is the amount of bond repayments.		50,659
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Change in net position of governmental activities (see Statement 2)	\$	1,450,294
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See accompanying notes to 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, 2013

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,150,801	7,177,801	7,713,252	535,451
Intergovernmental	6,084,233	6,115,479	6,059,127	(56,352)
Licenses and permits	53,800	53,800	46,475	(7,325)
Charges for services	1,877,062	1,877,062	1,787,211	(89,851)
Interest earned	24,000	24,000	11,645	(12,355)
Other revenues	418,940	418,940	586,637	167,697
Total revenues	15,608,836	15,667,082	16,204,347	537,265
Expenditures:				
Current:				
General government	738,377	738,377	651,234	87,143
Public safety	702,458	708,458	629,708	78,750
Public works	869,826	884,826	807,783	77,043
Solid waste	504,478	504,478	484,742	19,736
Recreation and social services	146,897	146,897	135,653	11,244
Unclassified	833,605	891,851	887,873	3,978
Education	12,478,376	12,478,376	11,204,404	1,273,972
Debt service:				
Principal	308,192	308,192	308,192	-
Interest	40,773	40,773	40,094	679
Capital expenditures	55,286	55,286	8,832	46,454
Total expenditures	16,678,268	16,757,514	15,158,515	1,598,999
Excess (deficiency) of revenues over (under) expenditures	(1,069,432)	(1,090,432)	1,045,832	2,136,264
Other financing sources (uses):				
Utilization of prior year surplus - School	1,023,729	1,023,729	-	(1,023,729)
Utilization of prior year surplus - Town	270,000	291,000	-	(291,000)
Transfers out	(224,297)	(224,297)	(222,747)	1,550
Total other financing sources (uses)	1,069,432	1,090,432	(222,747)	(1,313,179)
Net change in fund balance, budgetary basis	-	-	823,085	823,085
Reconciliation to GAAP:				
Change in accrued summer salaries			(76,122)	
Net change in fund balance, GAAP basis			746,963	
Fund balance, beginning of year			6,082,919	
Fund balance, end of year	\$		6,829,882	

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Net Position
Proprietary Fund
June 30, 2013

	Recreation Department
ASSETS	
Current assets:	
Interfund loans receivable	\$ 85,324
Total assets	85,324
LIABILITIES	
Current liabilities:	
Accounts payable	-
Total liabilities	-
NET POSITION	
Unrestricted	85,324
Total net position	\$ 85,324

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the year ended June 30, 2013

	Recreation Department
Operating revenues:	
Charges for services	\$ 201,563
Total operating revenues	201,563
Operating expenses:	
Current:	
Payroll	12,947
Recreation programs	160,623
Total operating expenses	173,570
Operating gain	27,993
Total net position, beginning of year	57,331
Total net position, end of year	\$ 85,324

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Fund
For the year ended June 30, 2013

	Recreation Department
Cash flows from operating activities:	
Receipts from customers and users	\$ 201,563
Payments to suppliers	(158,380)
Payments to employees	(12,947)
Interfund activity	(30,236)
Net cash provided by operating activities	-
Increase (decrease) in cash	-
Cash, beginning of year	-
Cash, end of year	\$ -
Reconciliation of operating gain to net cash provided by operating activities:	
Operating gain	\$ 27,993
Adjustments to reconcile operating loss to net cash used in operating activities:	
Increase in interfund receivables	(30,236)
Decrease in prepaid expenditures	2,243
Net cash provided by operating activities	-

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013

	Agency Funds	Private-purpose Trusts
	Student Activity Funds	School Department Scholarships
ASSETS		
Cash and cash equivalents	\$ 167,276	188,770
Total assets	167,276	188,770
LIABILITIES		
Due to student groups	167,276	-
Total liabilities	167,276	-
NET POSITION		
Held in trust	\$ -	188,770

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the year ended June 30, 2013

	Private-purpose Trusts
	School Department Scholarships
Additions	\$ 530
Deductions	-
Change in net position	530
Net position, beginning of year	188,240
Net position, end of year	\$ 188,770

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Notes to 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.

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 building and repairs.

The *school capital improvements fund* is used to account for major purchases by the school (school bus, telephone system), and building of schools.

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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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 City's proprietary fund is 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. 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.

I. Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

J. 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 will *not* be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of net position 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 will *not* be recognized as an inflow of resources (revenue) until that time. The Town has only one type of item, which arises only under the modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

K. Compensated Absences

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

L. Long-term Obligations

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

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

M. Encumbrances

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

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

N. Use of Estimates

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

O. Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

P. 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 to be 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 Financial Statements

NEW PRONOUNCEMENTS AND ACCOUNTING CHANGES

For the fiscal year ended June 30, 2013, the Town has elected to implement the following Statements of the Governmental Accounting Standards Board:

- Statement No. 62 – *Codification of Accounting and Financial Reporting Guidance in Pre-November 30, 1989 FASB and AICPA Pronouncements*
- Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Statement No. 65 – *Items Previously Reported as Assets and Liabilities*

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 \$866,552. 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, 2013, the Town did not budget for revenues and expenditures related to summer salaries for teachers on an accrual basis.

B. Deficit Fund Balance

For the year ended June 30, 2013, the following funds had a deficit fund balances:

School Lunch Fund	\$ 3,684
Indian Fire Pumps	3,279

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

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, 2013, the Town reported deposits of \$1,835,781 with a bank balance of \$2,015,403. Of the Town's bank balances of \$2,015,403, 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 Financial Statements

CASH AND INVESTMENTS, CONTINUED

Deposits have been reported as follows:

Reported in governmental funds	\$ 1,479,735
Reported in fiduciary funds	356,046
Total deposits	\$ 1,835,781

B. Investments

At June 30, 2013, 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	\$ 796,413	796,413	-	-
Repurchase agreements	4,557,502	4,557,502	-	-
Money Market	2,554,654	N/A	-	-
Total investments	\$ 7,908,569	5,353,915	-	-

Investments have been reported as follows:

Reported in Governmental Funds	\$ 7,908,569
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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. 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 27, 2012, on the assessed value listed as of April 1, 2012, for all real and personal property located in the Town. Payment of taxes was due on April 1, 2013. 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 \$55,299 for the period ended June 30, 2013.

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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

PROPERTY TAX, CONTINUED

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 deferred revenues.

The following summarizes the period ended June 30, 2013 levy:

	<u>2013</u>
Assessed value	\$ 452,267,300
<u>Tax rate (per \$1,000)</u>	<u>11.70</u>
Commitment	5,291,527
<u>Supplemental taxes assessed</u>	<u>10,404</u>
	5,301,931
Less:	
<u>Collections and abatements</u>	<u>4,998,705</u>
<u>Receivable at June 30, 2013</u>	<u>\$ 303,226</u>
Due date	April 1, 2013
Interest rate on delinquent taxes	7.0%
Collection rate	94.28%

TOWN OF HERMON, MAINE
Notes to Financial Statements

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

	Balance June 30, <u>2012</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2013</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 113,488	15,084	-	128,572
Construction in progress	-	13,444	-	13,444
Total capital assets, not being depreciated	113,488	28,528	-	142,016
Capital assets, being depreciated:				
Buildings and building improvements	19,344,026	15,999	-	19,360,025
Equipment, furniture and fixtures	2,196,884	12,348	7,145	2,202,087
Vehicles	1,967,838	76,248	82,821	1,961,265
Total capital assets being depreciated	23,508,748	104,595	89,966	23,523,377
Less accumulated depreciation for:				
Buildings and building improvements	6,642,235	509,774	-	7,152,009
Equipment, furniture and fixtures	1,192,028	126,080	3,002	1,315,106
Vehicles	1,212,021	98,655	82,821	1,227,855
Total accumulated depreciation	9,046,284	734,509	85,823	9,694,970
Total capital assets being depreciated, net	14,462,464	(629,914)	(4,143)	13,828,407
Governmental activities capital assets, net	\$ 14,575,952	(601,386)	(4,143)	13,970,423

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

Governmental activities:	
General government	\$ 28,366
Public safety	83,250
Public works	25,450
Education	588,555
Unclassified	8,888
Total depreciation expense – governmental activities	\$ 734,509

TOWN OF HERMON, MAINE
Notes to Financial Statements

INTERFUND BALANCES

Individual interfund receivables and payables at June 30, 2013 were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$ 140,383</u>	<u>-</u>
<u>Highway Capital Reserve</u>	<u>-</u>	<u>2,305</u>
Nonmajor special revenue funds:		
Adult Education	15,572	-
Title II	-	38,182
Title 1A	-	111,892
Local Entitlement	-	86,140
ARRA Marti	250	-
Pre-K Local Entitlement	-	1,340
Ticket to Ride	568	-
School Lunch Fund	-	5,902
Comp Grant	7,550	-
Library Grant	6,056	-
Indian Fire Grant	-	3,279
Maine Forest Service Grants	3,278	-
MMA Grants	-	2,261
Medical Reimbursement	-	1,430
<u>Total nonmajor special revenue funds</u>	<u>33,274</u>	<u>250,426</u>
Nonmajor capital project funds:		
Recreation facilities	-	1,750
Sewer maintenance	-	4,500
<u>Total nonmajor capital project fund</u>	<u>-</u>	<u>6,250</u>
<u>Recreation Department</u>	<u>85,324</u>	<u>-</u>
<u>Totals</u>	<u>\$258,981</u>	<u>258,981</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 Financial Statements

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2013 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
General Fund	\$ -	222,747
Highway Capital Reserve	75,000	-
Nonmajor special revenue funds:		
Adult Education	6,500	-
School Lunch Fund	20,000	-
Cemetery Reserve	8,500	-
Total nonmajor special revenue funds	35,000	-
Nonmajor capital project funds:		
Public Works facilities	42,254	-
Recreation facilities	22,444	-
Municipal building	5,000	-
Sewer maintenance	33,049	-
Fire station reserve	10,000	-
Total nonmajor capital project funds	112,747	-
Totals	\$ 222,747	222,747

These transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2013 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
Bonds payable	\$ 5,430,956	-	(1,098,508)	4,332,448	1,095,155
Capital leases payable	104,852	-	(50,659)	54,193	52,170
Accrued compensated absences	55,700	5,624	-	61,324	-
Governmental activities					
long-term liabilities	\$ 5,591,508	5,624	(1,149,167)	4,447,965	1,147,325

TOWN OF HERMON, MAINE
Notes to Financial Statements

LONG-TERM DEBT

Bonds and Notes Payable

Long-term debt payable at June 30, 2013 is comprised of the following:

	<u>Amount of</u> <u>Original issue</u>	<u>Interest</u> <u>rate</u>	<u>Final</u> <u>maturity</u> <u>date</u>	<u>Balance</u> <u>end of</u> <u>year</u>
<u>General obligation bonds</u>				
1998 Sewer construction	\$ 1,798,000	4.13-4.83%	2019	539,400
2003 School construction	6,325,000	2.50-3.70%	2014	570,000
2005 School construction	3,879,000	3.88%-4.00%	2020	2,820,000
2007 School construction	953,604(a)	0%	2017	121,260
2009 Billings Road Improvement	900,000	2.97%	2015	281,788
Total				<u>\$ 4,332,448</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</u> <u>debt service</u>
2014	\$ 1,095,154	149,099	1,244,253
2015	567,063	117,645	684,708
2016	530,215	96,988	627,203
2017	550,216	75,849	626,065
2018	539,900	53,909	593,809
2019-2020	1,049,900	40,970	1,090,870
Totals	<u>\$ 4,332,448</u>	<u>534,460</u>	<u>4,866,908</u>

CAPITAL LEASES

The Town has entered into lease agreements as a lessee for the financing of a school bus, photocopiers, a backhoe and a tractor. 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, 2013:

School bus	\$ 91,246
Tractor	25,021
Photocopiers (Town)	18,350
Backhoe	84,825

TOWN OF HERMON, MAINE
Notes to Financial Statements

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, 2013:

Year ended	
<u>June 30,</u>	
2014	\$ 53,575
2015	1,266
2016	844
Total minimum lease payments	55,685
<u>Less amounts representing interest</u>	<u>(1,492)</u>
Present value of future minimum	
<u>lease payments</u>	<u>\$ 54,193</u>

STATUTORY DEBT LIMIT

In accordance with 30 MRSA, Section 5061, 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, 2013, 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, 2013.

FUND BALANCES

The General Fund unassigned fund balance total of \$2,667,354 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 \$15,034 are also reported for several special revenue funds that have negative fund balances as of June 30, 2013, as shown on Statement 3.

TOWN OF HERMON, MAINE
Notes to Financial Statements

FUND BALANCES, CONTINUED

As of June 30, 2013, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General fund:			
Restricted for education	\$ -	2,651,330	-
Restricted for Tax Increment Financing	-	535,538	-
Assigned for:			
Reappropriated to the 2014 budget	-	-	250,000
Snow Corner Cemetery	-	-	50,000
Police equipment	-	-	5,517
Municipal unemployment	-	-	16,152
Legal liability	-	-	48,535
Fire equipment	-	-	269,142
Public land acquisition	-	-	17,821
Planning and ordinance	-	-	76,974
Credit reserve	-	-	70,642
Economic development	-	-	137,785
Fire station repair/maintenance	-	-	2,186
Technology	-	-	16,906
Bicentennial	-	-	14,000
Total general fund	-	3,186,868	975,660
Highway Capital Reserve	-	-	146,073
School Capital Improvements	-	-	846,018
Other governmental funds:			
Inventory	8,071	-	-
Grants and other purposes	-	73,270	-
Capital outlay	-	-	1,047,633
Permanent funds - principal	7,785	-	-
Permanent funds – unexpended income	-	142	-
Total other governmental funds	15,856	73,412	1,047,633
Grand totals	\$ 15,856	3,260,280	3,015,384

TOWN OF HERMON, MAINE
Notes to Financial Statements

EMPLOYEE RETIREMENT SYSTEMS

Maine Public Employees Retirement - Teachers Group

Description of Plan - All school teachers, plus other qualified educators, participate in the Maine Public Employees Retirement System's teacher group. The Teacher's Group is a cost-sharing plan with a special funding situation, established by the Maine State legislature. The Maine Public Employees Retirement System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The authority to establish and amend benefit provisions rests with the State legislature. The Maine Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the Teacher's Group. That report may be obtained by writing to Maine Public Employees Retirement System, 46 State House Station, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$866,552 (15.86%) for the fiscal year 2013. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 16.33% of their compensation. This cost is charged to the applicable grant.

Beginning on July 1, 2013, as a result of the State Biennial budget, the Town will be responsible for approximately half the normal cost of the teacher's plan. This approximates to 2.65% of compensation.

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.

SUBSEQUENT EVENT

Subsequent to the Town's year end, the School Department entered into a lease agreement with Gorham Savings Bank to lease copiers. The total equipment cost of the items under this lease is \$76,040. The life of the lease is five years and carries an interest rate of 3.0%. The first payment on the lease was made July 15, 2013 and the last payment on this lease is due July 15, 2017.

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, 2013

	2013
ASSETS	
Cash and cash equivalents	\$ 1,450,745
Investments	5,836,400
Receivables:	
Taxes receivable - current year	303,226
Taxes receivable - prior years	94,941
Tax liens - prior years	76,366
Tax acquired property	4,579
Accounts receivable	298,134
Interfund loans receivables	140,383
Prepaid expenditures	216
Total assets	\$ 8,204,990
LIABILITIES	
Accounts payable	108,249
Accrued payroll	870,665
Prepaid taxes	14,776
Other liabilities	61,718
Total liabilities	1,055,408
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	319,700
Total deferred inflows of resources	319,700
FUND BALANCE	
Restricted for education	2,651,330
Restricted for TIF	535,538
Assigned - Town	975,660
Unassigned - Town	2,667,354
Total fund balance	6,829,882
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,204,990

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, 2013

	2013		Variance positive (negative)
	Budget	Actual	
Revenues:			
Taxes:			
Property taxes	\$ 4,897,140	5,148,721	251,581
Tax Increment Financing revenue	189,911	162,911	(27,000)
Excise taxes	2,060,750	2,370,745	309,995
Interest on taxes	30,000	30,875	875
Total taxes	7,177,801	7,713,252	535,451
Intergovernmental:			
State education subsidy	5,462,197	5,384,925	(77,272)
State agency client	72,000	89,980	17,980
Homestead reimbursement	94,361	100,717	6,356
BETE reimbursement	114,479	114,672	193
Medicaid reimbursements	5,000	10,051	5,051
State revenue sharing	253,000	253,502	502
General assistance	15,000	5,649	(9,351)
Snowmobile reimbursement	3,000	1,801	(1,199)
URIP funds	65,196	66,584	1,388
Route 2 sidewalk grant	31,246	31,246	-
Total intergovernmental	6,115,479	6,059,127	(56,352)
Licenses and permits:			
Vehicle registration fees	28,000	28,828	828
Animal control fees	1,800	1,712	(88)
Planning/zoning fees	2,000	750	(1,250)
Plumbing fees	11,000	9,448	(1,552)
Building permits	11,000	5,737	(5,263)
Total licenses and permits	53,800	46,475	(7,325)

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

	2013		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
School tuition and fees	\$ 1,600,000	1,520,468	(79,532)
Solid waste and recycling	238,262	220,502	(17,760)
Public safety	3,800	13,158	9,358
Public works revenues	-	540	540
Recreation and social services	-	9	9
Wireless fees	9,000	10,210	1,210
Cable franchise	21,000	20,199	(801)
Cemetery maintenance	3,000	2,125	(875)
Sewer fees	2,000	-	(2,000)
Total charges for services	1,877,062	1,787,211	(89,851)
Interest earned	24,000	11,645	(12,355)
Total interest earned	24,000	11,645	(12,355)
Other revenues:			
School Department	390,000	541,407	151,407
Miscellaneous	28,940	45,230	16,290
Total other revenues	418,940	586,637	167,697
Total revenues	15,667,082	16,204,347	537,265

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

	2013		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Administration	\$ 257,272	197,241	60,031
Town manager	94,505	94,038	467
Town clerk	34,706	23,747	10,959
Finance	70,958	73,430	(2,472)
Assessor	57,439	55,874	1,565
Code enforcement	50,537	50,887	(350)
Assistant clerks	96,682	91,355	5,327
Municipal building	18,605	17,071	1,534
Town office	10,500	8,180	2,320
Town council	16,181	10,294	5,887
Town boards	8,892	3,180	5,712
Other expenses	22,100	25,937	(3,837)
Total general government	738,377	651,234	87,143
Public safety:			
Police department	329,628	294,125	35,503
Fire department	294,637	254,188	40,449
Utilities	84,193	81,395	2,798
Total public safety	708,458	629,708	78,750
Public works:			
General	173,967	169,670	4,297
Roads	618,136	545,067	73,069
Town garage	2,599	2,340	259
Trucks/tractor	42,435	48,683	(6,248)
Salt shed/storage	2,350	3,764	(1,414)
Cemetery	45,339	38,259	7,080
Total public works	884,826	807,783	77,043

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

	2013		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Solid waste:			
Landfill	\$ 26,959	26,033	926
House waste	439,299	416,374	22,925
Sewer	38,220	42,335	(4,115)
Total solid waste	504,478	484,742	19,736
Recreation and social services:			
Recreation	122,021	115,982	6,039
Social services	13,800	13,800	-
Library	8,500	4,928	3,572
Jackson Beach	2,576	943	1,633
Total recreation and social services	146,897	135,653	11,244
Unclassified:			
Economic development	87,099	101,024	(13,925)
County tax	513,194	513,194	-
General assistance	30,000	9,666	20,334
Tax increment financing	134,058	122,747	11,311
Wireless	110,000	110,000	-
Municipal unemployment	2,500	451	2,049
Legal liability	-	110	(110)
Planning and maintenance	-	11,587	(11,587)
Credit reserve	-	39	(39)
Fire and rescue consolidation	-	11	(11)
2014 Bicentennial Celebration	15,000	1,001	13,999
Overlay/abatements	-	18,043	(18,043)
Total unclassified	891,851	887,873	3,978

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

	2013		Variance positive (negative)
	Budget	Actual	
Expenditures, continued:			
Education:			
Regular instruction	\$ 4,861,963	4,604,434	257,529
Special education instruction	1,612,110	1,467,797	144,313
Career and technical education	154,846	154,846	-
Other instruction	589,261	351,754	237,507
Student and staff support	1,221,646	1,076,575	145,071
System administration	339,827	323,366	16,461
School administration	616,850	598,181	18,669
Transportation	600,466	491,658	108,808
Facilities maintenance	1,543,798	1,198,185	345,613
Debt service	937,609	937,608	1
Total education	12,478,376	11,204,404	1,273,972
Capital expenditures:			
Police equipment	-	8,701	(8,701)
Fire equipment	53,286	113	53,173
Land acquisition	1,500	9	1,491
Technology	500	9	491
Total capital expenditures	55,286	8,832	46,454
Debt service - Town only:			
Principal	308,192	308,192	-
Interest	40,773	40,094	679
Total debt service - Town	348,965	348,286	679
Total expenditures	16,757,514	15,158,515	1,598,999
Excess (deficiency) of revenues over (under) expenditures	(1,090,432)	1,045,832	2,136,264

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

	2013		Variance positive (negative)
	Budget	Actual	
Other financing sources (uses):			
Utilization of prior year surplus - School	\$ 1,023,729	-	(1,023,729)
Utilization of prior year surplus - Town	291,000	-	(291,000)
Transfers out:			
Transfer to capital project funds	(187,747)	(187,747)	-
Transfer to special revenue funds	(36,550)	(35,000)	1,550
Total other financing sources (uses)	1,090,432	(222,747)	(1,313,179)
Net change in fund balances, budgetary basis	-	823,085	823,085
Fund balance, beginning of year (budgetary basis)		6,802,380	
Fund balance, end of year (budgetary basis)		7,625,465	
Reconciliation to GAAP:			
Less accrued summer salaries		(795,583)	
Fund balance, end of year (GAAP basis)		\$ 6,829,882	

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2013

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 21,063	-	7,927	28,990
Investments	23,890	1,053,883	-	1,077,773
Accounts receivable	249,432	-	-	249,432
Inventory	8,071	-	-	8,071
Interfund loans receivable	33,274	-	-	33,274
Total assets	\$ 335,730	1,053,883	7,927	1,397,540
LIABILITIES				
Accounts payable	18,444	-	-	18,444
Accrued payroll	553	-	-	553
Interfund loans payable	250,426	6,250	-	256,676
Total liabilities	269,423	6,250	-	275,673
FUND BALANCES				
Nonspendable:				
Inventory	8,071	-	-	8,071
Nonexpendable principal	-	-	7,785	7,785
Restricted	73,270	-	142	73,412
Assigned	-	1,047,633	-	1,047,633
Unassigned	(15,034)	-	-	(15,034)
Total fund balances	66,307	1,047,633	7,927	1,121,867
Total liabilities and fund balances	\$ 335,730	1,053,883	7,927	1,397,540

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2013

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 555,029	-	-	555,029
Investment income	216	10,003	40	10,259
Other	297,590	500	-	298,090
Total revenues	852,835	10,503	40	863,378
Expenditures:				
Current:				
Grants and other special uses	841,015	-	-	841,015
Capital outlay	29,644	40,959	-	70,603
Total expenditures	870,659	40,959	-	911,618
Excess (deficiency) of revenues over (under) expenditures	(17,824)	(30,456)	40	(48,240)
Other financing sources:				
Transfer from other funds	35,000	112,747	-	147,747
Total other financing sources	35,000	112,747	-	147,747
Net change in fund balances	17,176	82,291	40	99,507
Fund balances, beginning of year	49,131	965,342	7,887	1,022,360
Fund balances, end of year	\$ 66,307	1,047,633	7,927	1,121,867

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, 2013

		Adult Education	ARRA Education Jobs	Title IIA	Rural Grant	Title 1A	Local Entitlement	Pre-K Local Entitlement	ARRA MARTI
ASSETS									
Cash and cash equivalents	\$	-	-	-	-	-	-	-	-
Investments		-	-	-	-	-	-	-	-
Accounts receivable		57	-	38,182	-	111,892	86,140	1,340	-
Inventory		-	-	-	-	-	-	-	-
Interfund loans receivable		15,572	-	-	-	-	-	-	250
Total assets	\$	15,629	-	38,182	-	111,892	86,140	1,340	250
LIABILITIES									
Accounts payable		-	-	-	-	-	-	-	-
Accrued payroll		-	-	-	-	-	-	-	-
Interfund loans payable		-	-	38,182	-	111,892	86,140	1,340	-
Total liabilities		-	-	38,182	-	111,892	86,140	1,340	-
FUND BALANCES (DEFICITS)									
Nonspendable:									
Inventory		-	-	-	-	-	-	-	-
Restricted		15,629	-	-	-	-	-	-	250
Unassigned		-	-	-	-	-	-	-	-
Total fund balances (deficits)		15,629	-	-	-	-	-	-	250
Total liabilities and fund balances	\$	15,629	-	38,182	-	111,892	86,140	1,340	250

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

	Ticket to Ride Grant	School Lunch Fund	Comp. Grant	Library Grant	Indian Fire Pumps	MMA Wellness Grant	Trail Grant	FEMA Radio Grant
ASSETS								
Cash and cash equivalents	\$ -	3,628	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	9,516	-	-	-	-	-	-
Inventory	-	8,071	-	-	-	-	-	-
Interfund loans receivable	568	-	7,550	6,056	-	-	-	-
Total assets	\$ 568	21,215	7,550	6,056	-	-	-	-
LIABILITIES								
Accounts payable	-	18,444	-	-	-	-	-	-
Accrued payroll	-	553	-	-	-	-	-	-
Interfund loans payable	-	5,902	-	-	3,279	-	-	-
Total liabilities	-	24,899	-	-	3,279	-	-	-
FUND BALANCES (DEFICITS)								
Nonspendable:								
Inventory	-	8,071	-	-	-	-	-	-
Restricted	568	-	7,550	6,056	-	-	-	-
Unassigned	-	(11,755)	-	-	(3,279)	-	-	-
Total fund balances (deficits)	568	(3,684)	7,550	6,056	(3,279)	-	-	-
Total liabilities and fund balances	\$ 568	21,215	7,550	6,056	-	-	-	-

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2013

		Maine Forest						
		Service	MMA	Cemetery	Veterans	Medical	Athletic	
		Grants	Grants	Reserve	Park	Reimb.	Complex	Totals
ASSETS								
Cash and cash equivalents	\$	-	-	-	4,218	3,261	9,956	21,063
Investments		-	-	23,890	-	-	-	23,890
Accounts receivable		-	2,305	-	-	-	-	249,432
Inventory		-	-	-	-	-	-	8,071
Interfund loans receivable		3,278	-	-	-	-	-	33,274
Total assets	\$	3,278	2,305	23,890	4,218	3,261	9,956	335,730
LIABILITIES								
Accounts payable		-	-	-	-	-	-	18,444
Accrued payroll		-	-	-	-	-	-	553
Interfund loans payable		-	2,261	-	-	1,430	-	250,426
Total liabilities		-	2,261	-	-	1,430	-	269,423
FUND BALANCES (DEFICITS)								
Nonspendable:								
Inventory		-	-	-	-	-	-	8,071
Restricted		3,278	44	23,890	4,218	1,831	9,956	73,270
Unassigned		-	-	-	-	-	-	(15,034)
Total fund balances (deficits)		3,278	44	23,890	4,218	1,831	9,956	66,307
Total liabilities and fund balances	\$	3,278	2,305	23,890	4,218	3,261	9,956	335,730

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2013

	Adult Education	ARRA Education Jobs	Title IIA	Rural Grant	Title 1A	Local Entitlement	Pre-K Local Entitlement	ARRA MARTI
Revenues:								
Intergovernmental	\$ 8,940	13,303	59,009	14,341	123,894	183,496	2,536	250
Other	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Total revenues	8,940	13,303	59,009	14,341	123,894	183,496	2,536	250
Expenditures:								
Current:								
Grants and other special uses	14,394	13,303	59,009	14,341	123,894	183,496	2,536	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	14,394	13,303	59,009	14,341	123,894	183,496	2,536	-
Excess (deficiency) of revenues over (under) expenditures	(5,454)	-	-	-	-	-	-	250
Other financing sources:								
Transfer from other funds	6,500	-	-	-	-	-	-	-
Total other financing sources	6,500	-	-	-	-	-	-	-
Net change in fund balances	1,046	-	-	-	-	-	-	250
Fund balances (deficits), beginning of year	14,583	-	-	-	-	-	-	-
Fund balances (deficits), end of year	\$ 15,629	-	-	-	-	-	-	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, 2013

	Ticket to Ride Grant	School Lunch Fund	Comp. Grant	Library Grant	Indian Fire Pumps	MMA Wellness Grant	Trail Grant	FEMA Radio Grant
Revenues:								
Intergovernmental	\$ 678	131,596	-	-	-	-	12,167	21
Other	-	252,005	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-
Total revenues	678	383,601	-	-	-	-	12,167	21
Expenditures:								
Current:								
Grants and other special uses	110	404,006	-	-	3,279	121	7,391	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	110	404,006	-	-	3,279	121	7,391	-
Excess (deficiency) of revenues over (under) expenditures	568	(20,405)	-	-	(3,279)	(121)	4,776	21
Other financing sources:								
Transfer from other funds	-	20,000	-	-	-	-	-	-
Total other financing sources	-	20,000	-	-	-	-	-	-
Net change in fund balances	568	(405)	-	-	(3,279)	(121)	4,776	21
Fund balances (deficits), beginning of year	-	(3,279)	7,550	6,056	-	121	(4,776)	(21)
Fund balances (deficits), end of year	\$ 568	(3,684)	7,550	6,056	(3,279)	-	-	-

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2013

		Maine Forest Service Grants	MMA Grants	Cemetery Reserve	Veterans Park	Medical Reimb.	Athletic Complex	Totals
Revenues:								
Intergovernmental	\$	4,798	-	-	-	-	-	555,029
Other		-	6,123	1,200	1,833	8,129	28,300	297,590
Investment income		-	-	192	3	2	19	216
Total revenues		4,798	6,123	1,392	1,836	8,131	28,319	852,835
Expenditures:								
Current:								
Grants and other special uses		1,520	6,079	-	-	7,536	-	841,015
Capital outlay		-	-	2,999	407	-	26,238	29,644
Total expenditures		1,520	6,079	2,999	407	7,536	26,238	870,659
Excess (deficiency) of revenues over (under) expenditures		3,278	44	(1,607)	1,429	595	2,081	(17,824)
Other financing sources:								
Transfer from other funds		-	-	8,500	-	-	-	35,000
Total other financing sources		-	-	8,500	-	-	-	35,000
Net change in fund balances		3,278	44	6,893	1,429	595	2,081	17,176
Fund balances (deficits), beginning of year		-	-	16,997	2,789	1,236	7,875	49,131
Fund balances (deficits), end of year	\$	3,278	44	23,890	4,218	1,831	9,956	66,307

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, 2013

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Totals
ASSETS						
Investments	\$ 149,089	324,065	21,944	512,761	46,024	1,053,883
Total assets	\$ 149,089	324,065	21,944	512,761	46,024	1,053,883
LIABILITIES						
Interfund loans payable	-	1,750	-	4,500	-	6,250
Total liabilities	-	1,750	-	4,500	-	6,250
FUND BALANCES						
Assigned	149,089	322,315	21,944	508,261	46,024	1,047,633
Total fund balances	149,089	322,315	21,944	508,261	46,024	1,047,633
Total liabilities and fund balances	\$ 149,089	324,065	21,944	512,761	46,024	1,053,883

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the year ended June 30, 2013

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Totals
Revenues:						
Other	\$ -	-	-	500	-	500
Investment income	772	1,712	106	7,201	212	10,003
Total revenues	772	1,712	106	7,701	212	10,503
Expenditures:						
Capital outlay	37,152	1,918	11	266	1,612	40,959
Total expenditures	37,152	1,918	11	266	1,612	40,959
Excess (deficiency) of revenues over (under) expenditures	(36,380)	(206)	95	7,435	(1,400)	(30,456)
Other financing sources:						
Transfer from other funds	42,254	22,444	5,000	33,049	10,000	112,747
Total other financing sources	42,254	22,444	5,000	33,049	10,000	112,747
Net change in fund balances	5,874	22,238	5,095	40,484	8,600	82,291
Fund balances, beginning of year	143,215	300,077	16,849	467,777	37,424	965,342
Fund balances, end of year	\$ 149,089	322,315	21,944	508,261	46,024	1,047,633

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, 2013

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 6,850	1,077	7,927
Total assets	\$ 6,850	1,077	7,927
LIABILITIES			
Interfund loans payable	-	-	-
Total liabilities	-	-	-
FUND BALANCES			
Nonspendable			
Nonexpendable principal	6,785	1,000	7,785
Restricted	65	77	142
Total fund balances	6,850	1,077	7,927
Total liabilities and fund balances	\$ 6,850	1,077	7,927

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2013

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 39	1	40
Total revenues	39	1	40
Expenditures:			
Current:			
Other	-	-	-
Total expenditures	-	-	-
Net change in fund balances	39	1	40
Fund balances, beginning of year	6,811	1,076	7,887
Fund balances, end of year	\$ 6,850	1,077	7,927

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, 2013

	2013		Variance positive (negative)
	Budget	Actual	
Revenues:			
State education subsidy	\$ 5,462,197	5,384,925	(77,272)
State agency client	72,000	89,980	17,980
Tuition and fees	1,600,000	1,520,468	(79,532)
Medicaid reimbursements	5,000	10,051	5,051
Other revenues	390,000	541,407	151,407
Total revenues	7,529,197	7,546,831	17,634
Expenditures:			
Regular instruction	4,861,963	4,604,434	257,529
Special education instruction	1,612,110	1,467,797	144,313
Career and technical education	154,846	154,846	-
Other instruction	589,261	351,754	237,507
Student and staff support	1,221,646	1,076,575	145,071
System administration	339,827	323,366	16,461
School administration	616,850	598,181	18,669
Transportation	600,466	491,658	108,808
Facilities maintenance	1,543,798	1,198,185	345,613
Debt service	937,609	937,608	1
Total expenditures	12,478,376	11,204,404	1,273,972
Other financing sources (uses):			
Town appropriation	3,945,450	3,945,450	-
Utilization of prior year surplus	1,023,729	-	(1,023,729)
Transfer to school lunch program	(20,000)	(20,000)	-
Total other financing sources	4,949,179	3,925,450	(1,023,729)
Net change in fund balance	-	267,877	267,877
Fund balance, beginning of year (budgetary basis)		3,179,036	
Fund balance, end of year (budgetary basis)		3,446,913	
Reconciliation to GAAP:			
Less accrued summer salaries		(795,583)	
Fund balance, end of year (GAAP basis)	\$	2,651,330	

