

TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2010

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Certified Public Accountants and Business Consultants

Independent Auditor's Report

Town Council
Town of Hermon, Maine:

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, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Hermon, Maine's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report December 23, 2010, on our consideration of the Town of Hermon, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hermon, Maine's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



December 23, 2010
South Portland, Maine



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 23, 2010

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2010. 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 in Hermon has created a continual increase to the Town value and allowed the Town to maintain a mil rate below surrounding 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 while 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.

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

- The total net assets of the Town of Hermon were \$16,363,599, an increase of \$709,112 when compared to the beginning net asset figure for year ending June 30, 2009 of \$15,654,487.
- The Town's amortized debt decreased by \$75,595 for a total of \$7,721,686. This small decrease is due to the issuance of the Billings Road Bond of \$900,000 while some other debt was retired.
- The undesignated fund balance as reported in the Town's comparative balance sheets increased by \$867,944 to a total of \$3,937,179. \$388,349 of this increase is attributed to the decrease in designated fund balance from \$2,103,267 as June 30, 2009 to \$1,714,918 as of June 30, 2010.
- The Town of Hermon has a fund balance policy that sets 8.33% of yearly appropriations as a minimum, 16.66% as a target, and 25% as a maximum with any funds over that amount being transferred to reserves. General Fund, undesignated fund balance as of June 30, 2010 was \$3,937,179 or 24.49% (as compared to expenses of \$16,074,741). Pursuant to the policy, Hermon's fund balance does exceed the target of 16.66% but is not over the maximum 25%.

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 analysis 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 assets is used to express the financial data required for the government-wide financials. This shows the total assets which now include land, buildings, inventory, and other capital assets. These are then reduced by the liabilities which now include total bonds and leases due over their entire lives. The result is the net assets 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, 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. The only business type activity in Hermon is the recreation enterprise.

Fund Financial Statements

The Town segregates accounts into three basic funds. Each fund 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 funds for the Town are General Fund (Primary Fund), Capital Projects Fund (Reserves), and Other Governmental Funds (Trusts and Special Revenue).

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 exhibit is provided to show budgeted amounts as compared to the actual activity. This information is useful to determine future budgets and community planning.

Capital Projects Fund

Capital Projects 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 specific trusts, School lunch, and special revenues. 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 26-39.

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 required supplementary information.

GOVERNMENT-WIDE ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$16,234,179 as of June 30, 2010.

Net Assets for the Period Ending June 30, 2010

The current year's financial statements show a change in asset classes, with a decrease of liabilities that net a 4.5% increase to total net assets. The overall reason for these changes are the completion of the Town Office renovation, other added equipment assets added, debt being paid down even with the Billings Road Bond being added to the debt service, and having more cash on hand/investments at 6/30/10.

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

	<u>Governmental Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>
ASSETS				
Cash & cash equivalents	\$ 519,924	\$ 828,348	(308,424)	-37.2%
Investments	8,625,430	7,176,671	1,448,759	20.2%
Other assets	567,498	1,003,286	(435,788)	-43.4%
Capital assets, net	15,361,292	15,483,544	(122,252)	-0.8%
Total Assets	25,074,144	24,491,849	582,295	2.3%
LIABILITIES				
Long-term debt due w/in 1 year	1,128,788	1,032,122	96,666	9.4%
Long-term debt due in more than 1 year	6,759,229	6,866,239	(107,010)	-1.6%
Other liabilities	951,948	1,082,724	(130,776)	-12.1%
Total Liabilities	8,839,965	8,981,085	(141,120)	-1.6%
NET ASSETS				
Invested In:				
Invested in capital assets, net of related debt	7,473,275	7,585,183	(111,908)	-1.5%
Restricted for:				
Nonexpendable trust principal	7,839	7,932	(93)	-1.2%
Unrestricted	8,753,065	7,917,649	835,416	10.6%
Total Net Assets	\$ 16,234,179	15,510,764	723,415	4.7%

The following table presents a summary of the Statement of Net Activities for the fiscal year ended June 30, 2010.

	<u>Governmental Activities</u>			
	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Program Revenues				
Charges for services	\$ 2,651,580	\$ 2,537,226	114,354	4.5%
Operating grants & contributions	7,993,886	7,590,079	403,807	5.3%
Capital grants & contributions	16,699	22,140	(5,441)	-24.6%
General revenues				
Property taxes	4,642,503	4,626,528	15,975	0.3%
Excise taxes	2,011,907	2,016,327	(4,420)	-0.2%
Interest and costs on taxes	32,353	19,463	12,890	66.2%
Grants and contributions not restricted				
State Revenue Sharing	243,916	366,288	(122,372)	-33.4%
Homestead exemption	117,029	109,756	7,273	6.6%
Other intergovernmental revenues	162,352	66,314	96,038	144.8%
Investment earnings	43,595	146,376	(102,781)	-70.2%
Disposal of property	-	(6,785)	6,785	-100.0%
Miscellaneous	120,562	78,204	42,358	54.2%
Total revenues:	18,036,382	17,571,916	464,466	2.6%
Expenses				
General government	690,198	690,266	(68)	0.0%
Public safety	690,497	648,209	42,288	6.5%
Public works	1,695,954	1,075,489	620,465	57.7%
Solid waste	470,727	474,930	(4,203)	-0.9%
Recreational and social services	175,487	182,461	(6,974)	-3.8%
Education	11,252,731	11,717,581	(464,850)	-4.0%
Unclassified	847,766	776,605	71,161	9.2%
Grants and other special uses	1,262,042	979,505	282,537	28.8%
Special projects	1,943	33,309	(31,366)	-94.2%
Other	51,552	102,417	(50,865)	-49.7%
Interest on debt	57,865	38,147	19,718	51.7%
Capital maintenance expenses	116,205	60,639	55,566	91.6%
Total expenses:	17,312,967	16,779,558	533,409	3.2%
Increase (decrease) in net assets:	\$ 723,415	\$ 792,358	\$ (68,943)	-8.7%

Comparatives of revenues identify a few key changes. First, State Revenue Sharing has dropped significantly. Second is loss of interest on investment revenue. Both are connected to the economy. As shown above, since there are certain revenues in decline special projects and other expenses are also decreasing. There was also a slight drop of excise revenue which is starting to level off. Public works expenses were up considerably due to the Billings Road improvement project. 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, its total governmental funds reported a combined fund balance of \$8,399,779, \$821,789 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:

Expenditures exceeded revenues of all governmental funds by \$329,164. Expenditures exceeded revenues in the general fund by \$292,398. The deficiency is related to a decrease in excise taxes, State revenue sharing, interest on investments, and the cost of the Billings Road improvement project.

Other financing sources resulted in gain of \$250,953 plus a bond issuance of \$900,000. The net gain is attributed to the lease of a School bus, lease of copiers, and the lease of a backhoe. One of the other larger expenses showing up is the Billings Road improvement project but this partly covered financially with an issuance of the bond.

The deficiency of \$329,164 is only off set by the gain of \$250,953 and \$900,000 results in the overall net change to all governmental funds of a gain of \$821,789.

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2009. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			Percent Change
	2010	2009	Change	
Revenues				
Property taxes	\$ 4,605,304	\$ 4,626,528	\$ (21,224)	-0.5%
Excise taxes	2,011,907	2,016,327	(4,420)	-0.2%
Interest on taxes	32,353	19,463	12,890	66.2%
State Revenue Sharing	243,916	366,288	(122,372)	-33.4%
Homestead exemption	117,029	109,756	7,273	6.6%
State education subsidy	4,670,616	4,545,714	124,902	2.7%
Other intergovernmental revenues	956,687	933,813	22,874	2.4%
Licenses and permits	49,270	42,113	7,157	17.0%
Charges for services	2,358,251	2,229,197	129,054	5.8%
Interest earned	19,292	39,484	(20,192)	-51.1%
Miscellaneous	593,850	518,832	75,018	14.5%
Total revenues:	15,658,475	15,447,515	210,960	1.4%
Expenditures				
General government	666,629	659,671	6,958	1.0%
Public safety	621,112	602,188	18,924	3.0%
Public works	1,692,008	1,054,381	637,627	37.7%
Solid waste	470,147	474,930	(4,783)	-1.0%
Recreational and social services	175,487	182,461	(6,974)	-4.0%
Unclassified	834,051	762,877	71,174	8.5%
Education	10,987,940	10,996,230	(8,290)	-0.1%
Special projects	113,187	33,309	79,878	70.6%
Debt service	128,878	132,678	(3,800)	-2.9%
Total expenditures:	15,689,439	14,898,725	790,714	5.0%
Excess (deficiency) of revenues over (under) expenditures	\$ (30,964)	\$ 548,790	\$ (579,754)	-105.6%

Overall, in 2010 expenses exceeded revenues by \$30,964. This is down by \$579,754, which continues a good trend of having expenditures closer to revenues; however, losses to excise, revenue sharing, and interest income revenues show a bad trend. The loss of these revenues with no gains will result in very tough budgets in the future since the Town of Hermon heavily depends on excise taxes. There was a projected decrease of education funding, but this year actually exceeded the prior year. Without significant savings to expenses an increase in property tax will be the only remaining revenue source.

Capital Asset and Debt Administration

	Balance 6/30/2009	Additions	Deletions	Balance 6/30/2010
Governmental Activities				
Land	\$ 33,600	-	-	33,600
Total assets not being depreciated	33,600	-	-	33,600
 Buildings and improvements	 19,155,625	 120,577	 -	 19,276,202
Equipment, furniture, and fixtures	1,440,881	359,340	-	1,800,221
Vehicles	1,801,146	150,761	-	1,951,907
Total assets being depreciated	22,397,652	630,678	-	23,028,330
 Total depreciation	 (6,947,708)	 (752,930)	 -	 (7,700,638)
 Total capital assets, net	 \$ 15,483,544	 \$ (122,252)	 \$ -	 \$ 15,361,292

Additional information on the Town's capital assets can be found in the notes to the financial statements on page 33.

Debt Administration

The Town's debt consists of seven bonds and several capital leases. A summary of the Town's debt activity for the year ended June 30, 2010 is as follows:

Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities					
Bonds payable	\$ 7,797,281	900,000	975,595	7,721,686	1,054,675
Capital leases payable	101,080	250,953	185,702	166,331	74,113
Accrued compensated absences	52,940	4,778	-	57,718	-
Governmental activities long-term liabilities	\$ 7,951,301	1,155,731	1,161,297	7,945,735	1,128,788

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

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

The following is an excerpt from the Budget Summary and Analysis which is prepared every spring at the end of the budget process. Please view the full document for a more detailed report.

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 budget and it comes from two sources - real estate and personal property taxes. This year we need \$5,226,657 compared to last year's \$4,835,747. Last year overlay was \$105,000 and this year it is \$60,000. This is an increase of \$390,910 or 8% compared to last year. The numbers you need to be reminded of is that the State required the School to raise \$454,412 more for Schools which means the budget was able to lessen the impact of this requirement. The projected mill rate of 11.95 is estimated until the Town value is set based upon assessing information. In the declining economy many people feel that house values are dropping. However, local assessing information and sales analysis indicates 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 2010-11 budget from the 2009-10. These points are only the highlights and serve to summarize changes to the overall budget rather than provide an explanation to every adjustment to the budget.

- General Government is facing an increase of \$26,117 or 3.9%. The largest issue in this department was health insurance. This line by itself is up almost \$30,000 even though the Town is funding a less costly plan three eligible employees have opted for coverage, without the savings the increase would have been even greater. In fact, the lesser plan saved the Town \$25,000 before new enrollments. Besides this change the department is basically flat funded with adjustments to costs for wages, insurance, and licenses.
- The Economic Development budget is up only 2.0%. The promotional budget for development is up \$4,168 to become more aggressive in business attraction. A reminder is that last year the Council adopted a plan to fund Economic Development with the use of TIF proceeds, so \$71,582 of the \$85,020 development budget comes from a reserve created by captured revenue from new development. The technology side remains at \$187,000, a 0% change.
- Public Safety, which encompasses Police, Fire, Animal Control, and traffic lights, is increasing by 3.3% or \$21,665. The Police and Fire Divisions are flat funded. Fire appears to be down 2.5% but that is due to moving the building costs in separate part of the Public Safety budget that recognizes the shared cost of these expenses. Fire does have a \$12,000 increase to the Chief's wages in anticipation of the cost to replace Larry Willis upon retirement in November.
- The Public Works Department is decreasing by 10.5% or about \$99,370. This makes a two year reduction of \$194,251. During these tough economic times the one area that most easily lends itself to reduction is paving. The foreman built a plan around increasing the sealing of cracks in pavement that justified the approach. However, long-term, this budget will need to be increased or the community must tolerate worse pavement conditions.

- The Solid Waste budget is decreasing by 1.7% or \$8,673. Tougher economies lead to less spending which reduces trash in the waste stream. Unfortunately this is matched with changes in revenues. Overall, the fixed costs in this department are up as a result of the new curbside trash contract. The contract will cost the Town \$7,000 more than last year.
- Recreation and Social Services is decreasing by 26.3% or \$47,524. Recreation is only down 1%. The reduction is based upon a policy change by the Council to reduce funding to social services. This reduction saves \$46,515.
- Debt Service is up 54.1% or \$126,600. This is a result of a more aggressive repayment plan on Billings Road bonds to retire the debt within 5 years. The short term "pain" of higher payment will save Hermon almost \$100,000 over the life of the loan, which will help in 4 years when the debt is retired.
- Reserves are down \$89,088 or 24.9%. Last years cut of \$100,009 was expected to be a one year reduction but budget constraints required a second year of cuts. As a result the department is down \$189,097 from just 2 years ago.
- Special Assessments includes only County Taxes and TIFs. The Town office project was a one year improvement plan for \$118,000 and that cost has been removed from the budget. County taxes are up 4.1%.
- The School budget can be summarized with the fact that the local contribution is from \$2,680,014 to \$3,134,426, an increase of almost 17% or \$454,412. This increase alone explains the increase to property taxes. The School should be commended for lowering its General Fund budget by \$920,422 to \$11,591,262. However, the increased State share could not be mitigated.
- The Town's revenue is \$3,976,411 for this year. Last year it was \$3,105,016, resulting in a decrease of \$128,605. One concern is that \$176,879 of the revenue is a transfer out of reserves to reduce the operating budget. Neither of these revenue sources will be available next year which puts the 2011-12 budget in a \$176,000 hole before we even begin.

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) 848-3485 or www.hermon.net.

BASIC FINANCIAL STATEMENTS

TOWN OF HERMON, MAINE
Statement of Net Assets
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 519,924	-	519,924
Investments	8,625,430	-	8,625,430
Receivables:			
Taxes receivable - current year	306,874	-	306,874
Taxes receivable - prior year	136,752	-	136,752
Tax liens - prior years	88,337	-	88,337
Tax acquired property	18,498	-	18,498
Accounts receivable	141,428	-	141,428
Internal balances	(129,420)	129,420	-
Inventory	5,029	-	5,029
Nondepreciable capital assets	33,600	-	33,600
Depreciable capital assets, net	15,327,692	-	15,327,692
Total assets	25,074,144	129,420	25,203,564
LIABILITIES			
Accounts payable	74,211	-	74,211
Accrued payroll	679,188	-	679,188
Accrued compensated absences	57,718	-	57,718
Prepaid taxes	2,860	-	2,860
Accrued interest	68,157	-	68,157
Other liabilities	69,814	-	69,814
Noncurrent liabilities:			
Due within one year	1,128,788	-	1,128,788
Due in more than one year	6,759,229	-	6,759,229
Total liabilities	8,839,965	-	8,839,965
NET ASSETS			
Invested in capital assets, net of related debt	7,473,275	-	7,473,275
Restricted for:			
Permanent Funds - Nonexpendable principal	7,839	-	7,839
Unrestricted	8,753,065	129,420	8,882,485
Total net assets	\$ 16,234,179	129,420	16,363,599

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2010

Functions/programs	Net (expense) revenue and changes				
	Program revenues			in net assets	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government Business-type activities
Primary government:					Total
Governmental activities:					
General government	\$ 690,198	49,270	-	-	(640,928)
Public safety	690,497	4,440	-	-	(686,057)
Public works	1,695,954	2,805	-	-	(1,693,149)
Solid waste	470,727	206,630	-	-	(264,097)
Recreational and social services	175,487	-	-	-	(175,487)
Education	11,252,731	2,114,869	6,947,847	-	(2,190,015)
Unclassified	847,766	9,344	33,292	16,699	(788,431)
Grants and other special uses	1,262,042	264,222	1,012,747	-	14,927
Special projects	1,943	-	-	-	(1,943)
Other	51,552	-	-	-	(51,552)
Interest on debt	57,865	-	-	-	(57,865)
Capital maintenance expenses	116,205	-	-	-	(116,205)
Total governmental activities	17,312,967	2,651,580	7,993,886	16,699	(6,650,802)
Business-type activities:					
Recreation department	158,663	144,360	-	-	(14,303)
Total business-type activities	158,663	144,360	-	-	(14,303)
Total primary government	\$ 17,471,630	2,795,940	7,993,886	16,699	(6,665,105)
General revenues:					
Property taxes				4,642,503	4,642,503
Excise taxes				2,011,907	2,011,907
Interest and costs on taxes				32,353	32,353
Grants and contributions not restricted to specific programs:					
State Revenue Sharing				243,916	243,916
Homestead exemption				117,029	117,029
Other intergovernmental revenues				162,352	162,352
Unrestricted investment earnings				43,595	43,595
Miscellaneous revenues				120,562	120,562
Total general revenues				7,374,217	7,374,217
Change in net assets				(14,303)	709,112
Net assets - beginning				15,510,764	15,654,487
Net assets - ending				\$ 16,234,179	16,363,599

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2010

	General	Highway Capital Reserve	Fire Station Reserve	School Capital Reserve	Middle School Improvement	Billings Road	All Nonmajor Funds	Total Governmental Funds
ASSETS								
Cash	\$ 479,743	-	-	-	-	-	40,181	519,924
Investments	6,139,058	146,163	17,043	263,674	-	-	2,059,492	8,625,430
Receivables:								
Taxes receivable - current year	306,874	-	-	-	-	-	-	306,874
Taxes receivable - prior year	136,752	-	-	-	-	-	-	136,752
Tax liens - prior years	88,337	-	-	-	-	-	-	88,337
Tax acquired property	18,498	-	-	-	-	-	-	18,498
Accounts receivable	109,368	-	-	-	-	-	32,060	141,428
Inventory	-	-	-	-	-	-	5,029	5,029
Interfund loans receivable	615,569	-	-	-	154,918	-	87,674	858,161
Total assets	\$ 7,894,199	146,163	17,043	263,674	154,918	-	2,224,436	10,700,433
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	58,954	-	-	-	-	-	15,257	74,211
Accrued payroll	679,188	-	-	-	-	-	-	679,188
Prepaid taxes	2,860	-	-	-	-	-	-	2,860
Interfund loans payable	944,286	-	-	-	-	-	43,295	987,581
Deferred tax revenue	487,000	-	-	-	-	-	-	487,000
Other liabilities	69,814	-	-	-	-	-	-	69,814
Total liabilities	2,242,102	-	-	-	-	-	58,552	2,300,654
Fund balances:								
Reserved for:								
Inventory	-	-	-	-	-	-	5,029	5,029
Nonexpendable principal	-	-	-	-	-	-	7,839	7,839
Unreserved, reported in:								
General fund - designated	1,714,918	-	-	-	-	-	-	1,714,918
General fund - undesignated	3,937,179	-	-	-	-	-	-	3,937,179
Special revenue funds - undesignated	-	-	-	-	-	-	1,219,664	1,219,664
Capital projects - undesignated	-	146,163	17,043	263,674	154,918	-	885,346	1,467,144
Permanent funds - undesignated	-	-	-	-	-	-	48,006	48,006
Total fund balances	5,652,097	146,163	17,043	263,674	154,918	-	2,165,884	8,399,779
Total liabilities and fund balances	\$ 7,894,199	146,163	17,043	263,674	154,918	-	2,224,436	
Amounts reported for governmental activities in the statement of net assets are different because								
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.								
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.								
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								(7,721,686)
Capital leases								(166,331)
Accrued interest								(68,157)
Accrued compensated absences								(57,718)
Net assets of governmental activities								\$ 16,234,179

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2010

	General	Highway Capital Reserve	Fire Station Reserve	School Capital Reserve	Middle School Improvement	Billings Road	All Nonmajor Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 6,649,564	-	-	-	-	-	-	6,649,564
Intergovernmental	5,988,248	-	-	-	-	-	1,005,297	6,993,545
Maine PERS on-behalf payments	945,993	-	-	-	-	-	-	945,993
Licenses and permits	49,270	-	-	-	-	-	-	49,270
Charges for services	2,358,251	-	-	-	-	-	-	2,358,251
Investment income	19,292	2,790	120	2,288	-	-	19,105	43,595
Other	593,850	-	-	-	-	-	365,115	958,965
Total revenues	16,604,468	2,790	120	2,288	-	-	1,389,517	17,999,183
Expenditures:								
Current:								
General government	666,629	-	-	-	-	-	-	666,629
Public safety	621,112	-	-	-	-	-	-	621,112
Public works	1,692,008	-	-	-	-	-	-	1,692,008
Solid waste	470,147	-	-	-	-	-	-	470,147
Recreational and social services	175,487	-	-	-	-	-	-	175,487
Education	10,998,421	-	-	-	-	-	-	10,998,421
Unclassified	834,051	-	-	-	-	-	-	834,051
Grants and other special uses	-	-	-	-	-	-	1,262,042	1,262,042
Special projects	113,187	-	-	-	-	-	-	113,187
Other	-	-	-	-	-	-	51,552	51,552
Maine PERS on-behalf payments	945,993	-	-	-	-	-	-	945,993
Debt service	128,878	-	-	-	-	-	-	128,878
Capital outlay	250,953	-	165	-	-	-	117,722	368,840
Total expenditures	16,896,866	-	165	-	-	-	1,431,316	18,328,347
Excess (deficiency) of revenues over (under) expenditures	(292,398)	2,790	(45)	2,288	-	-	(41,799)	(329,164)
Other financing sources (uses):								
Proceeds from capital lease	250,953	-	-	-	-	-	-	250,953
Proceeds from bond issuance	900,000	-	-	-	-	-	-	900,000
Transfers from other funds	6,342	115,000	25,871	-	-	-	244,431	391,644
Transfers to other funds	(385,302)	-	-	-	-	(6,190)	(152)	(391,644)
Total other financing sources (uses)	771,993	115,000	25,871	-	-	(6,190)	244,279	1,150,953
Net change in fund balances	479,595	117,790	25,826	2,288	-	(6,190)	202,480	821,789
Fund balances (deficit), beginning of year	5,172,502	28,373	(8,783)	261,386	154,918	6,190	1,963,404	7,577,990
Fund balances, end of year	\$ 5,652,097	146,163	17,043	263,674	154,918	-	2,165,884	8,399,779

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, 2010

Net change in fund balances - total governmental funds (from Statement 4)	\$	821,789
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 capital outlay (\$630,679) exceeded depreciation expense (\$752,931) in the current period.		
		(122,252)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		37,199
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 (\$4,778) and accrued interest (\$18,887).		
		(23,665)
Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. 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 assets.		
This is the amount by which bond proceeds (\$900,000) exceeded repayments (\$975,595).		
		75,595
This is the amount by which lease proceeds (\$250,953) exceeded repayments (\$185,702).		
		(65,251)
Change in net assets of governmental activities (see Statement 2)	\$	723,415

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the year ended June 30, 2010

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 6,713,201	6,713,201	6,649,564	(63,637)
Intergovernmental	6,054,171	6,054,171	5,988,248	(65,923)
Licenses and permits	43,500	43,500	49,270	5,770
Charges for services	2,098,875	2,098,875	2,358,251	259,376
Interest earned	60,000	60,000	19,292	(40,708)
Other revenues	355,882	355,882	593,850	237,968
Total revenues	15,325,629	15,325,629	15,658,475	332,846
Expenditures:				
Current:				
General government	667,305	667,305	666,629	676
Public safety	649,824	649,824	621,112	28,712
Public works	947,841	1,847,841	1,692,008	155,833
Solid waste	508,819	508,819	470,147	38,672
Recreation and social services	180,667	180,667	175,487	5,180
Unclassified	1,012,431	1,012,431	834,051	178,380
Education	12,344,584	12,344,584	10,987,940	1,356,644
Special projects	118,000	118,000	113,187	4,813
Debt service:				
Principal	194,901	194,901	89,900	105,001
Interest	38,978	38,978	38,978	-
Total expenditures	16,663,350	17,563,350	15,689,439	1,873,911
Deficiency of revenues under expenditures	(1,337,721)	(2,237,721)	(30,964)	2,206,757
Other financing sources (uses):				
Transfers out	(377,891)	(377,891)	(385,302)	(7,411)
Transfers in	-	-	6,342	6,342
Utilization of prior year surplus - School	1,582,612	1,582,612	-	(1,582,612)
Utilization of prior year surplus - Town	133,000	133,000	-	(133,000)
Proceeds from bond issuance	-	900,000	900,000	-
Total other financing sources	1,337,721	2,237,721	521,040	(1,716,681)
Net change in fund balance, budgetary basis	-	-	490,076	490,076
Reconciliation to GAAP:				
Change in accrued summer salaries			(10,481)	
Net change in fund balance, GAAP basis			479,595	
Fund balance, beginning of year			5,172,502	
Fund balance, end of year	\$		5,652,097	

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2010

Business-type Activities - Enterprise Funds		
		Recreation Department
ASSETS		
Current assets:		
Interfund loans receivable	\$	129,420
Total assets		129,420
LIABILITIES		
Current liabilities:		
Accounts payable		-
Total liabilities		-
NET ASSETS		
Unrestricted		129,420
Total net assets	\$	129,420

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the year ended June 30, 2010

Business-type Activities - Enterprise Funds	
	Recreation Department
Operating revenues:	
Charges for services	\$ 144,360
Total operating revenues	144,360
Operating expenses:	
Current:	
Payroll	74,361
Recreation programs	84,302
Total operating expenses	158,663
Operating loss	(14,303)
Total net assets, beginning of year	143,723
Total net assets, end of year	\$ 129,420

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2010

Business-type Activities - Enterprise Funds			Recreation Department
<hr/>			
Cash flows from operating activities:			
Receipts from customers and users	\$	144,360	
Payments to suppliers		(84,302)	
Payments to employees		(74,361)	
Interfund activity		14,303	
Net cash provided by operating activities			-
<hr/>			
Increase (decrease) in cash			-
Cash, beginning of year			-
<hr/>			
Cash, end of year	\$		-
<hr/>			
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	\$	(14,303)	
Adjustments to reconcile operating loss to net cash used in operating activities:			
Decrease in interfund receivables		14,303	
Net cash provided by operating activities			-

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	Agency Funds	Private-purpose Trusts
	Student Activity Funds	School Department Scholarships
ASSETS		
Cash and cash equivalents	\$ 120,434	186,197
Total assets	120,434	186,197
LIABILITIES		
Due to student groups	120,434	-
Total liabilities	120,434	-
NET ASSETS		
Held in trust	\$ -	186,197

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the year ended June 30, 2010

	Private-purpose Trusts
	School Department Scholarships
Additions	\$ 150,812
Deductions	-
Change in net assets	150,812
Net assets, beginning of year	35,385
Net assets, end of year	\$ 186,197

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hermon have been prepared in conformity with U.S. generally accepted accounting standards (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

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

In evaluating how to define the reporting entity, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit was made based on criterion set forth in GAAP. The criterion used defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Application of this criterion and determination of type of presentation involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. Based on the application of these criteria, there were no potential component units required to be included in this report.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Town has elected not to allocate indirect costs among the programs, functions and segments. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues.

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. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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.

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 for property taxes and one year for other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

Those revenues susceptible to accrual are property taxes, interest, and charges for services. Other receipts and taxes become measurable and available when cash is received by the Town and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The Town reports the following major governmental funds:

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

Highway Capital Reserve Fund is used to account for road building and repairs.

Fire Station Reserve Fund is used to account for the building a new fire station.

School Capital Reserve Fund is used to account for major purchases by the school (school bus, telephone system), and building of schools.

Middle School Improvement Fund is used to account for expenses relating to administration, engineering, and construction of an addition and full renovation of Hermon Middle School.

Billings Road Fund is used to account expenses relating to administration, engineering, and construction of a Rural Road Initiative repairing and reconstructing Billings Road from the intersection of Clark and Lewis roads to the intersection of Fuller Road.

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund type:

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Town's Recreation Department fund and the General Fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's proprietary fund 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.

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. 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.

E. 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).

F. Inventory

Inventory in the School Lunch Program consists of food and supplies and is valued at the lower of cost (first-in, first-out basis) and is offset with a reserved 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.

G. Capital Assets

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

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

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

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

H. 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.

I. 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 assets. Bond premiums and discounts, as well as issuance costs 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt is reported as other financing sources. 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.

J. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designated fund balances represent tentative plans for future use of financial resources.

K. 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 reserved at year end.

L. 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.

M. Comparative Data/Reclassifications

Comparative data for the prior year have been presented only for certain funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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 \$945,993. 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 assets at the end of the year.

Through June 30, 2010, the Town did not budget for revenues and expenditures related to summer salaries for teachers on an accrual basis.

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED

B. Deficit Fund Balance

For the year ended June 30, 2010, the following fund had a deficit fund balances:

Municipal Unemployment	\$ 5,265
FEMA Radio Grant	21
Veterans Memorial	15

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, 2010, the Town reported deposits of \$826,555 with a bank balance of \$1,339,597. Of the Town's bank balances of \$1,339,597, 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.

Deposits have been reported as follows:

Reported in governmental funds	\$ 519,924
Reported in fiduciary funds	<u>306,631</u>
Total deposits	<u>\$ 826,555</u>

B. Investments

At June 30, 2010, 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	\$ 869,560	356,227	513,333	-
Mutual funds	3,650,807	NA		
Repurchase agreements	4,105,063	4,105,063	-	-
Total investments	<u>\$ 8,625,430</u>	<u>4,461,290</u>	<u>513,333</u>	<u>-</u>

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

CASH AND INVESTMENTS, CONTINUED

Investments have been reported as follows:

Reported in Governmental Funds	\$8,625,430
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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.

Custodial Credit Risk-Town's investments: For investments, custodial credit risk is the risk that, in the event of failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$4,105,063 investment in repurchase agreements, 100% was subject to custodial credit risk because it was collateralized by underlying securities held by the related bank, which were not in the Town's name.

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 October 6, 2009, on the assessed value listed as of April 1, 2009, for all real and personal property located in the Town. Payment of taxes was due on May 10, 2010. Interest at the rate of 9% per annum was charged on any amounts remaining unpaid after this date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$105,000 for the period ended June 30, 2010.

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

Property taxes levied during the year ended were recorded as receivables at the time the levy was made. The receivables collected during the year ended 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.

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

PROPERTY TAX, CONTINUED

The following summarizes the period ended June 30, 2010 levy:

	<u>2010</u>
Assessed value	\$421,523,400
Tax rate (per \$1,000)	11.00
Commitment (includes Homestead)	4,636,757
Supplemental taxes assessed	5,745
	4,642,502
Less:	
Collections and abatements	4,335,628
Receivable at June 30	<u>\$ 306,874</u>
Due date	May 10, 2010
Interest rate on delinquent taxes	11%
Collection rate	93.39%

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, <u>2009</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2010</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,600	-	-	33,600
Total capital assets, not being depreciated	33,600	-	-	33,600
Capital assets, being depreciated:				
Buildings and building improvements	19,155,625	120,577	-	19,276,202
Equipment, furniture and fixtures	1,440,881	359,341	-	1,800,222
Vehicles	1,801,146	150,761	-	1,951,907
Total capital assets being depreciated	22,397,652	630,679	-	23,028,331
Less accumulated depreciation for:				
Buildings and building improvements	5,129,405	502,018	-	5,631,423
Equipment, furniture and fixtures	764,851	143,110	-	907,961
Vehicles	1,053,452	107,803	-	1,161,255
Total accumulated depreciation	6,947,708	752,931		7,700,639
Total capital assets being depreciated, net	15,449,944	(122,252)	-	15,327,692
Governmental activities capital assets, net	<u>\$ 15,483,544</u>	<u>(122,252)</u>	-	<u>15,361,292</u>

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

CAPITAL ASSETS, CONTINUED

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

Governmental activities:	
General government	\$ 21,458
Public safety	69,385
Public Works	25,629
Education	622,743
Unclassified	13,716

Total depreciation expense – governmental activities	\$ 752,931
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INTERFUND BALANCES

Individual interfund receivables and payables at June 30, 2010, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
General Fund	\$ 615,569	944,286
Middle School Improvement	154,918	-
Nonmajor special revenue funds:		
Adult Education	5,230	-
ARRA Title IID	3,034	-
Title 1A	-	22,676
ARRA Title 1A	-	1,466
ARRA Local Entitlement	22,668	-
Local Entitlement	19,070	-
Reading First	1,553	-
ARRA Stimulus	16,260	-
Pre-K Local Entitlement	-	225
Stephen King Turn Out Grant	740	-
Trail Grant	1,033	-
Arts and Humanities	1,036	-
PSIC Grant	-	2,950
FEMA Radio Grant	-	21
Municipal Unemployment	-	5,393
School Repair Reserve	5,000	-
Comp Grant	7,550	-
Planning and Maintenance	4,500	-
School Lunch Fund	-	5,990
Total nonmajor special revenue funds	87,674	38,721

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

INTERFUND BALANCES, CONTINUED

Nonmajor capital project funds:		
Sewer Maintenance	\$ -	4,500
Nonmajor Permanent Funds:		
Veterans Memorial	-	74
Enterprise Fund:		
Recreation Department	129,420	-
Totals	\$ 987,581	987,581

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.

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2010 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
General Fund	\$ 6,342	385,302
Highway Capital Reserve	115,000	-
Fire Station Reserve	25,871	-
Billings Road	-	6,190
Nonmajor special revenue funds:		
Adult Education	\$ 6,540	-
Public Land Acquisition	17,000	-
Municipal Unemployment	2,000	-
Fire Equipment	52,672	-
Economic Development	10,000	-
Technology Reserve	5,000	-
Photocopy Reserve	-	152
Fire & Rescue Reserve	30,000	-
School Lunch Fund	20,000	-
Total nonmajor special revenue funds	143,212	152

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

INTERFUND TRANSFERS, CONTINUED

Nonmajor capital project funds:		
Public Works Facilities	\$ 38,057	-
Recreation Facilities	20,000	-
Sewer Maintenance	43,162	-
<u>Total nonmajor capital project funds</u>	<u>101,219</u>	<u>-</u>
 Totals	 \$ 391,644	 391,644

These transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2010 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 7,797,281	900,000	975,595	7,721,686	1,054,675
Capital leases payable	101,080	250,953	185,702	166,331	74,113
Accrued compensated absences	52,940	4,778	-	57,718	-
Governmental activities					
<u>long-term liabilities</u>	<u>\$ 7,951,301</u>	<u>1,155,731</u>	<u>1,161,297</u>	<u>7,945,735</u>	<u>1,128,788</u>

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

LONG-TERM DEBT

Bonds and Notes Payable

Long-term debt payable at June 30, 2010 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	809,100
2001 School construction	400,000	3.07-4.20%	2012	80,000
2001 School construction	1,000,000	0%	2011	40,380
2003 School construction	6,325,000	2.50-3.70%	2014	2,360,000
2005 School construction	3,879,000	3.88%-4.00%	2020	3,320,000
2007 School construction	953,604(a)	0%	2017	212,206
2009 Billings Road Improvement	900,000	3.75%	2015	900,000
Total				<u>\$ 7,721,686</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>Principal</u>	<u>Interest</u>	<u>Total</u> <u>debt service</u>
2011	\$ 1,054,675	268,956	1,323,631
2012	1,128,911	228,504	1,357,415
2013	1,095,221	190,674	1,285,895
2014	1,091,815	152,439	1,244,254
2015	680,833	119,788	800,621
2016-2020	2,670,231	267,716	2,937,947
Totals	<u>\$ 7,721,686</u>	<u>1,228,077</u>	<u>8,949,763</u>

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

CAPITAL LEASES

The Town has entered into lease agreements as lessee for the financing of school buses, photocopiers, a backhoe and a tractor. This obligation has 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, 2010:

School buses (3)	\$ 231,930
Tractor	25,021
Photocopier (Town)	12,740
Backhoe	84,825

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, 2010:

Fiscal year ending June 30,	
2011	\$ 79,667
2012	54,619
2013	21,143
2014	<u>21,143</u>
Total minimum lease payments	176,572
Less amounts representing interest	<u>10,241</u>
Present value of future minimum	
Lease payments	<u>\$ 166,331</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, 2010, 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, 2010.

TOWN OF HERMON, MAINE
Notes to Financial Statements, Continued

DESIGNATED FUND BALANCES

At June 30, 2010, portions of the General Fund fund balance were designated to future periods as follows:

Town:

Reappropriated to the 2011 budget	\$ 28,000
Billings Road	245,000
Fuel tank	17,950
<u>Total Town</u>	<u>290,950</u>

School:

Reappropriated to the 2011 budget	869,686
Tax stabilization	554,282
<u>Total School</u>	<u>1,423,968</u>

<u>Total designated fund balance</u>	<u>\$ 1,714,918</u>
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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 \$945,993 (17.78%) for the fiscal year 2010. 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 17.78% of their compensation. This cost is charged to the applicable grant.

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.

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
Comparative Balance Sheets - General Fund
June 30, 2010 and 2009

	2010	2009
ASSETS		
Cash and cash equivalents	\$ 479,743	775,829
Investments	6,139,058	4,283,357
Receivables:		
Taxes receivable - current year	306,874	322,802
Taxes receivable - prior years	136,752	148,555
Tax liens - prior years	88,337	94,740
Tax acquired property	18,498	21,044
Accounts receivable	109,368	436,911
Interfund loans receivable	615,569	1,144,406
Total assets	\$ 7,894,199	7,227,644
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable	58,954	126,720
Accrued payroll	679,188	656,478
Prepaid taxes	2,860	9,014
Interfund loans payable	944,286	735,658
Deferred tax revenue	487,000	449,801
Other liabilities	69,814	77,471
Total liabilities	2,242,102	2,055,142
Fund balance:		
Unreserved:		
Designated - Town	290,950	28,000
Designated - School	1,423,968	2,075,267
Undesignated - Town	3,439,621	3,679,484
Undesignated - School	497,558	(610,249)
Total fund balance	5,652,097	5,172,502
Total liabilities and fund balance	\$ 7,894,199	7,227,644

TOWN OF HERMON, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual
For the year ended June 30, 2010
(with comparative totals for June 30, 2009)

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Revenues:				
Taxes:				
Property taxes	\$ 4,638,951	4,605,304	(33,647)	4,626,528
Excise taxes	2,048,250	2,011,907	(36,343)	2,016,327
Interest on taxes	26,000	32,353	6,353	19,463
Total taxes	6,713,201	6,649,564	(63,637)	6,662,318
Intergovernmental:				
State education subsidy	4,783,931	4,670,616	(113,315)	4,545,714
State reimbursement - debt service	714,935	714,935	-	743,835
State agency client	-	-	-	2,756
Homestead reimbursement	114,472	117,029	2,557	109,756
BETE reimbursement	82,324	82,464	140	53,504
Medicaid reimbursements	-	79,400	79,400	120,908
State Revenue Sharing	275,509	243,916	(31,593)	366,288
General assistance	10,000	15,310	5,310	9,665
Snowmobile reimbursement	3,000	3,290	290	3,145
URIP Funds	70,000	61,288	(8,712)	-
Total intergovernmental	6,054,171	5,988,248	(65,923)	5,955,571
Licenses and permits:				
Vehicle registration fees	25,000	27,845	2,845	26,893
Animal control fees	1,500	3,579	2,079	2,284
Planning/zoning fees	2,000	500	(1,500)	1,300
Plumbing fees	4,000	7,836	3,836	4,514
Building permits	11,000	9,510	(1,490)	7,122
Total licenses and permits	43,500	49,270	5,770	42,113

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

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Revenues, continued:				
Charges for services:				
School tuition and fees	\$ 1,800,000	2,114,869	314,869	1,981,644
Solid waste disposal fees	239,675	206,630	(33,045)	217,080
Police department revenue	-	3,873	3,873	465
Fire department revenue	3,800	567	(3,233)	498
Public works revenues	-	-	-	471
Wireless fees	28,400	9,344	(19,056)	7,752
Cable franchise	22,000	20,163	(1,837)	19,242
Cemetery maintenance	3,000	2,805	(195)	2,045
Sewer fees	2,000	-	(2,000)	-
Total charges for services	2,098,875	2,358,251	259,376	2,229,197
Interest earned	60,000	19,292	(40,708)	39,484
Total interest earned	60,000	19,292	(40,708)	39,484
Other revenues:				
School Department	124,900	536,903	412,003	459,870
Miscellaneous	230,982	56,947	(174,035)	58,962
Total other revenues	355,882	593,850	237,968	518,832
Total revenues	15,325,629	15,658,475	332,846	15,447,515

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

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 190,336	207,333	(16,997)	235,518
Town manager	85,489	81,630	3,859	77,133
Town clerk	49,852	49,909	(57)	48,754
Finance	85,597	76,074	9,523	40,894
Assessor	55,777	54,487	1,290	52,709
Code enforcement	47,901	48,697	(796)	47,559
Clerks	82,452	86,631	(4,179)	102,586
Municipal building	22,284	18,711	3,573	23,080
Town office	10,500	9,094	1,406	8,924
Town council	9,697	10,042	(345)	11,097
Town boards	10,320	7,713	2,607	3,671
Other expenses	17,100	16,308	792	7,746
Total general government	667,305	666,629	676	659,671
Public safety:				
Police department	304,346	294,971	9,375	272,799
Fire department	295,057	275,241	19,816	282,997
Health officer	175	188	(13)	188
Utilities	50,246	50,712	(466)	46,204
Total public safety	649,824	621,112	28,712	602,188
Public works:				
General	170,404	174,757	(4,353)	122,153
Roads	1,610,533	1,446,908	163,625	841,537
Equipment	36,907	34,829	2,078	36,199
Salt shed/ Town garage	6,100	12,693	(6,593)	32,458
Cemetery	23,897	22,821	1,076	22,034
Total public works	1,847,841	1,692,008	155,833	1,054,381

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

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Expenditures, continued				
Current, continued:				
Solid waste:				
Landfill	\$ 28,959	24,699	4,260	21,239
House waste	423,919	397,776	26,143	401,220
Sewer	55,941	47,672	8,269	52,471
Total solid waste	508,819	470,147	38,672	474,930
Recreation and social services:				
Recreation	106,632	104,645	1,987	107,075
Social services	62,965	67,175	(4,210)	68,669
Library	8,500	2,067	6,433	4,389
Jackson Beach	2,570	1,600	970	2,328
Total recreation and social services	180,667	175,487	5,180	182,461
Unclassified:				
Economic development	79,614	79,404	210	78,301
County tax	460,517	457,159	3,358	423,835
General assistance	20,000	30,929	(10,929)	19,330
TIF	160,300	43,545	116,755	51,328
Wireless	187,000	186,742	258	150,000
Overlay/abatements	105,000	36,272	68,728	40,083
Total unclassified	1,012,431	834,051	178,380	762,877

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

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Expenditures, continued:				
Education:				
Regular instruction	\$ 4,786,534	4,369,446	417,088	4,486,009
Special education instruction	1,491,418	1,273,794	217,624	1,157,003
Career and technical education	91,625	91,625	-	438
Other instruction	568,809	491,777	77,032	563,636
Student and staff support	1,351,849	1,177,955	173,894	1,141,935
System administration	334,464	320,053	14,411	559,917
School administration	604,515	573,960	30,555	277,108
Transportation	481,131	405,958	75,173	352,978
Facilities maintenance	1,519,577	1,168,713	350,864	1,311,342
Debt service	1,114,662	1,114,659	3	1,145,864
Total education	12,344,584	10,987,940	1,356,644	10,996,230
Special projects:				
Security system upgrade - Town	13,000	8,218	4,782	-
Town office renovation	105,000	104,969	31	-
Recreation fields at High School	-	-	-	7,000
Phone upgrade TO & PS	-	-	-	26,309
Total special projects	118,000	113,187	4,813	33,309
Debt service - Town only:				
Principal	194,901	89,900	105,001	89,900
Interest	38,978	38,978	-	42,778
Total debt service Town	233,879	128,878	105,001	132,678
Total expenditures	17,563,350	15,689,439	1,873,911	14,898,725
Excess (deficiency) of revenues over (under) expenditures	(2,237,721)	(30,964)	2,206,757	548,790

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

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Other financing sources (uses):				
Transfers out:				
Transfer to capital project funds (Town)	(357,891)	(358,762)	(871)	(528,210)
Transfer to special revenue funds	(20,000)	(26,540)	(6,540)	(30,019)
Transfers in:				
Transfer from capital project funds (Town)	\$ -	6,342	6,342	-
Transfer from special revenue funds	-	-	-	422
Utilization of prior year surplus - School	1,582,612	-	(1,582,612)	-
Utilization of prior year surplus - Town	133,000	-	(133,000)	-
Proceeds from bond issuance	900,000	900,000	-	-
Total other financing sources (uses)	2,237,721	521,040	(1,716,681)	(557,807)
Net change in fund balances, budgetary basis	-	490,076	490,076	(9,017)
Fund balance, beginning of year (budgetary basis)		5,782,751		5,791,768
Fund balance, end of year (budgetary basis)		6,272,827		5,782,751
Reconciliation to GAAP:				
Less accrued summer salaries		(620,730)		(610,249)
Fund balance, end of year (GAAP basis)		5,652,097		5,172,502

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2010

	Special Revenue Funds	Capital Projects Fund	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 15,837	-	24,344	40,181
Investments	1,138,071	889,846	31,575	2,059,492
Accounts receivable	32,060	-	-	32,060
Inventory	5,029	-	-	5,029
Interfund loans receivable	87,674	-	-	87,674
Total assets	\$ 1,278,671	889,846	55,919	2,224,436
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	15,257	-	-	15,257
Interfund loans payable	38,721	4,500	74	43,295
Total liabilities	53,978	4,500	74	58,552
Fund balances:				
Reserved for nonexpendable principal	-	-	7,839	7,839
Reserved for inventory	5,029	-	-	5,029
Unreserved, undesignated	1,219,664	885,346	48,006	2,153,016
Total fund balances	1,224,693	885,346	55,845	2,165,884
Total liabilities and fund balances	\$ 1,278,671	889,846	55,919	2,224,436

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2010

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,005,297	-	-	1,005,297
Other	271,672	41,503	51,940	365,115
Investment income	9,872	8,299	934	19,105
Total revenues	1,286,841	49,802	52,874	1,389,517
Expenditures:				
Current:				
Grants and other special uses	1,262,042	-	-	1,262,042
Other	33,352	-	18,200	51,552
Capital outlay	45,346	23,341	49,035	117,722
Total expenditures	1,340,740	23,341	67,235	1,431,316
Excess (deficiency) of revenues over (under) expenditures	(53,899)	26,461	(14,361)	(41,799)
Other financing sources (uses):				
Transfer from other funds	143,212	101,219	-	244,431
Transfer to other funds	(152)	-	-	(152)
Total other financing sources	143,060	101,219	-	244,279
Net change in fund balances	89,161	127,680	(14,361)	202,480
Fund balances, beginning of year	1,135,532	757,666	70,206	1,963,404
Fund balances, end of year	\$ 1,224,693	885,346	55,845	2,165,884

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes that are restricted by law or administrative action.

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

June 30, 2010

(with comparative totals for June 30, 2009)

	Adult	Title IID	Title IIA	Title IV	Title 1A	Reading	ARRA	Local	ARRA	ARRA	ARRA
	Education			DF S		First	Stimulus	Entitlement	Title 1A	Local Ent.	
ASSETS											
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	22,676	-	-	-	1,466	-	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	5,230	-	-	-	-	1,553	16,260	19,070	-	-	22,668
Total assets	\$ 5,230	-	-	-	22,676	1,553	16,260	19,070	1,466	-	22,668
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	-	-	-	22,676	-	-	-	1,466	-	-
Total liabilities	-	-	-	-	22,676	-	-	-	1,466	-	-
Fund balances (deficits):											
Reserved for inventory	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	5,230	-	-	-	-	1,553	16,260	19,070	-	-	22,668
Total fund balances (deficits)	5,230	-	-	-	-	1,553	16,260	19,070	-	-	22,668
Total liabilities and fund balances	\$ 5,230	-	-	-	22,676	1,553	16,260	19,070	1,466	-	22,668

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

June 30, 2010

(with comparative totals for June 30, 2009)

	Maine Forest Service 406	Stephen King Turn Out Gear Grant	Trail Grant	PSIC Grant	FEMA Radio Grant	Arts & Humanities Grant	Comp. Grant	ARRA L.E. Pre-K	ARRA Title IID	Pre-K Local Entitlement	Pathways Grant
ASSETS											
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	2,950	-	-	-	-	-	225	-
Inventory	-	-	-	-	-	-	-	-	-	-	-
Interfund loans receivable	-	740	1,033	-	-	1,036	7,550	-	3,034	-	-
Total assets	\$ -	740	1,033	2,950	-	1,036	7,550	-	3,034	225	-
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	-	-	2,950	21	-	-	-	-	225	-
Total liabilities	-	-	-	2,950	21	-	-	-	-	225	-
Fund balances (deficits):											
Reserved for inventory	-	-	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	-	740	1,033	-	(21)	1,036	7,550	-	3,034	-	-
Total fund balances (deficits)	-	740	1,033	-	(21)	1,036	7,550	-	3,034	-	-
Total liabilities and fund balances	\$ -	740	1,033	2,950	-	1,036	7,550	-	3,034	225	-

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

June 30, 2010

(with comparative totals for June 30, 2009)

	Police Equipment	Municipal Unemployment	Legal Liability	Fire Equipment	School Repair	School Unemployment	Public Land Acquisition	Planning and Maintenance	Fire & Rescue Consolidation
ASSETS									
Cash and cash equivalents	-	-	-	-	-	-	-	-	-
Investments	28,925	128	58,030	31,746	560,458	36,991	94,359	91,783	30,105
Accounts receivable	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-	-
Interfund loans receivable	-	-	-	-	5,000	-	-	4,500	-
Total assets	\$ 28,925	128	58,030	31,746	565,458	36,991	94,359	96,283	30,105
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	1,843	-
Interfund loans payable	-	5,393	-	-	-	-	-	-	-
Total liabilities	-	5,393	-	-	-	-	-	1,843	-
Fund balances (deficits):									
Reserved for inventory	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	28,925	(5,265)	58,030	31,746	565,458	36,991	94,359	94,440	30,105
Total fund balances (deficits)	28,925	(5,265)	58,030	31,746	565,458	36,991	94,359	94,440	30,105
Total liabilities and fund balances	\$ 28,925	128	58,030	31,746	565,458	36,991	94,359	96,283	30,105

TOWN OF HERMON, MAINE

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

(with comparative totals for June 30, 2009)

		Fire Station			School			Totals		
		Economic Development	Repair and Maintenance	Technology Reserve	Photocopy Reserve	Credit Reserve	School Lunch Fund	2010	2009	
ASSETS										
Cash and cash equivalents	\$	-	-	-	-	-	15,837	15,837	21,980	
Investments		113,658	2,142	20,517	-	69,229	-	1,138,071	1,114,007	
Accounts receivable		-	-	-	-	-	4,743	32,060	119,651	
Inventory		-	-	-	-	-	5,029	5,029	3,306	
Interfund loans receivable		-	-	-	-	-	-	87,674	72,927	
Total assets	\$	113,658	2,142	20,517	-	69,229	25,609	1,278,671	1,331,871	
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable		-	-	-	-	-	13,414	15,257	38,135	
Interfund loans payable		-	-	-	-	-	5,990	38,721	158,204	
Total liabilities		-	-	-	-	-	19,404	53,978	196,339	
Fund balances (deficits):										
Reserved for inventory		-	-	-	-	-	5,029	5,029	3,306	
Unreserved, undesignated		113,658	2,142	20,517	-	69,229	1,176	1,219,664	1,132,226	
Total fund balances (deficits)		113,658	2,142	20,517	-	69,229	6,205	1,224,693	1,135,532	
Total liabilities and fund balances	\$	113,658	2,142	20,517	-	69,229	25,609	1,278,671	1,331,871	

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2010
(with comparative totals for June 30, 2009)

	Adult Education	Title IID	Title IIA	Title IV DF S	Title 1A	Reading First	ARRA Stimulus	Local Entitlement	ARRA Title 1A	ARRA Local Ent.	ARRA L.E. Pre-K
Revenues:											
Intergovernmental	\$ 2,719	1,440	44,431	4,101	131,055	69,999	155,719	194,253	53,330	121,319	1,274
Other	2,450	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-	-
Total revenues	5,169	1,440	44,431	4,101	131,055	69,999	155,719	194,253	53,330	121,319	1,274
Expenditures:											
Current:											
Grants and other special uses	12,566	1,799	45,431	4,101	131,055	77,695	139,459	199,266	53,330	98,651	1,274
Other	-	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-	-
Total expenditures	12,566	1,799	45,431	4,101	131,055	77,695	139,459	199,266	53,330	98,651	1,274
Excess (deficiency) of revenues over (under) expenditures	(7,397)	(359)	(1,000)	-	-	(7,696)	16,260	(5,013)	-	22,668	-
Other financing sources (uses):											
Transfer from other funds	6,540	-	-	-	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	6,540	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	(857)	(359)	(1,000)	-	-	(7,696)	16,260	(5,013)	-	22,668	-
Fund balances (deficits), beginning of year	6,087	359	1,000	-	-	9,249	-	24,083	-	-	-
Fund balances (deficits), end of year	\$ 5,230	-	-	-	-	1,553	16,260	19,070	-	22,668	-

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2010
(with comparative totals for June 30, 2009)

	Maine Forest Service 406	Stephen King Turn Out Gear Grant	Trail Grant	PSIC Grant	FEMA Radio Grant	Arts & Humanities	Comp. Grant	ARRA Title IID	Pre-K Local Entitlement	Pathways Grant
Revenues:										
Intergovernmental	\$ 1,164	30,000	-	-	69,934	-	-	3,539	225	2,000
Other	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Total revenues	1,164	30,000	-	-	69,934	-	-	3,539	225	2,000
Expenditures:										
Current:										
Grants and other special uses	1,164	29,260	-	-	69,955	723	-	505	2,112	2,000
Other	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-	-	-
Total expenditures	1,164	29,260	-	-	69,955	723	-	505	2,112	2,000
Excess (deficiency) of revenues over (under) expenditures	-	740	-	-	(21)	(723)	-	3,034	(1,887)	-
Other financing sources (uses):										
Transfer from other funds	-	-	-	-	-	-	-	-	-	-
Transfer to other funds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-	-
Net change in fund balances	-	740	-	-	(21)	(723)	-	3,034	(1,887)	-
Fund balances (deficits), beginning of year	-	-	1,033	-	-	1,759	7,550	-	1,887	-
Fund balances (deficits), end of year	\$ -	740	1,033	-	(21)	1,036	7,550	3,034	-	-

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2010
(with comparative totals for June 30, 2009)

	Police Equipment	Municipal Unemployment	Legal Liability	Fire Equipment	School Repair	School Unemployment	Public Land Acquisition	Planning and Maintenance	Fire & Rescue Consolidation
Revenues:									
Intergovernmental	\$ -	-	-	-	5,000	-	-	-	-
Other	-	-	-	-	5,000	-	-	-	-
Investment income	385	89	556	208	4,820	321	626	1,047	105
Total revenues	385	89	556	208	14,820	321	626	1,047	105
Expenditures:									
Current:									
Grants and other special uses	-	-	-	-	-	-	-	-	-
Other	-	13,387	-	-	-	-	-	17,502	-
Capital outlay	7,918	-	-	37,428	-	-	-	-	-
Total expenditures	7,918	13,387	-	37,428	-	-	-	17,502	-
Excess (deficiency) of revenues over (under) expenditures	(7,533)	(13,298)	556	(37,220)	14,820	321	626	(16,455)	105
Other financing sources (uses):									
Transfer from other funds	-	2,000	-	52,672	-	-	17,000	-	30,000
Transfer to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	2,000	-	52,672	-	-	17,000	-	30,000
Net change in fund balances	(7,533)	(11,298)	556	15,452	14,820	321	17,626	(16,455)	30,105
Fund balances (deficits), beginning of year	36,458	6,033	57,474	16,294	550,638	36,670	76,733	110,895	-
Fund balances (deficits), end of year	\$ 28,925	(5,265)	58,030	31,746	565,458	36,991	94,359	94,440	30,105

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2010
(with comparative totals for June 30, 2009)

	Economic Development	Fire Station		Technology Reserve	Photocopy Reserve	Credit Reserve	School		Totals	
		Repair and Maintenance	Lunch				Fund	Fund	2010	2009
Revenues:										
Intergovernmental	\$ -	-	-	-	-	-	113,795	1,005,297	1,005,297	657,029
Other	-	-	-	-	-	-	264,222	271,672	271,672	292,973
Investment income	938	19	152	5	601	-	-	9,872	36,240	36,240
Total revenues	938	19	152	5	601	-	378,017	1,286,841	1,286,841	986,242
Expenditures:										
Current:										
Grants and other special uses	-	-	-	-	-	-	391,696	1,262,042	1,262,042	979,505
Other	2,463	-	-	-	-	-	-	33,352	33,352	33,978
Capital outlay	-	-	-	-	-	-	-	45,346	45,346	318,745
Total expenditures	2,463	-	-	-	-	-	391,696	1,340,740	1,340,740	1,332,228
Excess (deficiency) of revenues over (under) expenditures	(1,525)	19	152	5	601	-	(13,679)	(53,899)	(53,899)	(345,986)
Other financing sources (uses):										
Transfer from other funds	10,000	-	5,000	-	-	-	20,000	143,212	143,212	234,670
Transfer to other funds	-	-	(152)	(152)	-	-	-	(152)	(152)	(422)
Total other financing sources (uses)	10,000	-	5,000	(152)	-	-	20,000	143,060	143,060	234,248
Net change in fund balances	8,475	19	5,152	(147)	601	-	6,321	89,161	89,161	(111,738)
Fund balances (deficits), beginning of year	105,183	2,123	15,365	147	68,628	-	(116)	1,135,532	1,135,532	1,247,270
Fund balances (deficits), end of year	\$ 113,658	2,142	20,517	-	69,229	-	6,205	1,224,693	1,224,693	1,135,532

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

Capital project funds are established to account for resources obtained and expended for the acquisition of major capital facilities other than those employed in the delivery of services accounted for in enterprise funds.

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2010
(with comparative totals for June 30, 2009)

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Totals	
					2010	2009
ASSETS						
Investments	\$ 59,220	264,572	15,319	550,735	889,846	896,379
Total assets	\$ 59,220	264,572	15,319	550,735	889,846	896,379
LIABILITIES AND FUND BALANCES						
Liabilities:						
Interfund loans payable	-	-	-	4,500	4,500	138,713
Total liabilities	-	-	-	4,500	4,500	138,713
Fund balances:						
Unreserved:						
Undesignated	59,220	264,572	15,319	546,235	885,346	757,666
Total fund balances	59,220	264,572	15,319	546,235	885,346	757,666
Total liabilities and fund balances	\$ 59,220	264,572	15,319	550,735	889,846	896,379

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the year ended June 30, 2010
(with comparative totals for June 30, 2009)

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Totals	
					2010	2009
Revenues:						
Investment income	\$ 343	2,449	193	5,314	8,299	23,395
Other	-	-	-	41,503	41,503	-
Total revenues	343	2,449	193	46,817	49,802	23,395
Expenditures:						
Capital outlay	-	-	243	23,098	23,341	100,847
Total expenditures	-	-	243	23,098	23,341	100,847
Other financing sources (uses):						
Transfer from other funds	38,057	20,000	-	43,162	101,219	176,400
Transfer to other funds	-	-	-	-	-	(60,000)
Total other financing sources	38,057	20,000	-	43,162	101,219	116,400
Net change in fund balances	38,400	22,449	(50)	66,881	127,680	38,948
Fund balances, beginning of year	20,820	242,123	15,369	479,354	757,666	718,718
Fund balances, end of year	\$ 59,220	264,572	15,319	546,235	885,346	757,666

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, 2010

(with comparative totals for June 30, 2009)

		Boston										Totals	
		Cemetery Reserve	Veterans Memorial	Veterans Park	Pike	Nowell	Post Cane	Medical Reimb.	Athletic Complex	Junior Account	2010	2009	
ASSETS													
Cash and cash equivalents	\$	-	59	9,392	6,839	1,073	877	560	5,015	529	24,344	30,539	
Investments		31,575	-	-	-	-	-	-	-	-	31,575	103,113	
Interfund loans receivable		-	-	-	-	-	-	-	-	-	-	192	
Total assets	\$	31,575	59	9,392	6,839	1,073	877	560	5,015	529	55,919	133,844	
LIABILITIES AND FUND BALANCES													
Liabilities:													
Interfund loans payable		-	74	-	-	-	-	-	-	-	74	63,638	
Total liabilities		-	74	-	-	-	-	-	-	-	74	63,638	
Fund balances:													
Reserved for nonexpendable principal		-	-	-	6,839	1,000	-	-	-	-	7,839	7,932	
Unreserved:													
Undesignated		31,575	(15)	9,392	-	73	877	560	5,015	529	48,006	62,274	
Total fund balances (deficits)		31,575	(15)	9,392	6,839	1,073	877	560	5,015	529	55,845	70,206	
Total liabilities and fund balances	\$	31,575	59	9,392	6,839	1,073	877	560	5,015	529	55,919	133,844	

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2010
(with comparative totals for June 30, 2009)

	(continued from page 1)											
	Cemetery Reserve	Veterans Memorial	Veterans Park	pike	Nowell	Boston			Athletic Complex	Junior Account	Totals	
						Post Cane	Medical Reimb.				2010	2009
Revenues:												
Investment income	831	-	25	63	2	1	-	12	-	934	3,992	
Other	1,949		28,104	-	-	-	5,188	16,699	-	51,940	52,124	
Total revenues	2,780	-	28,129	63	2	1	5,188	16,711	-	52,874	56,116	
Expenditures:												
Current:												
Other	12,651	74	-	160	-	114	5,201	-	-	18,200	68,439	
Capital outlay	-	-	35,028	-	-	-	-	14,007	-	49,035	34,339	
Total expenditures	12,651	74	35,028	160	-	114	5,201	14,007	-	67,235	102,778	
Net change in fund balances	(9,871)	(74)	(6,899)	(97)	2	(113)	(13)	2,704	-	(14,361)	(46,662)	
Fund balances, beginning of year	41,446	59	16,291	6,936	1,071	990	573	2,311	529	70,206	116,868	
Fund balances (deficits), end of year	\$ 31,575	(15)	9,392	6,839	1,073	877	560	5,015	529	55,845	70,206	

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, 2010
(with comparative actual amount for the year ended June 30, 2009)

	2010		Variance positive (negative)	2009 Actual
	Budget	Actual		
Revenues:				
State education subsidy	\$ 4,783,931	4,670,616	(113,315)	4,545,714
State reimbursement - debt service	714,935	714,935	-	743,835
State agency client	-	-	-	2,756
Tuition and fees	1,800,000	2,114,869	314,869	1,981,644
Medicaid reimbursements	-	79,400	79,400	120,908
Other revenues	124,900	536,903	412,003	459,870
Total revenues	7,423,766	8,116,723	692,957	7,854,727
Expenditures:				
Regular instruction	4,786,534	4,369,446	417,088	4,486,009
Special education instruction	1,491,418	1,273,794	217,624	1,157,003
Career and technical education	91,625	91,625	-	438
Other instruction	568,809	491,777	77,032	563,636
Student and staff support	1,351,849	1,177,955	173,894	1,141,935
System administration	334,464	320,053	14,411	559,917
School administration	604,515	573,960	30,555	277,108
Transportation	481,131	405,958	75,173	352,978
Facilities maintenance	1,519,577	1,168,713	350,864	1,311,342
Debt service	1,114,662	1,114,659	3	1,145,864
Total expenditures	12,344,584	10,987,940	1,356,644	10,996,230
Other financing sources (uses):				
Town appropriation	3,358,206	3,358,206	-	3,398,472
Transfer to school lunch program	(20,000)	(20,000)	-	(20,000)
Utilization of prior year surplus	1,582,612	-	(1,582,612)	-
Total other financing sources (uses)	4,920,818	3,338,206	(1,582,612)	3,378,472
Net change in fund balance	-	466,989	466,989	236,969
Fund balance, beginning of year (budgetary basis)		2,075,267		1,838,298
Fund balance, end of year (budgetary basis)		2,542,256		2,075,267
Reconciliation to GAAP:				
Less accrued summer salaries		(620,730)		(610,249)
Fund balance, end of year (GAAP basis)	\$	1,921,526		1,465,018

