

TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2011

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For the year ended June 30, 2011

Table of Contents

	<u>Page Number</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-12

Statements

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Assets	1	15
Statement of Activities	2	16

Fund Financial Statements:

Balance Sheet - Governmental Funds	3	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	19
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	6	20
Statement of Net Assets - Proprietary Funds	7	21
Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds	8	22
Statement of Cash Flows - Proprietary Funds	9	23
Statement of Fiduciary Net Assets - Fiduciary Funds	10	24
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	11	25
Notes to Financial Statements		26-40

Exhibits

Combining and Individual Fund Statements and Schedules:

General Fund:

Balance Sheet	A-1	43
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Budgetary Basis	A-2	44-49

Nonmajor Governmental Funds:

All Other Governmental Funds:

Combining Balance Sheet	B-1	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	54

Special Revenue Funds:

Combining Balance Sheet	C-1	57-59
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	60-62

Capital Project Funds:

Combining Balance Sheet	D-1	65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	66

TOWN OF HERMON, MAINE
Annual Financial Report
For the year ended June 30, 2011

Table of Contents, Continued

	<u>Exhibits</u>	<u>Page Number</u>
Permanent Funds:		
Combining Balance Sheet	E-1	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	70
	<u>Schedule</u>	
School Department – General Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual	1	73

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, 2011, 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.

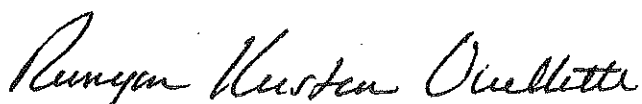
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2011, 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 dated December 21, 2011, 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 exhibits 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 exhibits 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.

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

December 21, 2011
South Portland, Maine



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 21, 2011

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2011. 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.

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

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

- As shown on Statement 1, the total net assets of the Town of Hermon were \$17,187,395, an increase of \$823,796 when compared to the ending net asset figure for year ending June 30, 2010 of \$16,363,599.
- The Town's amortized bond debt decreased by \$1,158,009 for a total outstanding debt of \$6,563,677. No new debt was issued in this fiscal year.
- In the fiscal year ending June 30, 2011 the Town adopted Government Accounting Standards Board Statement No. 54 (GASB 54). This has reclassified how fund balance is reported. In years past Government units report fund balance as designated or undesignated. With the implementation of GASB 54 fund balance is now classified as non-spendable, restricted, committed, assigned, and unassigned. As of June 30, 2011, as reported in the Town's balance sheet (Exhibit A-1), the Town has restricted for education equal to \$2,384,384, assigned for future use equal to \$1,026,619, and unassigned fund balance of \$2,879,985, for a total fund balance of \$6,290,988.

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

Notes to Financial Statements

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

Other Information

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

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's governmental activities, assets exceeded liabilities by \$17,119,751 as of June 30, 2011.

Net Assets for the Period Ending June 30, 2011

The current year's financial statements show a change in asset classes, with a decrease of liabilities that net a 5.5% increase to total net assets for governmental activities.

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

	<u>Governmental Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>% Change</u>
ASSETS				
Cash and cash equivalents	\$ 1,069,060	\$ 519,924	549,136	105.6%
Investments	8,281,328	8,625,430	(344,102)	-4.0%
Other assets	834,809	567,498	267,311	47.1%
Capital assets, net	14,848,576	15,361,292	(512,716)	-3.3%
Total Assets	25,033,773	25,074,144	(40,371)	-0.2%
LIABILITIES				
Long-term debt due w/in 1 year	1,184,660	1,128,788	55,872	4.9%
Long-term debt due in more than 1 year	5,476,511	6,759,229	(1,282,718)	-19.0%
Other liabilities	1,252,851	951,948	300,903	31.6%
Total Liabilities	7,914,022	8,839,965	(925,943)	-10.5%
NET ASSETS				
Invested In:				
Invested in capital assets, net of related debt	8,187,405	7,473,275	714,130	9.6%
Restricted for:				
Expendable Permanent Funds	7,785		7,785	
Nonexpendable trust principal	75	7,839	(7,764)	-99.0%
General Fund - Education	2,384,384		2,384,384	
Special Revenue Fund	96,786		96,786	
Unrestricted	6,443,516	8,753,065	(2,309,549)	-26.4%
Total Net Assets	\$ 17,119,951	16,234,179	885,772	5.5%

The following table presents a summary of the Statement of Net Activities for the fiscal year ended June 30, 2011.

	<u>Governmental Activities</u>			
	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Program Revenues				
Charges for services	\$ 2,429,130	\$ 2,651,580	(222,450)	-8.4%
Operating grants & contributions	7,496,105	7,993,886	(497,781)	-6.2%
Capital grants & contributions	19,208	16,699	2,509	15.0%
General revenues				
Property taxes	4,982,290	4,642,503	339,787	7.3%
Excise taxes	2,024,020	2,011,907	12,113	0.6%
Interest and costs on taxes	108,935	32,353	76,582	236.7%
Grants and contributions not restricted				
State revenue sharing	238,198	243,916	(5,718)	-2.3%
Homestead exemption	98,306	117,029	(18,723)	-16.0%
Other intergovernmental revenues	174,004	162,352	11,652	7.2%
Unrestricted investment earnings	44,390	43,595	795	1.8%
Miscellaneous	71,172	120,562	(49,390)	-41.0%
Total revenues:	17,685,758	18,036,382	(350,624)	-1.9%
Expenses				
General government	716,098	690,198	25,900	3.8%
Public safety	737,136	690,497	46,639	6.8%
Public works	1,099,661	1,695,954	(596,293)	-35.2%
Solid waste	482,070	470,727	11,343	2.4%
Recreational and social services	138,924	175,487	(36,563)	-20.8%
Education	11,059,449	11,252,731	(193,282)	-1.7%
Unclassified	1,074,097	847,766	226,331	26.7%
Grants and other special uses	1,435,515	1,262,042	173,473	13.7%
Special projects	-	1,943	(1,943)	-100.0%
Other	-	51,552	(51,552)	-100.0%
Interest on debt	52,937	57,865	(4,928)	-8.5%
Capital maintenance expenses	4,299	116,205	(111,906)	-96.3%
Total expenses:	16,800,186	17,312,967	(512,781)	-3.0%
Increase in net assets:	\$ 885,572	\$ 723,415	\$ 162,157	22.4%

Comparatives of revenues identify a few key changes. First, Education revenues have dropped by \$871,512. This is largely due to lower State Education Subsidy and tuition and fees revenues. Second, in the past few years we have seen decreased revenues for excise and property taxes due to a poor economy. We are now starting to see the increase as the economy stabilizes. There was a \$428,482 increase in revenue from 2010 to 2011 for excise and property taxes, as well as interest and costs on taxes. As shown above, there was a total decrease in revenues of \$350,624 from 2010 to 2011. However, expenses have also decreased by \$512,781 offsetting the loss in revenues. 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 (Town and School) fund balance of \$8,578,977, \$179,198 higher than the previous year. An analysis of transactions affecting the change in the combined fund balance of the Town's governmental funds is as follows:

Revenues exceeded expenditures of all governmental funds by \$173,589. Revenues exceeded expenditures in the general fund by \$261,282. This surplus is associated with a decrease in spending due to anticipation in overall decreased revenues.

Other financing sources resulted in gain of \$5,609. The net gain is attributed to the lease of copiers.

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2010. The information is gathered from Exhibit A-2.

	2011	2010	Change	Percent Change
Revenues				
Property taxes	\$ 5,022,090	\$ 4,605,304	\$ 416,786	9.1%
Excise taxes	2,024,020	2,011,907	12,113	0.6%
Interest on taxes	108,935	32,353	76,582	236.7%
State revenue sharing	238,198	243,916	(5,718)	-2.3%
Homestead reimbursement	98,306	117,029	(18,723)	-16.0%
State education subsidy	4,158,423	4,670,616	(512,193)	-11.0%
Other intergovernmental revenues	936,227	956,687	(20,460)	-2.1%
Licenses and permits	50,889	49,270	1,619	3.3%
Charges for services	2,151,012	2,358,251	(207,239)	-8.8%
Interest earned	28,405	19,292	9,113	47.2%
Miscellaneous	582,653	593,850	(11,197)	-1.9%
Total revenues:	15,399,158	15,658,475	(259,317)	-1.7%
Expenditures				
General government	698,554	666,629	31,925	4.8%
Public safety	657,016	621,112	35,904	5.8%
Public works	1,096,032	1,692,008	(595,976)	-35.2%
Solid waste	482,070	470,147	11,923	2.5%
Recreational and social services	138,924	175,487	(36,563)	-20.8%
Unclassified	1,067,277	834,051	233,226	28.0%
Education	10,538,073	10,987,940	(449,867)	-4.1%
Special projects	109,621	113,187	(3,566)	-3.2%
Debt service	355,999	128,878	227,121	176.2%
Total expenditures:	15,143,566	15,689,439	(545,873)	-3.5%
Excess (deficiency) of revenues over (under) expenditures	\$ 255,592	\$ (30,964)	\$ 286,556	925.4%

Overall, in 2011, revenues exceeded expenditures by \$255,592. This is up by \$286,556, which continues a good trend of having expenditures closer to revenues. However, we have seen that excise tax revenue has started to increase slightly. This is excellent since the Town of Hermon relies heavily on excise tax revenue to help keep the mil rate low while providing many services to the community. There was a significant decrease in State education funding, but other revenues on the Town side have helped mitigate this loss.

Capital Asset and Debt Administration

	6/30/2010	Additions	Deletions	6/30/2011
Governmental Activities				
Land	\$ 33,600	79,888	-	113,488
Total assets not being depreciated	33,600	79,888	-	113,488
 Buildings and improvements	 19,276,202	 8,923	 -	 19,285,125
Equipment, furniture, and fixtures	1,800,222	126,600	-	1,926,822
Vehicles	1,951,907	23,815	129,421	1,846,301
Total assets being depreciated	23,028,331	159,338	129,421	23,058,248
 Total depreciation	 (7,700,639)	 (751,942)	 (129,421)	 (8,323,160)
 Total capital assets, net	 \$ 15,361,292	 \$ (512,716)	 \$ -	 \$ 14,848,576

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

Debt Administration

The Town's debt consists of six bonds and several capital leases. A summary of the Town's debt activity for the year ended June 30, 2011 is as follows:

Long-term Debt

	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities					
Bonds payable	\$ 7,721,686	-	1,158,009	6,563,677	1,132,017
Capital leases payable	166,331	5,609	74,446	97,494	52,643
Accrued compensated absences	57,718	-	6,296	51,422	-
Governmental activities long-term liabilities	\$ 7,945,735	5,609	1,238,751	6,712,593	1,184,660

Additional information on the Town's long-term debt can be found in the notes to the basic financial statements beginning on page 36.

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. For 2012, we need \$5,265,389 compared to last year's \$5,055,069. Last year overlay was \$60,000 and this year it is \$52,352. This is a decrease of \$7,648 compared to last year. The numbers you need to be reminded of is that the State required the School to raise \$3,460,170 more for Schools, which means the budget was able to lessen the impact of this requirement. The mil rate for 2012 is 11.47. 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. However, for budget purposes the assessment of homes in Hermon remains stable.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2011-12 budget from the 2010-11. These points are only the highlights and serve to summarize changes to the overall budget rather than to provide an explanation to every adjustment to the budget.

- General Government is facing an increase of \$20,875 or 3.0%. There are miscellaneous changes throughout General Government, both increases and decreases within different sub-departments that balance out to a 3% overall increase. General Government is comprised of the Administration expenses, Town Manager, Town Clerk, Deputy Clerks, Finance department, Assessor, Code Officer, Municipal building, supplies, Town Council, Town Boards, and miscellaneous expenses.
- The Economic Development budget is down 13.6% or \$36,990. This is mainly due to the wireless contract with the School department decreasing by \$39,000. Bandwidth is cheaper now than in the past due to technology advances.
- Public Safety, which encompasses Police, Fire, Animal Control, and the public safety building, and traffic lights, is increasing by 2.1% or \$14,162. Similar to General Government there are many miscellaneous increases and decreases among line items, but the major portion to the increase is health insurance.
- The Public Works Department is increasing by 21.6% or \$183,295. In the past two years, the Town has cut the paving budget, which cannot last long term. This year the total increase to Public Works mostly is due to a paving increase of \$171,000. The other major increase is to community and cemetery mowing.
- The Solid Waste budget is increasing by 2.6% or \$13,033. The increase is due to the new recycling program.

- Recreation and Social Services is increasing by 14.1% or \$18,830. Recreation is up 20.3% due to salary increases and mowing.
- Debt Service is down 2.1% or \$7,624. This is a result lower payment on the Water & Sewer Extension bond as the Town is paying less interest on the bond. This bond will be retired in 2019.
- Reserves are down \$89,088 or 24.9%. Last year's 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. County taxes are up \$35,878 or 7.5%.
- General Assistance is seeing a \$10,000 increase to bring the budget closer to what has been paid out in the past.
- The School budget can be summarized with the fact that the local contribution is going from \$3,727,400 to \$3,916,284. This is mainly due to the loss of State Education subsidy.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

TOWN OF HERMON, MAINE
Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,069,060	-	1,069,060
Investments	8,281,328	-	8,281,328
Receivables:			
Taxes receivable - current year	397,599	-	397,599
Taxes receivable - prior year	146,128	-	146,128
Tax liens - prior years	61,015	-	61,015
Tax acquired property	75,127	-	75,127
Accounts receivable	200,865	-	200,865
Internal balances	(67,113)	67,113	-
Inventory	5,800	-	5,800
Prepaid expenses	15,388	531	15,919
Nondepreciable capital assets	113,488	-	113,488
Depreciable capital assets, net	14,735,088	-	14,735,088
Total assets	25,033,773	67,644	25,101,417
LIABILITIES			
Accounts payable	389,698	-	389,698
Accrued payroll	681,644	-	681,644
Accrued compensated absences	51,422	-	51,422
Prepaid taxes	4,184	-	4,184
Accrued interest	42,409	-	42,409
Other liabilities	83,494	-	83,494
Noncurrent liabilities:			
Due within one year	1,184,660	-	1,184,660
Due in more than one year	5,476,511	-	5,476,511
Total liabilities	7,914,022	-	7,914,022
NET ASSETS			
Invested in capital assets, net of related debt	8,187,405	-	8,187,405
Restricted for:			
General fund - education	2,384,384	-	2,384,384
Special revenue fund	96,786	-	96,786
Permanent funds:			
Expendable	7,785	-	7,785
Nonexpendable	75	-	75
Unrestricted	6,443,316	67,644	6,510,960
Total net assets	\$ 17,119,751	67,644	17,187,395

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2011

Functions/programs	Expenses	Program revenues			Net (expense) revenue and changes in net assets		
		Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		Total
					Governmental activities	Business-type activities	
Primary government:							
Governmental activities:							
General government	\$ 716,098	50,889	-	-	(665,209)	-	(665,209)
Public safety	737,136	4,469	-	-	(732,667)	-	(732,667)
Public works	1,099,661	89,500	-	-	(1,010,161)	-	(1,010,161)
Solid waste	482,070	239,305	-	-	(242,765)	-	(242,765)
Recreational and social services	138,924	-	-	-	(138,924)	-	(138,924)
Education	11,059,449	1,786,704	6,365,438	-	(2,907,307)	-	(2,907,307)
Unclassified	1,074,097	9,624	-	-	(1,064,473)	-	(1,064,473)
Grants and other special uses	1,435,515	248,639	1,130,667	19,208	(37,001)	-	(37,001)
Interest on debt	52,937	-	-	-	(52,937)	-	(52,937)
Capital maintenance expenses	4,299	-	-	-	(4,299)	-	(4,299)
Total governmental activities	16,800,186	2,429,130	7,496,105	19,208	(6,855,743)	-	(6,855,743)
Business-type activities:							
Recreation department	218,220	156,444	-	-	-	(61,776)	(61,776)
Total business-type activities	218,220	156,444	-	-	-	(61,776)	(61,776)
Total primary government	\$ 17,018,406	2,585,574	7,496,105	19,208	(6,855,743)	(61,776)	(6,917,519)
General revenues:							
Property taxes					4,982,290	-	4,982,290
Excise taxes					2,024,020	-	2,024,020
Interest and costs on taxes					108,935	-	108,935
Grants and contributions not restricted to specific programs:							
State revenue sharing					238,198	-	238,198
Homestead exemption					98,306	-	98,306
Other intergovernmental revenues					174,004	-	174,004
Unrestricted investment earnings					44,390	-	44,390
Miscellaneous revenues					71,172	-	71,172
Total general revenues					7,741,315	-	7,741,315
Change in net assets					885,572	(61,776)	823,796
Net assets - beginning					16,234,179	129,420	16,363,599
Net assets - ending					17,119,751	67,644	17,187,395

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2011

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash	\$ 1,039,812	-	-	29,248	1,069,060
Investments	6,212,907	212,605	835,779	1,020,037	8,281,328
Receivables:					
Taxes receivable - current year	397,599	-	-	-	397,599
Taxes receivable - prior year	146,128	-	-	-	146,128
Tax liens - prior years	61,015	-	-	-	61,015
Tax acquired property	75,127	-	-	-	75,127
Accounts receivable	141,573	-	-	59,292	200,865
Inventory	-	-	-	5,800	5,800
Prepaid expenditures	15,388	-	-	-	15,388
Interfund loans receivable	-	-	-	276,382	276,382
Total assets	\$ 8,089,549	212,605	835,779	1,390,759	10,528,692
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	314,362	-	-	75,336	389,698
Accrued payroll	679,364	-	-	2,280	681,644
Prepaid taxes	4,184	-	-	-	4,184
Interfund loans payable	269,957	5,650	-	67,888	343,495
Deferred tax revenue	447,200	-	-	-	447,200
Other liabilities	83,494	-	-	-	83,494
Total liabilities	1,798,561	5,650	-	145,504	1,949,715
Fund balances:					
Nonspendable:					
Inventory	-	-	-	5,800	5,800
Nonexpendable principal	-	-	-	7,785	7,785
Restricted:					
General fund	2,384,384	-	-	-	2,384,384
Special revenue funds	-	-	-	96,786	96,786
Permanent funds	-	-	-	75	75
Assigned:					
General fund	1,026,619	-	-	-	1,026,619
Capital projects funds	-	206,955	835,779	1,134,845	2,177,579
Unassigned:					
General fund	2,879,985	-	-	-	2,879,985
Special revenue funds	-	-	-	(36)	(36)
Total fund balances	6,290,988	206,955	835,779	1,245,255	8,578,977
Total liabilities and fund balances	\$ 8,089,549	212,605	835,779	1,390,759	

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.	14,848,576
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	447,200
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	(6,563,677)
Capital leases	(97,494)
Accrued interest	(42,409)
Accrued compensated absences	(51,422)

Net assets of governmental activities

\$ 17,119,751

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2011

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,155,045	-	-	-	7,155,045
Intergovernmental	5,431,154	-	-	1,116,308	6,547,462
Maine PERS on-behalf payments	906,901	-	-	-	906,901
Licenses and permits	50,889	-	-	-	50,889
Charges for services	2,151,012	-	-	-	2,151,012
Investment income	28,405	1,442	6,647	7,896	44,390
Other	582,653	-	-	287,206	869,859
Total revenues	16,306,059	1,442	6,647	1,411,410	17,725,558
Expenditures:					
Current:					
General government	698,554	-	-	-	698,554
Public safety	657,016	-	-	-	657,016
Public works	1,096,032	-	-	-	1,096,032
Solid waste	482,070	-	-	-	482,070
Recreational and social services	138,924	-	-	-	138,924
Education	10,526,774	-	-	-	10,526,774
Unclassified	1,067,277	-	-	-	1,067,277
Grants and other special uses	-	-	-	1,435,515	1,435,515
Maine PERS on-behalf payments	906,901	-	-	-	906,901
Debt service	355,999	-	-	-	355,999
Capital outlay	115,230	5,650	-	66,027	186,907
Total expenditures	16,044,777	5,650	-	1,501,542	17,551,969
Excess (deficiency) of revenues over (under) expenditures	261,282	(4,208)	6,647	(90,132)	173,589
Other financing sources (uses):					
Proceeds from capital lease	5,609	-	-	-	5,609
Transfers from other funds	-	65,000	-	139,268	204,268
Transfers to other funds	(204,268)	-	-	-	(204,268)
Total other financing sources (uses)	(198,659)	65,000	-	139,268	5,609
Net change in fund balances	62,623	60,792	6,647	49,136	179,198
Fund balances, beginning of year, as reclassified	6,228,365	146,163	829,132	1,196,119	8,399,779
Fund balances, end of year	\$ 6,290,988	206,955	835,779	1,245,255	8,578,977

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, 2011

Net change in fund balances - total governmental funds (from Statement 4)	\$	179,198
Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
This is the amount by which depreciation expense (\$751,942) exceeded capital outlay (\$239,226) in the current period.		(512,716)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(39,800)
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 (\$6,296) and accrued interest (\$25,748).		
		32,044
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 of bond repayments		1,158,009
This is the amount by which repayments (\$74,446) exceeded lease proceeds (\$5,609).		68,837
Change in net assets of governmental activities (see Statement 2)	\$	885,572

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the year ended June 30, 2011

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,060,757	7,060,757	7,155,045	94,288
Intergovernmental	5,315,311	5,315,311	5,431,154	115,843
Licenses and permits	45,500	45,500	50,889	5,389
Charges for services	2,116,060	2,203,060	2,151,012	(52,048)
Interest earned	20,000	20,000	28,405	8,405
Other revenues	434,737	446,952	582,653	135,701
Total revenues	14,992,365	15,091,580	15,399,158	307,578
Expenditures:				
Current:				
General government	693,422	699,382	698,554	828
Public safety	671,489	702,939	657,016	45,923
Public works	848,471	1,175,471	1,096,032	79,439
Solid waste	500,146	500,146	482,070	18,076
Recreation and social services	133,143	140,143	138,924	1,219
Unclassified	1,016,555	1,203,355	1,067,277	136,078
Education	11,571,262	11,571,262	10,538,073	1,033,189
Debt service:				
Principal	277,314	277,314	277,314	-
Interest	83,165	83,165	78,685	4,480
Capital expenditures	70,486	82,701	109,621	(26,920)
Total expenditures	15,865,453	16,435,878	15,143,566	1,292,312
Excess (deficiency) of revenues over (under) expenditures	(873,088)	(1,344,298)	255,592	1,599,890
Other financing sources (uses):				
Utilization of prior year surplus - School	869,686	869,686	-	(869,686)
Utilization of prior year surplus - Town	28,000	499,210	-	(499,210)
Transfers in	176,879	176,879	-	(176,879)
Transfers out	(201,477)	(201,477)	(204,268)	(2,791)
Total other financing sources	873,088	1,344,298	(204,268)	(1,548,566)
Net change in fund balance, budgetary basis	-	-	51,324	51,324
Reconciliation to GAAP:				
Change in accrued summer salaries			11,299	
Net change in fund balance, GAAP basis			62,623	
Fund balance, beginning of year, as reclassified			6,228,365	
Fund balance, end of year	\$		6,290,988	

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Net Assets
Proprietary Funds
June 30, 2011

	Recreation Department
ASSETS	
Current assets:	
Interfund loans receivable	\$ 67,113
Prepaid expenses	531
Total assets	67,644
LIABILITIES	
Current liabilities:	
Accounts payable	-
Total liabilities	-
NET ASSETS	
Unrestricted	67,644
Total net assets	\$ 67,644

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, 2011

	Recreation Department
Operating revenues:	
Charges for services	\$ 156,444
Total operating revenues	156,444
Operating expenses:	
Current:	
Payroll	11,420
Recreation programs	206,800
Total operating expenses	218,220
Operating loss	(61,776)
Total net assets, beginning of year	129,420
Total net assets, end of year	\$ 67,644

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Funds
For the year ended June 30, 2011

	Recreation Department
Cash flows from operating activities:	
Receipts from customers and users	\$ 156,444
Payments to suppliers	(206,800)
Payments to employees	(11,420)
Interfund activity	61,776
Net cash provided by operating activities	-
Increase (decrease) in cash	-
Cash, beginning of year	-
Cash, end of year	\$ -
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (61,776)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in interfund receivables	61,776
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, 2011

	Agency Funds	Private-purpose Trusts
	Student Activity Funds	School Department Scholarships
ASSETS		
Cash and cash equivalents	\$ 187,174	187,824
Total assets	187,174	187,824
LIABILITIES		
Due to student groups	187,174	-
Total liabilities	187,174	-
NET ASSETS		
Held in trust	\$ -	187,824

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, 2011

	Private-purpose Trusts
	School Department Scholarships
Additions	\$ 1,627
Deductions	-
Change in net assets	1,627
Net assets, beginning of year	186,197
Net assets, end of year	\$ 187,824

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 Committee. 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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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.

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

TOWN OF HERMON, MAINE
Notes to Financial Statements

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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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 or market (first-in, first-out basis) and is offset with a nonspendable fund balance for inventories. Inventories of the School Lunch Fund include the value of the U. S. Department of Agriculture commodities donated to the Fund.

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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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.

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

J. Encumbrances

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

K. 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.

L. Reclassifications

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

M. Fund Equity

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

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

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

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

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 \$906,901. These amounts have been included as revenue and expenditures in the General Fund on Statements 2 and 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, 2011, the Town did not budget for revenues and expenditures related to summer salaries for teachers on an accrual basis.

B. Excess of Expenditures over Appropriations

For the year ended June 30, 2011, expenditures exceeded appropriations in the following departments and/or expense categories.

Capital expenditures	\$ 26,920
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C. Deficit Fund Balance

For the year ended June 30, 2011, the following funds had a deficit fund balances:

Education Jobs	\$ 15
FEMA Radio Grant	21

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

TOWN OF HERMON, MAINE
Notes to Financial Statements

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, 2011, the Town reported deposits of \$1,444,058 with a bank balance of \$1,773,862. Of the Town's bank balances of \$1,773,862, 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	\$ 1,069,060
Reported in fiduciary funds	374,998
Total deposits	\$ 1,444,058

B. Investments

At June 30, 2011, 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	\$ 305,978	305,978	-	-
Mutual funds	3,832,507	NA	-	-
Repurchase agreements	4,142,843	4,142,843	-	-
Total investments	\$ 8,281,328	4,448,821	-	-

Investments have been reported as follows:

Reported in Governmental Funds	\$ 8,281,328
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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 \$4,142,843 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.

TOWN OF HERMON, MAINE
Notes to Financial Statements

PROPERTY TAX

Property taxes for the current period were committed on September 16, 2010, on the assessed value listed as of April 1, 2010, for all real and personal property located in the Town. Payment of taxes was due on April 1, 2011. Interest at the rate of 7% per annum was charged on any amounts remaining unpaid after this date.

The Town is permitted by the laws of the State of Maine to levy taxes up to 105% of its net budgeted expenditures for the related fiscal period. The amount raised in excess of 100% is referred to as overlay, and amounted to \$60,000 for the period ended June 30, 2011.

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.

The following summarizes the period ended June 30, 2011 levy:

	<u>2011</u>
Assessed value	\$438,047,600
<u>Tax rate (per \$1,000)</u>	<u>11.54</u>
Commitment	5,055,069
<u>Supplemental taxes assessed</u>	<u>6,377</u>
	5,061,446
Less:	
<u>Collections and abatements</u>	<u>4,663,847</u>
<u>Receivable at June 30</u>	<u>397,599</u>
Due date	April 1, 2011
Interest rate on delinquent taxes	7%
Collection rate	92.14%

TOWN OF HERMON, MAINE
Notes to Financial Statements

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011 was as follows:

	Balance June 30, <u>2010</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2011</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 33,600	79,888	-	113,488
Total capital assets, not being depreciated	33,600	79,888	-	113,488
Capital assets, being depreciated:				
Buildings and building improvements	19,276,202	8,923	-	19,285,125
Equipment, furniture and fixtures	1,800,222	126,600	-	1,926,822
Vehicles	1,951,907	23,815	(129,421)	1,846,301
Total capital assets being depreciated	23,028,331	159,338	(129,421)	23,058,248
Less accumulated depreciation for:				
Buildings and building improvements	(5,631,423)	(504,564)	-	(6,135,987)
Equipment, furniture and fixtures	(907,961)	(148,296)	-	(1,056,257)
Vehicles	(1,161,255)	(99,082)	129,421	(1,130,916)
Total accumulated depreciation	(7,700,639)	(751,942)	129,421	(8,323,160)
Total capital assets being depreciated, net	15,327,692	(592,604)	-	14,735,088
Governmental activities capital assets, net	\$ 15,361,292	(512,716)	-	14,848,576

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

Governmental activities:	
General government	\$ 26,563
Public safety	80,120
Public works	24,840
Education	613,599
Unclassified	6,820
Total depreciation expense – governmental activities	\$ 751,942

TOWN OF HERMON, MAINE
Notes to Financial Statements

INTERFUND BALANCES

Individual interfund receivables and payables at June 30, 2011, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	\$ -	269,957
<u>Highway Capital Reserve</u>	-	5,650
Nonmajor special revenue funds:		
Adult Education	13,058	-
Education Jobs Grant	-	15
Rural Grant	20,205	-
ARRA Stimulus	-	49,824
Local Entitlement	54,344	-
ARRA Title 1A	729	-
ARRA Local Entitlement	21,177	-
ARRA Title IID	1,256	-
Pre-K Local Entitlement	1,869	-
Arts and Humanities	536	-
Comp Grant	7,550	-
Stephen King Turn Out Grant	740	-
FEMA Radio Grant	-	21
GPS Grant	-	908
MMA Safety Grant	-	1060
Cemetery Reserve	-	6,351
Medical Reimbursement	-	1,430
<u>Total nonmajor special revenue funds</u>	<u>121,464</u>	<u>59,609</u>
Nonmajor capital project funds:		
Recreation Facilities	-	579
Sewer Maintenance	-	7,700
<u>Middle School Improvement</u>	<u>154,918</u>	<u>-</u>
<u>Total nonmajor capital project fund</u>	<u>154,918</u>	<u>8,279</u>
<u>Recreation Department</u>	<u>67,113</u>	<u>-</u>
<u>Totals</u>	<u>\$ 343,495</u>	<u>343,495</u>

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

TOWN OF HERMON, MAINE
Notes to Financial Statements

INTERFUND TRANSFERS

Individual fund transfers for the year ended June 30, 2011 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
<u>General Fund</u>	\$ -	204,268
<u>Highway Capital Reserve</u>	65,000	-
Nonmajor special revenue funds:		
Adult Education	8,160	-
School lunch fund	20,000	-
Maine Foam Grant	451	-
RIT Grant	1,283	-
GPS Grant	527	-
MMA Safety Grant	530	-
<u>Total nonmajor special revenue funds</u>	<u>30,951</u>	<u>-</u>
Nonmajor capital project funds:		
Public Works Facilities	31,510	-
Recreation Facilities	22,444	-
Sewer Maintenance	44,363	-
Fire Station Reserve	10,000	-
<u>Total nonmajor capital project funds</u>	<u>108,317</u>	<u>-</u>
<u>Totals</u>	<u>\$ 204,268</u>	<u>204,268</u>

These transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2011 was as follows:

	Beginning <u>balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>balance</u>	Due within <u>one year</u>
Governmental activities:					
Bonds payable	\$ 7,721,686	-	1,158,009	6,563,677	1,132,017
Capital leases payable	166,331	5,609	74,446	97,494	52,643
Accrued compensated absences	57,718	-	6,296	51,422	-
Governmental activities					
<u>long-term liabilities</u>	<u>\$ 7,945,735</u>	<u>5,609</u>	<u>1,238,751</u>	<u>6,712,593</u>	<u>1,184,660</u>

TOWN OF HERMON, MAINE
Notes to Financial Statements

LONG-TERM DEBT

Bonds and Notes Payable

Long-term debt payable at June 30, 2011 is comprised of the following:

	<u>Amount of Original issue</u>	<u>Interest rate</u>	<u>Final maturity date</u>	<u>Balance end of year</u>
<u>General obligation bonds</u>				
1998 Sewer construction	\$ 1,798,000	4.13-4.83%	2019	719,200
2001 School construction	400,000	3.07-4.20%	2012	40,000
2003 School construction	6,325,000	2.50-3.70%	2014	1,750,000
2005 School construction	3,879,000	3.88%-4.00%	2020	3,160,000
2007 School construction	953,604(a)	0%	2017	181,891
2009 Billings Road Improvement	900,000	3.75%	2015	712,586
Total				<u>\$ 6,563,677</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 debt service</u>
2012	\$ 1,132,017	225,404	1,357,421
2013	1,098,507	187,388	1,285,895
2014	1,095,155	149,099	1,244,254
2015	567,768	117,645	685,413
2016	530,215	96,988	627,203
2017-2020	2,140,015	170,728	2,310,743
Totals	<u>\$ 6,563,677</u>	<u>947,252</u>	<u>7,510,929</u>

CAPITAL LEASES

The Town has entered into lease agreements as a lessee for the financing of school buses, photocopiers, a backhoe and a tractor. These obligations have been recorded in the entity-wide financial statements at the present value of future minimum lease payments. The following is a summary of equipment leased under capital lease agreements by the Town as of June 30, 2011:

School buses (2)	\$ 153,847
Tractor	25,021
Photocopiers (Town)	18,350
Backhoe	84,825

TOWN OF HERMON, MAINE
Notes to Financial Statements

CAPITAL LEASES, CONTINUED

The following is a schedule of the future minimum lease payments under the capital leases, and the present value of the net minimum lease payments at June 30, 2011:

2012	\$ 55,884
2013	22,409
2014	22,409
2015	1,266
2016	843
Total minimum lease payments	102,811
Less amounts representing interest	5,317
Present value of future minimum lease payments	<u>\$ 97,494</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, 2011, 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, 2011.

FUND BALANCE RECLASSIFICATION

For fiscal year ending June 30, 2011 the Town adopted Government Accounting Standards Board Statement No. 54 (GASB 54). Fund balances were reclassified as follows to meet the new definition of fund types as described in GASB 54:

	General Fund	School Capital Reserve	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds
July 1, 2010 fund balance	\$ 5,652,097	263,674	1,224,693	55,845
Reclassification	576,268	565,458	(1,093,793)	(47,933)
July 1, 2010 fund balance, reclassified	<u>6,228,365</u>	<u>829,132</u>	<u>130,900</u>	<u>7,912</u>

TOWN OF HERMON, MAINE
Notes to Financial Statements

FUND BALANCES

The General Fund unassigned fund balance total of \$2,879,985 represents fund balance that has not been assigned to other funds and that has not been restricted, committed or assigned to specific purposes within the General Fund. Unassigned fund balances totaling \$(36) is also reported for several special revenue funds that have negative fund balances as of June 30, 2011, as shown on Statement 3.

As of June 30, 2011, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General fund:			
Restricted for education	\$ -	2,384,384	-
Assigned for:			
Reappropriated to the 2012 budget	-	-	465,000
Old School House Roofing Project	-	-	2,154
Police Equipment	-	-	24,122
Municipal Unemployment	-	-	13,410
Legal Liability	-	-	53,472
Fire Equipment	-	-	90,724
Public Land Acquisition	-	-	14,632
Planning and Maintenance	-	-	91,237
Fire and Rescue Consolidation	-	-	64,389
Economic Development	-	-	113,972
Fire Station Repair and Maintenance	-	-	2,159
Technology Reserve	-	-	20,683
Credit Reserve	-	-	69,787
Boston Post Cane	-	-	878
Total general fund	-	2,384,384	1,026,619
Highway Capital Reserve	-	-	206,955
School Capital Improvements	-	-	835,779
Other governmental funds:			
Inventory	5,800	-	-
Grants and other purposes	-	96,786	-
Capital outlay	-	-	1,134,845
Permanent funds - principal	7,785	-	-
Permanent funds - unexpended	-	75	-
Total other governmental funds	13,585	96,861	1,134,845
Grand Totals	\$ 13,585	2,481,245	3,204,198

TOWN OF HERMON, MAINE
Notes to Financial Statements

EMPLOYEE RETIREMENT SYSTEMS

Maine Public Employees Retirement - Teachers Group

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

Funding Policy - Plan members are required to contribute 7.65% of their compensation to the retirement system. The State of Maine Department of Education is required, by the same statute, to contribute the employer contribution which amounts to \$906,901 (17.76%) for the fiscal year 2011. 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 17.76% 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
Balance Sheet - General Fund
June 30, 2011

	2011
ASSETS	
Cash and cash equivalents	\$ 1,039,812
Investments	6,212,907
Receivables:	
Taxes receivable - current year	397,599
Taxes receivable - prior years	146,128
Tax liens - prior years	61,015
Tax acquired property	75,127
Accounts receivable	141,573
Prepaid expenditures	15,388
Total assets	\$ 8,089,549
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	314,362
Accrued payroll	679,364
Prepaid taxes	4,184
Interfund loans payable	269,957
Deferred tax revenue	447,200
Other liabilities	83,494
Total liabilities	1,798,561
Fund balance:	
Unreserved:	
Restricted for education	2,384,384
Assigned - Town	1,026,619
Unassigned - Town	2,879,985
Total fund balance	6,290,988
Total liabilities and fund balance	\$ 8,089,549

TOWN OF HERMON, MAINE
General Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Budgetary Basis
For the year ended June 30, 2011

		2011		
		Budget	Actual	Variance positive (negative)
Revenues:				
Taxes:				
Property taxes	\$	5,049,007	5,022,090	(26,917)
Excise taxes		1,985,750	2,024,020	38,270
Interest on taxes		26,000	108,935	82,935
Total taxes		7,060,757	7,155,045	94,288
Intergovernmental:				
State education subsidy		4,143,632	4,158,423	14,791
State reimbursement - debt service		681,029	681,029	-
State agency client		-	59,495	59,495
Homestead reimbursement		92,378	98,306	5,928
BETE reimbursement		85,272	85,436	164
Medicaid reimbursements		5,000	21,699	16,699
State revenue sharing		225,000	238,198	13,198
General assistance		10,000	20,532	10,532
Snowmobile reimbursement		3,000	2,840	(160)
URIP Funds		70,000	65,196	(4,804)
Total intergovernmental		5,315,311	5,431,154	115,843
Licenses and permits:				
Vehicle registration fees		25,000	28,468	3,468
Animal control fees		1,500	1,739	239
Planning/zoning fees		2,000	2,800	800
Plumbing fees		6,000	9,218	3,218
Building permits		11,000	8,664	(2,336)
Total licenses and permits		45,500	50,889	5,389

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

	2011		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
School tuition and fees	\$ 1,828,360	1,786,704	(41,656)
Solid waste disposal fees	231,500	239,305	7,805
Police department revenue	-	1,451	1,451
Fire department revenue	3,800	3,018	(782)
Public works revenues	87,000	87,000	-
Wireless fees	28,400	9,624	(18,776)
Cable franchise	19,000	21,410	2,410
Cemetery maintenance	3,000	2,500	(500)
Sewer fees	2,000	-	(2,000)
Total charges for services	2,203,060	2,151,012	(52,048)
Interest earned	20,000	28,405	8,405
Total interest earned	20,000	28,405	8,405
Other revenues:			
School Department	336,155	537,891	201,736
Miscellaneous	110,797	44,762	(66,035)
Total other revenues	446,952	582,653	135,701
Total revenues	15,091,580	15,399,158	307,578

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

	2011		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Administration	\$ 228,569	218,259	10,310
Town manager	87,791	92,142	(4,351)
Town clerk	50,828	53,682	(2,854)
Finance	72,122	67,613	4,509
Assessor	56,811	54,712	2,099
Code enforcement	48,830	49,423	(593)
Clerks	83,664	96,909	(13,245)
Municipal building	22,750	21,425	1,325
Town office	10,500	8,418	2,082
Town council	9,697	9,944	(247)
Town boards	10,320	6,686	3,634
Other expenses	17,500	19,341	(1,841)
Total general government	699,382	698,554	828
Public safety:			
Police department	304,191	299,783	4,408
Fire department	314,041	287,250	26,791
Health officer	175	-	175
Utilities	84,532	69,983	14,549
Total public safety	702,939	657,016	45,923
Public works:			
General	172,936	163,800	9,136
Roads	938,725	860,676	78,049
Equipment	37,269	41,214	(3,945)
Salt shed/ town garage	2,600	4,129	(1,529)
Cemetery	23,941	26,213	(2,272)
Total public works	1,175,471	1,096,032	79,439

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

	2011		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Solid waste:			
Landfill	\$ 28,959	24,597	4,362
House waste	418,304	411,881	6,423
Sewer	52,883	45,592	7,291
Total solid waste	500,146	482,070	18,076
Recreation and social services:			
Recreation	105,623	105,858	(235)
Social services	23,450	23,473	(23)
Library	8,500	7,117	1,383
Jackson Beach	2,570	2,476	94
Total recreation and social services	140,143	138,924	1,219
Unclassified:			
Economic development	85,020	86,660	(1,640)
County tax	479,235	479,235	-
General assistance	20,000	40,297	(20,297)
Tax increment financing	312,300	225,871	86,429
Wireless	187,000	184,931	2,069
Municipal unemployment	24,800	6,134	18,666
Legal liability	-	5,000	(5,000)
Planning and maintenance	-	3,917	(3,917)
Fire and rescue consolidation	35,000	1,100	33,900
Overlay/abatements	60,000	34,132	25,868
Total unclassified	1,203,355	1,067,277	136,078

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

	2011		Variance positive (negative)
	Budget	Actual	
Expenditures, continued:			
Education:			
Regular instruction	\$ 4,391,952	4,109,852	282,100
Special education instruction	1,406,324	1,241,410	164,914
Career and technical education	131,328	126,916	4,412
Other instruction	547,763	474,040	73,723
Student and staff support	1,162,916	1,051,667	111,249
System administration	329,608	289,341	40,267
School administration	588,083	552,145	35,938
Transportation	570,787	479,862	90,925
Facilities maintenance	1,359,408	1,129,747	229,661
Debt service	1,083,093	1,083,093	-
Total education	11,571,262	10,538,073	1,033,189
Capital expenditures:			
Soldier's Monument	12,215	12,215	-
Website upgrade	12,000	12,482	(482)
Police equipment	-	5,036	(5,036)
Fire equipment	58,486	-	58,486
Public land acquisition	-	79,888	(79,888)
Total capital expenditures	82,701	109,621	(26,920)
Debt service - Town only:			
Principal	277,314	277,314	-
Interest	83,165	78,685	4,480
Total debt service - Town	360,479	355,999	4,480
Total expenditures	16,435,878	15,143,566	1,292,312
Excess (deficiency) of revenues over (under) expenditures	(1,344,298)	255,592	1,599,890

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

	2011		Variance positive (negative)
	Budget	Actual	
Other financing sources (uses):			
Utilization of prior year surplus - School	\$ 869,686	-	(869,686)
Utilization of prior year surplus - Town	499,210	-	(499,210)
Transfers in:			
Transfer from capital project funds (Town)	176,879	-	(176,879)
Transfers out:			
Transfer to capital project funds	(173,317)	(173,317)	-
Transfer to special revenue funds	(28,160)	(30,951)	(2,791)
Total other financing sources (uses)	1,344,298	(204,268)	(1,548,566)
Net change in fund balances, budgetary basis	-	51,324	51,324
Fund balance, beginning of year (budgetary basis), as reclassified		6,849,095	
Fund balance, end of year (budgetary basis)		6,900,419	
Reconciliation to GAAP:			
Less accrued summer salaries		(609,431)	
Fund balance, end of year (GAAP basis)		\$ 6,290,988	

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2011

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 21,388	-	7,860	29,248
Investments	31,831	988,206	-	1,020,037
Accounts receivable	59,292	-	-	59,292
Inventory	5,800	-	-	5,800
Interfund loans receivable	121,464	154,918	-	276,382
Total assets	\$ 239,775	1,143,124	7,860	1,390,759
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	75,336	-	-	75,336
Accrued payroll	2,280	-	-	2,280
Interfund loans payable	59,609	8,279	-	67,888
Total liabilities	137,225	8,279	-	145,504
Fund balances:				
Nonspendable:				
Inventory	5,800	-	-	5,800
Nonexpendable principal	-	-	7,785	7,785
Restricted	96,786	-	75	96,861
Assigned	-	1,134,845	-	1,134,845
Unassigned	(36)	-	-	(36)
Total fund balances	102,550	1,134,845	7,860	1,245,255
Total liabilities and fund balances	\$ 239,775	1,143,124	7,860	1,390,759

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2011

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 1,116,308	-	-	1,116,308
Investment income	283	7,599	14	7,896
Other	282,206	5,000	-	287,206
Total revenues	1,398,797	12,599	14	1,411,410
Expenditures:				
Current:				
Grants and other special uses	1,435,449	-	66	1,435,515
Capital outlay	22,649	43,378	-	66,027
Total expenditures	1,458,098	43,378	66	1,501,542
Deficiency of revenues under expenditures	(59,301)	(30,779)	(52)	(90,132)
Other financing sources:				
Transfer from other funds	30,951	108,317	-	139,268
Total other financing sources	30,951	108,317	-	139,268
Net change in fund balances	(28,350)	77,538	(52)	49,136
Fund balances, beginning of year, as reclassified	130,900	1,057,307	7,912	1,196,119
Fund balances, end of year	\$ 102,550	1,134,845	7,860	1,245,255

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011

	Adult Education	Education Jobs	Title IIA	Rural Grant	Title 1A	Reading First	ARRA Stimulus	Local Entitlement	ARRA Title 1A
ASSETS									
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	49,824	-	-
Inventory	-	-	-	-	-	-	-	-	-
Interfund loans receivable	13,058	-	-	20,205	-	-	-	54,344	729
Total assets	\$ 13,058	-	-	20,205	-	-	49,824	54,344	729
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	-	16,650	-	-	-	43,134	729
Accrued payroll	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	15	-	-	-	-	49,824	-	-
Total liabilities	-	15	-	16,650	-	-	49,824	43,134	729
Fund balances (deficits):									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Restricted	13,058	-	-	3,555	-	-	-	11,210	-
Unassigned	-	(15)	-	-	-	-	-	-	-
Total fund balances (deficits)	13,058	(15)	-	3,555	-	-	-	11,210	-
Total liabilities and fund balances	\$ 13,058	-	-	20,205	-	-	49,824	54,344	729

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011

	ARRA Local Ent.	ARRA L.E. Pre-K	School Lunch Fund	ARRA Title IID	Pre-K Local Entitlement	Arts & Humanities	Comp. Grant	Maine Foam Grant	Stephen King Turn Out Gear Grant
ASSETS									
Cash and cash equivalents	\$ -	-	8,078	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	7,500	-	-	-	-	-	-
Inventory	-	-	5,800	-	-	-	-	-	-
Interfund loans receivable	21,177	-	-	1,256	1,869	536	7,550	-	740
Total assets	\$ 21,177	-	21,378	1,256	1,869	536	7,550	-	740
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	12,656	298	1,869	-	-	-	-
Accrued payroll	-	-	2,280	-	-	-	-	-	-
Interfund loans payable	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	14,936	298	1,869	-	-	-	-
Fund balances (deficits):									
Nonspendable:									
Inventory	-	-	5,800	-	-	-	-	-	-
Restricted	21,177	-	642	958	-	536	7,550	-	740
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	21,177	-	6,442	958	-	536	7,550	-	740
Total liabilities and fund balances	\$ 21,177	-	21,378	1,256	1,869	536	7,550	-	740

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2011

	Trail Grant	Snowman's Grant	FEMA Radio Grant	RIT Grant	GPS Grant	MMA Safety Grant	Cemetery Reserve	Veterans Park	Medical Reimb.	Athletic Complex	Totals
ASSETS											
Cash and cash equivalents	\$ -	-	-	-	-	-	-	3,758	2,317	7,235	21,388
Investments	-	-	-	-	-	-	31,831	-	-	-	31,831
Accounts receivable	-	-	-	-	908	1,060	-	-	-	-	59,292
Inventory	-	-	-	-	-	-	-	-	-	-	5,800
Interfund loans receivable	-	-	-	-	-	-	-	-	-	-	121,464
Total assets	\$ -	-	-	-	908	1,060	31,831	3,758	2,317	7,235	239,775
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	-	-	-	-	-	-	-	-	75,336
Accrued payroll	-	-	-	-	-	-	-	-	-	-	2,280
Interfund loans payable	-	-	21	-	908	1,060	6,351	-	1,430	-	59,609
Total liabilities	-	-	21	-	908	1,060	6,351	-	1,430	-	137,225
Fund balances (deficits):											
Nonspendable:											
Inventory	-	-	-	-	-	-	-	-	-	-	5,800
Restricted	-	-	-	-	-	-	25,480	3,758	887	7,235	96,786
Unassigned	-	-	(21)	-	-	-	-	-	-	-	(36)
Total fund balances (deficits)	-	-	(21)	-	-	-	25,480	3,758	887	7,235	102,550
Total liabilities and fund balances	\$ -	-	-	-	908	1,060	31,831	3,758	2,317	7,235	239,775

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Adult Education	Education Jobs	Title IIA	Rural Grant	Title 1A	Reading First	ARRA Stimulus	Local Entitlement	ARRA Title 1A
Revenues:									
Intergovernmental	\$ 13,373	60,731	44,855	7,322	128,358	10,001	217,694	150,655	17,261
Other	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Total revenues	13,373	60,731	44,855	7,322	128,358	10,001	217,694	150,655	17,261
Expenditures:									
Current:									
Grants and other special uses	13,705	60,746	44,855	3,767	128,358	11,554	233,954	158,515	17,261
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	13,705	60,746	44,855	3,767	128,358	11,554	233,954	158,515	17,261
Excess (deficiency) of revenues over (under) expenditures	(332)	(15)	-	3,555	-	(1,553)	(16,260)	(7,860)	-
Other financing sources:									
Transfer from other funds	8,160	-	-	-	-	-	-	-	-
Total other financing sources	8,160	-	-	-	-	-	-	-	-
Net change in fund balances	7,828	(15)	-	3,555	-	(1,553)	(16,260)	(7,860)	-
Fund balances (deficits), beginning of year	5,230	-	-	-	-	1,553	16,260	19,070	-
Fund balances (deficits), end of year	\$ 13,058	(15)	-	3,555	-	-	-	11,210	-

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	ARRA Local Ent.	ARRA L.E. Pre-K	School Lunch Fund	ARRA Title IID	Pre-K Local Entitlement	Arts & Humanities	Comp. Grant	Maine Foam Grant	Stephen King Turn Out Gear Grant
Revenues:									
Intergovernmental	\$ 118,600	1,274	116,371	-	799	-	-	446	-
Other	-	-	248,639	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-
Total revenues	118,600	1,274	365,010	-	799	-	-	446	-
Expenditures:									
Current:									
Grants and other special uses	120,091	1,274	384,773	2,076	799	500	-	897	-
Capital outlay	-	-	-	-	-	-	-	-	-
Total expenditures	120,091	1,274	384,773	2,076	799	500	-	897	-
Excess (deficiency) of revenues over (under) expenditures	(1,491)	-	(19,763)	(2,076)	-	(500)	-	(451)	-
Other financing sources:									
Transfer from other funds	-	-	20,000	-	-	-	-	451	-
Total other financing sources	-	-	20,000	-	-	-	-	451	-
Net change in fund balances	(1,491)	-	237	(2,076)	-	(500)	-	-	-
Fund balances (deficits), beginning of year	22,668	-	6,205	3,034	-	1,036	7,550	-	740
Fund balances (deficits), end of year	\$ 21,177	-	6,442	958	-	536	7,550	-	740

TOWN OF HERMON, MAINE
Nonmajor Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2011

	Trail Grant	Snowman's Grant	FEMA Radio Grant	RIT Grant	GPS Grant	MMA Safety Grant	Cemetery Reserve	Veterans Park	Medical Reimb.	Athletic Complex	Totals
Revenues:											
Intergovernmental	\$ -	200,000	-	26,600	908	1,060	-	-	-	-	1,116,308
Other	-	-	-	-	-	-	1,050	1,310	13,309	17,898	282,206
Investment income	-	-	-	-	-	-	256	12	-	15	283
Total revenues	-	200,000	-	26,600	908	1,060	1,306	1,322	13,309	17,913	1,398,797
Expenditures:											
Current:											
Grants and other special uses	1,033	200,000	-	27,883	1,435	1,590	7,401	-	12,982	-	1,435,449
Capital outlay	-	-	-	-	-	-	-	6,956	-	15,693	22,649
Total expenditures	1,033	200,000	-	27,883	1,435	1,590	7,401	6,956	12,982	15,693	1,458,098
Excess (deficiency) of revenues over (under) expenditures	(1,033)	-	-	(1,283)	(527)	(530)	(6,095)	(5,634)	327	2,220	(59,301)
Other financing sources:											
Transfer from other funds	-	-	-	1,283	527	530	-	-	-	-	30,951
Total other financing sources	-	-	-	1,283	527	530	-	-	-	-	30,951
Net change in fund balances	(1,033)	-	-	-	-	-	(6,095)	(5,634)	327	2,220	(28,350)
Fund balances (deficits), beginning of year	1,033	-	(21)	-	-	-	31,575	9,392	560	5,015	130,900
Fund balances (deficits), end of year	\$ -	-	(21)	-	-	-	25,480	3,758	887	7,235	102,550

NONMAJOR GOVERNMENTAL FUNDS

CAPITAL PROJECT FUNDS

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

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Capital Project Funds
June 30, 2011

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Middle School Improvement	Totals
ASSETS							
Investments	\$ 89,077	256,358	15,443	600,107	27,221	-	988,206
Interfund loans receivable	-	-	-	-	-	154,918	154,918
Total assets	\$ 89,077	256,358	15,443	600,107	27,221	154,918	1,143,124
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund loans payable	-	579	-	7,700	-	-	8,279
Total liabilities	-	579	-	7,700	-	-	8,279
Fund balances:							
Assigned	89,077	255,779	15,443	592,407	27,221	154,918	1,134,845
Total fund balances	89,077	255,779	15,443	592,407	27,221	154,918	1,134,845
Total liabilities and fund balances	\$ 89,077	256,358	15,443	600,107	27,221	154,918	1,143,124

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the year ended June 30, 2011

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Middle School Improvement	Totals
Revenues:							
Other	-	-	-	5,000	-	-	5,000
Investment income	\$ 593	2,083	124	4,621	178	-	7,599
Total revenues	593	2,083	124	9,621	178	-	12,599
Expenditures:							
Capital outlay	2,246	33,320	-	7,812	-	-	43,378
Total expenditures	2,246	33,320	-	7,812	-	-	43,378
Excess (deficiency) of revenues over (under) expenditures	(1,653)	(31,237)	124	1,809	178	-	(30,779)
Other financing sources:							
Transfer from other funds	31,510	22,444	-	44,363	10,000	-	108,317
Total other financing sources	31,510	22,444	-	44,363	10,000	-	108,317
Net change in fund balances	29,857	(8,793)	124	46,172	10,178	-	77,538
Fund balances, beginning of year	59,220	264,572	15,319	546,235	17,043	154,918	1,057,307
Fund balances, end of year	\$ 89,077	255,779	15,443	592,407	27,221	154,918	1,134,845

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, 2011

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 6,785	1,075	7,860
Investments	-	-	-
Interfund loans receivable	-	-	-
Total assets	\$ 6,785	1,075	7,860
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund loans payable	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable			
Nonexpendable principal	6,785	1,000	7,785
Restricted	-	75	75
Unassigned	-	-	-
Total fund balances	6,785	1,075	7,860
Total liabilities and fund balances	\$ 6,785	1,075	7,860

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2011

	Pike	Nowell	Totals
Revenues:			
Investment income	12	2	14
Total revenues	12	2	14
Expenditures:			
Current:			
Other	66	-	66
Total expenditures	66	-	66
Net change in fund balances	(54)	2	(52)
Fund balances, beginning of year	6,839	1,073	7,912
Fund balances, end of year	\$ 6,785	1,075	7,860

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, 2011

	2011		Variance positive (negative)
	Budget	Actual	
Revenues:			
State education subsidy	\$ 4,143,632	4,158,423	14,791
State reimbursement - debt service	681,029	681,029	-
State agency client	-	59,495	59,495
Tuition and fees	1,828,360	1,786,704	(41,656)
Medicaid reimbursements	5,000	21,699	16,699
Other revenues	336,155	537,891	201,736
Total revenues	6,994,176	7,245,241	251,065
Expenditures:			
Regular instruction	4,391,952	4,109,852	282,100
Special education instruction	1,406,324	1,241,410	164,914
Career and technical education	131,328	126,916	4,412
Other instruction	547,763	474,040	73,723
Student and staff support	1,162,916	1,051,667	111,249
System administration	329,608	289,341	40,267
School administration	588,083	552,145	35,938
Transportation	570,787	479,862	90,925
Facilities maintenance	1,359,408	1,129,747	229,661
Debt service	1,083,093	1,083,093	-
Total expenditures	11,571,262	10,538,073	1,033,189
Other financing sources (uses):			
Town appropriation	3,727,400	3,727,400	-
Utilization of prior year surplus	869,686	-	(869,686)
Transfer to school lunch program	(20,000)	(20,000)	-
Total other financing sources	4,577,086	3,707,400	(869,686)
Net change in fund balance	-	414,568	414,568
Fund balance, beginning of year (budgetary basis)		2,579,247	
Fund balance, end of year (budgetary basis)		2,993,815	
Reconciliation to GAAP:			
Less accrued summer salaries		(609,431)	
Fund balance, end of year (GAAP basis)	\$	2,384,384	

