

TOWN OF HERMON, MAINE
Annual Financial Report
For the Year Ended June 30, 2012

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For the year ended June 30, 2012

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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, 2012, 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.

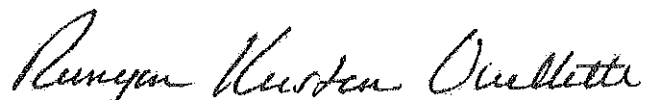
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2012, and the respective changes in financial position, and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in 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 5, 2012, on our consideration of the Town of Hermon, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 schedule are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial exhibits and schedule are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



December 5, 2012
South Portland, Maine



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

December 5, 2012

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2012. 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.

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 by 20% from 2000 to 2011. The growth, both commercial and residential, 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.

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 \$17,364,701, an increase of \$177,306 when compared to the beginning net asset figure for year ending June 30, 2011 of \$17,187,395. Overall, even the small increase is excellent because the Town-wide assets were down by \$1,044,936 from the prior year. However, Town-wide liabilities were also down by \$1,222,242 which allowed for the increase in net assets.
- The Town's unamortized bond debt decreased by \$1,132,721 for a total outstanding debt of \$5,430,956. No new bond 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, Governmental units reported fund balance as designated or undesignated. With the implementation of GASB 54, fund balance is now classified as non-spendable, restricted, committed, assigned, and unassigned. As of June 30, 2012, as reported in the Town's balance sheet for the General Fund (Exhibit A-1), the Town has assigned for future use \$792,836 in funds, unassigned fund balance of \$2,830,508 and restricted for education fund balance of \$2,459,575 for a total fund balance of \$6,082,919. This is a decrease of \$208,069 from the previous year.

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 Financial Statements, 2. Fund Financial Statements, and 3. Notes to the Financial Statements. Subjective analyses of the statements are also made and other supplementary information is 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 as well as accrued compensated absences. 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 with no tax dollars being the key separation from governmental activities. It then follows that governmental activities are those that are primarily funded through taxes and governmental fees. The only business-type activity in Hermon is the recreation enterprise.

Fund Financial Statements

The Town segregates accounts into three basic fund categories. Each category is determined to separate information in order to accurately report specific account activities. The determination of various funds is based upon accounting standards and legal requirements. The three fund categories for the Town are General Fund (Primary Fund), major capital projects funds, and other governmental funds (nonmajor special revenue, capital projects and permanent funds.)

General Fund

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

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

Major Capital Project Funds

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

Other Governmental Funds

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

Notes to the Financial Statements

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

Other Information

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

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

GOVERNMENT-WIDE ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets exceeded liabilities by \$17,307,370 as of June 30, 2012. This figure is comprised of net capital assets, restricted fund balance for education, special revenues, and permanent funds, and unrestricted fund balance.

Net Assets for the Period Ending June 30, 2012

The current year's financial statements show a change in asset classes, with a decrease of liabilities that net a 1.1% increase to total net assets. The overall reasons for the small percentage increase in net assets are having less cash/investments on hand and large use of fund balance in the fiscal year. Payment of significant bond debt has made up for the substantial use of fund balance and decrease in cash/investments, and having less cash on hand/investments at June 30, 2012.

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

	<u>Governmental Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>% Change</u>
ASSETS				
Cash and cash equivalents	\$ 1,277,518	\$ 1,069,060	208,458	19.5%
Investments	7,228,679	8,281,328	(1,052,649)	-12.7%
Other assets	917,003	834,809	82,194	9.8%
Capital assets, net	14,575,950	14,848,576	(272,626)	-1.8%
Total Assets	23,999,150	25,033,773	(1,034,623)	-4.1%
LIABILITIES				
Long-term debt due w/in 1 year	1,149,166	1,184,660	(35,494)	-3.0%
Long-term debt due in more than 1 year	4,386,642	5,476,511	(1,089,869)	-19.9%
Other liabilities	1,155,972	1,252,851	(96,879)	-7.7%
Total Liabilities	6,691,780	7,914,022	(1,222,242)	-15.4%
NET ASSETS				
Invested In:				
Invested in capital assets, net of related debt	9,040,142	8,187,405	852,737	10.4%
Restricted for:				
Expendable Permanent Funds	7,785	7,785	-	0.0%
Nonexpendable trust principal	102	75	27	36.0%
General Fund - Education	2,459,575	2,384,384	75,191	3.2%
Special Revenue Fund	57,207	96,786	(39,579)	-40.9%
Unrestricted	5,742,559	6,443,316	(700,757)	-10.9%
Total Net Assets	\$ 17,307,370	17,119,751	187,619	1.1%

The following table presents a summary of the Statement of Net Activities for the fiscal year ended June 30, 2012.

	<u>Governmental Activities</u>			
	<u>2012</u>	<u>2011</u>	<u>Change</u>	<u>Percent Change</u>
Revenues				
Program Revenues				
Charges for services	\$ 2,352,171	\$ 2,429,130	(76,959)	-3.2%
Operating grants and contributions	7,262,108	7,496,105	(233,997)	-3.1%
Capital grants and contributions	26,757	19,208	7,549	39.3%
General revenues				
Property taxes	5,111,814	4,982,290	129,524	2.6%
Excise taxes	2,195,670	2,024,020	171,650	8.5%
Interest and costs on taxes	47,733	108,935	(61,202)	-56.2%
Grants and contributions not restricted				
State Revenue Sharing	228,899	238,198	(9,299)	-3.9%
Homestead exemption	92,907	98,306	(5,399)	-5.5%
Other intergovernmental revenues	210,564	174,004	36,560	21.0%
Unrestricted Investment earnings	33,205	44,390	(11,185)	-25.2%
Miscellaneous	88,921	71,172	17,749	24.9%
Total revenues:	17,650,749	17,685,758	(35,009)	-0.2%
Expenses				
General government	735,582	716,098	19,484	2.7%
Public safety	742,534	737,136	5,398	0.7%
Public works	1,770,511	1,099,661	670,850	61.0%
Solid waste	476,553	482,070	(5,517)	-1.1%
Recreational and social services	148,996	138,924	10,072	7.3%
Education	11,502,510	11,059,449	443,061	4.0%
Unclassified	967,448	1,074,097	(106,649)	-9.9%
Grants and other special uses	929,338	1,435,515	(506,177)	-35.3%
Interest on debt	42,714	52,937	(10,223)	-19.3%
Capital maintenance expenses	146,944	4,299	142,645	3318.1%
Total expenses:	17,463,130	16,800,186	662,944	3.9%
Change in net assets:	\$ 187,619	\$ 885,572	\$ (697,953)	-78.8%

Comparatives of revenues identify a few key changes. First, overall education revenues have decreased by \$58,349 from the previous year. The largest differences in school revenues were that tuition and fees were down by \$409,413, other school revenues were up by \$278,031. State Education Subsidy had a \$65,334 increase from the previous fiscal year. Second, excise and property taxes had considerable increases in revenue, while we have continued to see a decrease in investment earnings due to the market. We expect to see an upward trend over the next few years of excise tax revenue as the economy starts to stabilize. Property tax revenue is variable due to mil-rates, other revenues, values of homes, new construction, and the commercial district growth. There was a \$301,174 increase for excise and property taxes combined from 2011 to 2012. There was a \$351,900 increase in revenue from 2010 to 2011 for excise and property taxes combined giving us a total increase of \$653,074 over the last two fiscal years. As shown above, there was a total decrease in revenues of \$35,009 from 2011 to 2012.

Expenses have increased by \$662,944 from 2011 to 2012. The Public Works department alone showed a \$670,850 increase in expenses compared to the previous year. This is mainly due to the major overhaul of the Wing/Annis Road in the Public Works department. The project had a total cost of approximately \$800,000 in the 2012 fiscal year. The State of Maine reimbursed the Town of Hermon 50% of the total cost of the project. Education expenses were \$443,061 more in 2012 than 2011, about a 4% increase.

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

Financial Analysis of the Town's Funds

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

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, total governmental funds reported a combined (Town and School) fund balance of \$8,028,880, \$550,097 lower 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:

Expenditures exceeded revenues of all governmental funds by \$641,343. In the fiscal year 2012 it was intended to use a large figure (\$465,000 was budgeted) for use of Fund Balance. The Town of Hermon's Fund Balance Policy states that Fund Balance should not exceed 25% of expenses from the previous year. The Town's fund balance had increased over several years and needed to be spent down to avoid violating this policy. This use was also used in balancing the 2012 budget without much of a tax increase to taxpayers.

Other financing sources resulted in gain of \$91,246. The net gain is attributed to the lease of a bus.

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2011. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			Percent Change
	<u>2012</u>	<u>2011</u>	<u>Change</u>	
Revenues				
Property taxes	\$ 5,229,614	\$ 5,022,090	\$ 207,524	4.1%
Excise taxes	2,195,670	2,024,020	171,650	8.5%
Interest on taxes	47,733	108,935	(61,202)	-56.2%
State Revenue Sharing	228,899	238,198	(9,299)	-3.9%
Homestead exemption	92,907	98,306	(5,399)	-5.5%
State education subsidy	4,223,757	4,158,423	65,334	1.6%
Other intergovernmental revenues	980,486	936,227	44,259	4.7%
Licenses and permits	57,956	50,889	7,067	13.9%
Charges for services	2,063,080	2,151,012	(87,932)	-4.1%
Interest earned	18,913	28,405	(9,492)	-33.4%
Miscellaneous	867,407	582,653	284,754	48.9%
Total revenues:	16,006,422	15,399,158	607,264	3.9%
Expenditures				
General government	706,295	698,554	7,741	1.1%
Public safety	665,509	657,016	8,493	1.3%
Public works	1,767,483	1,096,032	671,451	61.3%
Solid waste	476,553	482,070	(5,517)	-1.1%
Recreational and social services	148,996	138,924	10,072	7.3%
Unclassified	965,938	1,067,277	(101,339)	-9.5%
Education	11,052,873	10,538,073	514,800	4.9%
Special projects	17,261	109,621	(92,360)	-84.3%
Debt service	352,176	355,999	(3,823)	-1.1%
Total expenditures:	16,153,084	15,143,566	1,009,518	6.7%
Excess (deficiency) of revenues over				
(under) expenditures	\$ (146,662)	\$ 255,592	\$ (402,254)	-157.4%

Overall, in 2012, expenditures exceeded revenues by \$146,662. However, we have seen that excise tax revenue has started to increase over the past couple years. This is excellent since the Town of Hermon relies heavily on excise tax revenue to help keep the mil rate low while providing many services to the community. The large increases in Education and Public Works expenses more than make up the \$1,009,518 increase in expenses from 2011 to 2012. To reiterate the prior explanation, Public Works expenses were higher than 2011 due to the Wing/Annis project in 2012, and were reimbursed 50% of the cost of the project by the State of Maine.

Capital Asset and Debt Administration

	Balance 6/30/2011	Additions	Deletions	Balance 6/30/2012
Governmental Activities				
Land	\$ 113,488	-	-	113,488
Total assets not being depreciated	113,488	-	-	113,488
Buildings and improvements	19,285,125	58,900	-	19,344,025
Equipment, furniture, and fixtures	1,926,822	270,062	-	2,196,884
Vehicles	1,846,301	121,537	-	1,967,838
Total assets being depreciated	23,058,248	450,499	-	23,508,747
Total depreciation	(8,323,160)	(723,125)	-	(9,046,285)
Total capital assets, net	\$ 14,848,576	\$ (272,626)	\$ -	\$ 14,575,950

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

Debt Administration

The Town's debt consists of five bonds and several capital leases. A summary of the Town's debt activity for the year ended June 30, 2012 is as follows:

	Long-term Debt				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
Governmental Activities					
Bonds payable	\$ 6,563,677	-	1,132,721	5,430,956	1,098,507
Capital leases payable	97,494	91,246	83,888	104,852	50,659
Accrued compensated absences	51,422	4,278	-	55,700	-
Governmental activities long-term liabilities	\$ 6,712,593	95,524	1,216,609	5,591,508	1,149,166

Additional information on the Town's long-term debt can be found in the notes to the basic financial statements on pages 36-38.

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

COMMITMENT:

Commitment is the most important number to analyze because no matter what the change is in any other category, this is the one that determines if property taxes are going up. It is the amount of money Hermon needs to raise to stay on to balance the budget and it comes from two sources - real estate and personal property taxes. For fiscal year ending June 30, 2012, total commitment was \$5,111,528 as compared to June 30, 2011 was \$5,055,069. Last year overlay was \$60,000 and this year it is \$52,352. 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 analyses indicate fewer sales but no decline in price. It may be that Hermon is not lowering prices as fast or that our real estate is more stable than the state as a whole, but for budget purposes the assessment of homes in Hermon remains stable.

BUDGET HIGHLIGHTS

The budget highlights identify changes in the 2012-13 budget from the 2011-12. 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 \$24,080 or 3.4%. There are miscellaneous changes throughout General Government, both increases and decreases within different sub-departments that balance out to a 3.4% overall increase. General Government is comprised of the Town Manager, Town Clerk, Deputy Clerks, Finance department, Assessor, Code Officer, Municipal building, supplies, Town Council, Town Boards, and miscellaneous expenses, administrative expenses such as all insurances including health, tax bills, repairs, and audit & legal services.
- The Economic Development budget has decreased by 16.1% or \$37,931. This is due to Redzone contract being terminated in April 2013 and the elimination of the purchase of \$36,000 in equipment for Redzone's services.
- Public Safety, which encompasses Police, Fire, Animal Control, and the public safety building, and traffic lights, is increasing by 2.8% or \$18,824. Similar to General Government there are many miscellaneous increases and decreases among line items, but the major portion to the increase is the cost for vehicle gas & oil and building electricity.
- The Public Works Department is decreasing by 15.7% or \$161,940. This year the total decrease to Public Works budget is due to a paving decrease of \$154,500 and winter sand in the amount of \$22,500.
- The Solid Waste budget is decreasing by 1.7% or \$8,701. The decrease is primarily due to fewer costs in maintaining the Pump Station.
- Recreation and Social Services is decreasing by 3.3% or \$5,076. There are many miscellaneous increases and decreases in line items that make up this small difference from the prior fiscal year.
- Debt Service is down 1.1% or \$3,890. This is a result from a lower payment on the Water and Sewer Extension bond as the Town is paying less interest on the bond. This bond will be retired in 2019. The Billings Road Bond retires in July of 2014.

- Reserves are down \$125,716 or 31.8% from the prior year. Over the past few years, Reserves have been vulnerable to budget cuts, but we cannot sustain cuts to Reserves year after year. We expect to see small increases over the next few years to get funding levels back to approximately \$450,000.
- Special Assessments includes County Taxes, TIF's and Adult Education. There is a 5.7% increase for Special Assessments. This is due to TIF payments to taxpayers in the TIF districts increasing.
- General Assistance is staying flat from the previous year.
- The School budget can be summarized with the fact that the local contribution is going from \$3,924,444 to \$3,953,500.

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, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 1,277,518	-	1,277,518
Investments	7,228,679	-	7,228,679
Receivables:			
Taxes receivable - current year	293,786	-	293,786
Taxes receivable - prior year	107,555	-	107,555
Tax liens - prior years	74,837	-	74,837
Tax acquired property	7,854	-	7,854
Accounts receivable	482,491	-	482,491
Internal balances	(55,088)	55,088	-
Inventory	5,512	-	5,512
Prepaid expenses	56	2,243	2,299
Nondepreciable capital assets	113,488	-	113,488
Depreciable capital assets, net	14,462,462	-	14,462,462
Total assets	23,999,150	57,331	24,056,481
LIABILITIES			
Accounts payable	178,828	-	178,828
Accrued payroll	794,316	-	794,316
Accrued compensated absences	55,700	-	55,700
Prepaid taxes	15,857	-	15,857
Accrued interest	35,352	-	35,352
Other liabilities	75,919	-	75,919
Noncurrent liabilities:			
Due within one year	1,149,166	-	1,149,166
Due in more than one year	4,386,642	-	4,386,642
Total liabilities	6,691,780	-	6,691,780
NET ASSETS			
Invested in capital assets, net of related debt	9,040,142	-	9,040,142
Restricted for:			
General fund - education	2,459,575	-	2,459,575
Special revenue fund	57,207	-	57,207
Permanent funds:			
Expendable	7,785	-	7,785
Nonexpendable	102	-	102
Unrestricted	5,742,559	57,331	5,799,890
Total net assets	\$ 17,307,370	57,331	17,364,701

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Activities
For the year ended June 30, 2012

Functions/programs	Program revenues				Net (expense) revenue and changes in net assets		
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary Government		
					Governmental activities	Business-type activities	Total
Primary government:							
Governmental activities:							
General government	\$	735,582	57,956	-	(677,626)	-	(677,626)
Public safety		742,534	13,573	-	(728,961)	-	(728,961)
Public works		1,770,511	401,748	-	(1,368,763)	-	(1,368,763)
Solid waste		476,553	228,119	-	(248,434)	-	(248,434)
Recreational and social services		148,996	-	-	(148,996)	-	(148,996)
Education		11,502,510	1,377,291	-	(3,472,880)	-	(3,472,880)
Unclassified		967,448	9,913	-	(957,535)	-	(957,535)
Grants and other special uses		929,338	609,769	26,757	(29,241)	-	(29,241)
Interest on debt		42,714	-	-	(42,714)	-	(42,714)
Capital maintenance expenses		146,944	-	-	(146,944)	-	(146,944)
Total governmental activities		17,463,130	2,352,171	7,262,108	26,757	(7,822,094)	(7,822,094)
Business-type activities:							
Recreation department		152,348	142,035	-	-	(10,313)	(10,313)
Total business-type activities		152,348	142,035	-	-	(10,313)	(10,313)
Total primary government	\$	17,615,478	2,494,206	7,262,108	26,757	(7,832,407)	(7,832,407)
General revenues:							
Property taxes					5,111,814	-	5,111,814
Excise taxes					2,195,670	-	2,195,670
Interest and costs on taxes					47,733	-	47,733
Grants and contributions not restricted to specific programs:							
State revenue sharing					228,899	-	228,899
Homestead exemption					92,907	-	92,907
Other intergovernmental revenues					210,564	-	210,564
Unrestricted investment earnings					33,205	-	33,205
Miscellaneous revenues					88,921	-	88,921
Total general revenues					8,009,713	-	8,009,713
Change in net assets					187,619	(10,313)	177,306
Net assets - beginning					17,119,751	67,644	17,187,395
Net assets - ending					17,307,370	57,331	17,364,701

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Balance Sheet
Governmental Funds
June 30, 2012

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,243,820	-	-	33,698	1,277,518
Investments	5,090,376	287,562	841,689	1,009,052	7,228,679
Receivables:					
Taxes receivable - current year	293,786	-	-	-	293,786
Taxes receivable - prior year	107,555	-	-	-	107,555
Tax liens - prior years	74,837	-	-	-	74,837
Tax acquired property	7,854	-	-	-	7,854
Accounts receivable	126,832	-	-	355,659	482,491
Inventory	-	-	-	5,512	5,512
Prepaid expenditures	56	-	-	-	56
Interfund loans receivable	511,867	-	-	28,310	540,177
Total assets	\$ 7,456,983	287,562	841,689	1,432,231	10,018,465
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	159,880	-	-	18,948	178,828
Accrued payroll	793,008	-	-	1,308	794,316
Prepaid taxes	15,857	-	-	-	15,857
Interfund loans payable	-	205,650	-	389,615	595,265
Deferred tax revenue	329,400	-	-	-	329,400
Other liabilities	75,919	-	-	-	75,919
Total liabilities	1,374,064	205,650	-	409,871	1,989,585
Fund balances:					
Nonspendable:					
Inventory	-	-	-	5,512	5,512
Nonexpendable principal	-	-	-	7,785	7,785
Restricted:					
General fund	2,459,575	-	-	-	2,459,575
Special revenue funds	-	-	-	57,207	57,207
Permanent funds	-	-	-	102	102
Assigned:					
General fund	792,836	-	-	-	792,836
Capital projects funds	-	81,912	841,689	965,342	1,888,943
Unassigned:					
General fund	2,830,508	-	-	-	2,830,508
Special revenue funds	-	-	-	(13,588)	(13,588)
Total fund balances	6,082,919	81,912	841,689	1,022,360	8,028,880
Total liabilities and fund balances	\$ 7,456,983	287,562	841,689	1,432,231	
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.					14,575,950
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.					329,400
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					(5,430,956)
Capital leases					(104,852)
Accrued interest					(35,352)
Accrued compensated absences					(55,700)
Net assets of governmental activities					\$ 17,307,370

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, 2012

	General	Highway Capital Reserve	School Capital Improvements	All Nonmajor Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,473,017	-	-	-	7,473,017
Intergovernmental	5,526,049	-	-	570,366	6,096,415
Maine PERS on-behalf payments	842,738	-	-	-	842,738
Licenses and permits	57,956	-	-	-	57,956
Charges for services	2,063,080	-	-	-	2,063,080
Investment income	18,913	1,472	5,910	6,910	33,205
Other	867,407	-	-	334,731	1,202,138
Total revenues	16,849,160	1,472	5,910	912,007	17,768,549
Expenditures:					
Current:					
General government	706,295	-	-	-	706,295
Public safety	665,509	-	-	-	665,509
Public works	1,767,483	-	-	-	1,767,483
Solid waste	476,553	-	-	-	476,553
Recreational and social services	148,996	-	-	-	148,996
Education	11,162,903	-	-	-	11,162,903
Unclassified	965,938	-	-	-	965,938
Grants and other special uses	-	-	-	929,338	929,338
Maine PERS on-behalf payments	842,738	-	-	-	842,738
Debt service	352,176	-	-	-	352,176
Capital outlay	108,507	51,515	-	231,941	391,963
Total expenditures	17,197,098	51,515	-	1,161,279	18,409,892
Excess (deficiency) of revenues over (under) expenditures	(347,938)	(50,043)	5,910	(249,272)	(641,343)
Other financing sources (uses):					
Proceeds from capital lease	91,246	-	-	-	91,246
Transfers from other funds	354,918	125,000	-	26,377	506,295
Transfers to other funds	(306,295)	(200,000)	-	-	(506,295)
Total other financing sources (uses)	139,869	(75,000)	-	26,377	91,246
Net change in fund balances	(208,069)	(125,043)	5,910	(222,895)	(550,097)
Fund balances, beginning of year	6,290,988	206,955	835,779	1,245,255	8,578,977
Fund balances, end of year	\$ 6,082,919	81,912	841,689	1,022,360	8,028,880

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, 2012

Net change in fund balances - total governmental funds (from Statement 4)	\$	(550,097)
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Amounts reported for governmental activities in the statement of activities (Statement 2) are different because:

Governmental funds report capital outlays as expenditures.

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

This is the amount by which depreciation expense (\$723,125) exceeded capital outlay (\$450,499) in the current period.

(272,626)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

(117,800)

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 (\$4,278) and accrued interest (\$7,057).

2,779

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.

1,132,721

This is the amount by which repayments (\$83,888) exceeded lease proceeds (\$91,246).

(7,358)

Change in net assets of governmental activities (see Statement 2)	\$	187,619
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See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - Budgetary Basis
General Fund
For the year ended June 30, 2012

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
Revenues:				
Taxes	\$ 7,080,678	7,080,678	7,473,017	392,339
Intergovernmental	5,023,064	5,422,581	5,526,049	103,468
Licenses and permits	50,500	50,500	57,956	7,456
Charges for services	2,489,980	2,489,980	2,063,080	(426,900)
Interest earned	20,000	20,000	18,913	(1,087)
Other revenues	438,369	438,369	867,407	429,038
Total revenues	15,102,591	15,502,108	16,006,422	504,314
Expenditures:				
Current:				
General government	709,912	712,275	706,295	5,980
Public safety	684,004	684,004	665,509	18,495
Public works	1,281,767	1,789,284	1,767,483	21,801
Solid waste	513,179	513,179	476,553	36,626
Recreation and social services	151,973	151,973	148,996	2,977
Unclassified	882,143	940,143	965,938	(25,795)
Education	11,942,895	11,942,895	11,052,873	890,022
Debt service:				
Principal	302,406	302,406	302,406	-
Interest	50,449	50,449	49,770	679
Capital expenditures	62,486	64,640	17,261	47,379
Total expenditures	16,581,214	17,151,248	16,153,084	998,164
Deficiency of revenues under expenditures	(1,478,623)	(1,649,140)	(146,662)	1,502,478
Other financing sources (uses):				
Utilization of prior year surplus - School	845,000	845,000	-	(845,000)
Utilization of prior year surplus - Town	515,000	685,517	-	(685,517)
Transfers in	424,918	424,918	354,918	(70,000)
Transfers out	(306,295)	(306,295)	(306,295)	-
Total other financing sources	1,478,623	1,649,140	48,623	(1,600,517)
Net change in fund balance, budgetary basis	-	-	(98,039)	(98,039)
Reconciliation to GAAP:				
Change in accrued summer salaries			(110,030)	
Net change in fund balance, GAAP basis			(208,069)	
Fund balance, beginning of year			6,290,988	
Fund balance, end of year	\$		6,082,919	

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Net Assets
Proprietary Fund
June 30, 2012

	Recreation Department
ASSETS	
Current assets:	
Interfund loans receivable	\$ 55,088
Prepaid expenses	2,243
Total assets	57,331
LIABILITIES	
Current liabilities:	
Accounts payable	-
Total liabilities	-
NET ASSETS	
Unrestricted	57,331
Total net assets	\$ 57,331

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Fund
For the year ended June 30, 2012

	Recreation Department
Operating revenues:	
Charges for services	\$ 142,035
Total operating revenues	142,035
Operating expenses:	
Current:	
Payroll	11,432
Recreation programs	140,916
Total operating expenses	152,348
Operating loss	(10,313)
Total net assets, beginning of year	67,644
Total net assets, end of year	\$ 57,331

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE
Statement of Cash Flows - Proprietary Fund
For the year ended June 30, 2012

	Recreation Department
Cash flows from operating activities:	
Receipts from customers and users	\$ 142,035
Payments to suppliers	(142,628)
Payments to employees	(11,432)
Interfund activity	12,025
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	\$ (10,313)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in interfund receivables	12,025
Increase in prepaid expenditures	(1,712)
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, 2012

	Agency Funds	Private-purpose Trusts
	Student Activity Funds	School Department Scholarships
ASSETS		
Cash and cash equivalents	\$ 131,531	188,240
Total assets	131,531	188,240
LIABILITIES		
Due to student groups	131,531	-
Total liabilities	131,531	-
NET ASSETS		
Held in trust	\$ -	188,240

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, 2012

	Private-purpose Trusts
	School Department Scholarships
Additions	\$ 416
Deductions	-
Change in net assets	416
Net assets, beginning of year	187,824
Net assets, end of year	\$ 188,240

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.

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

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

D. Cash and Investments

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

E. Interfund Loans Receivable/Payable

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

F. Inventory

Inventory in the School Lunch Program consists of food and supplies and is valued at the lower of cost 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.

H. Compensated Absences

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

I. Long-term Obligations

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

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

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

GASB 54 paragraph 27 requires governments that have formally adopted a fund balance policy to disclose the policy that sets forth the minimum fund balance amount. It is the intent of the Town to maintain a minimum fund balance of one month, 8.33%, of operating expenditures with a targeted balance of two months or 16.66%. The maximum fund balance is not to exceed 25% of the operating expenditures. Any amount in excess of 25% is to be appropriated to reserve accounts for use on future, specific projects. The Town Council may recommend transfers to the Town that would reduce the balance below 25%, but no transfers shall be made that would reduce the balance to less than 8.33%. Governmental Fund balance is reported in five classifications that comprise a hierarchy based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which those funds can be spent. The five classifications of fund balance for the Governmental Funds are as follows:

- *Nonspendable* – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.
- *Restricted* – resources with constraints placed on the use of resources which are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or; b) imposed by law through constitutional provisions or enabling legislation.
- *Committed* – resources which are subject to limitations the government imposes on itself at its highest level of decision making authority, and that remain binding unless removed in the same manner.

TOWN OF HERMON, MAINE
Notes to Financial Statements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

- *Assigned* – resources that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.
- *Unassigned* – resources which have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

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

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

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 \$842,738. These amounts have been included as revenue and expenditures in the General Fund on Statement 4 (GAAP basis) and on the Statement of Activities. There is no effect on the fund balance or net assets at the end of the year.

Through June 30, 2012, 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, 2012, expenditures exceeded appropriations in the following departments and/or expense categories.

Unclassified	\$ 25,795
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C. Deficit Fund Balance

For the year ended June 30, 2012, the following funds had a deficit fund balances:

School Lunch Fund	\$ 3,279
Trail Grant	4,776
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, 2012, the Town reported deposits of \$1,597,289 with a bank balance of \$1,955,020. Of the Town's bank balances of \$1,955,020, 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	\$ 1,277,518
Reported in fiduciary funds	319,771
Total deposits	\$1,597,289

B. Investments

At June 30, 2012, the Town had the following investments and maturities:

	Fair value	Less than 1 year	1-5 years	More than 5 years
U. S. Government securities	\$ 875,183	875,183	-	-
Mutual funds	2,534,421	NA	-	-
Repurchase agreements	3,819,075	3,819,075	-	-
Total investments	\$ 7,228,679	4,694,258	-	-

Investments have been reported as follows:

Reported in Governmental Funds	\$ 7,228,679
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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 \$3,819,075 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 August 18, 2011, on the assessed value listed as of April 1, 2011, for all real and personal property located in the Town. Payment of taxes was due on April 1, 2012. 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 \$52,352 for the period ended June 30, 2012.

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

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

The following summarizes the period ended June 30, 2012 levy:

	<u>2012</u>
Assessed value	\$ 445,643,200
Tax rate (per \$1,000)	<u>11.47</u>
Commitment	5,111,528
Supplemental taxes assessed	<u>140</u>
	5,111,668
Less:	
Collections and abatements	<u>4,817,882</u>
Receivable at June 30, 2012	<u>\$ 293,786</u>
Due date	April 1, 2012
Interest rate on delinquent taxes	7.0%
Collection rate	94.25%

TOWN OF HERMON, MAINE
Notes to Financial Statements

CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012 was as follows:

	Balance June 30, <u>2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2012</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 113,488	-	-	113,488
Total capital assets, not being depreciated	113,488	-	-	113,488
Capital assets, being depreciated:				
Buildings and building improvements	19,285,125	58,900	-	19,344,025
Equipment, furniture and fixtures	1,926,822	270,062	-	2,196,884
Vehicles	1,846,301	121,537	-	1,967,838
Total capital assets being depreciated	23,058,248	450,499	-	23,508,747
Less accumulated depreciation for:				
Buildings and building improvements	(6,135,987)	(506,247)	-	(6,642,234)
Equipment, furniture and fixtures	(1,056,257)	(135,772)	-	(1,192,029)
Vehicles	(1,130,916)	(81,106)	-	(1,212,022)
Total accumulated depreciation	(8,323,160)	(723,125)	-	(9,046,285)
Total capital assets being depreciated, net	14,735,088	(272,626)	-	14,462,462
Governmental activities capital assets, net	\$ 14,848,576	(272,626)	-	14,575,950

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

Governmental activities:	
General government	\$ 28,515
Public safety	77,025
Public works	25,118
Education	590,957
Unclassified	1,510
Total depreciation expense – governmental activities	\$ 723,125

TOWN OF HERMON, MAINE
Notes to Financial Statements

INTERFUND BALANCES

Individual interfund receivables and payables at June 30, 2012, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$ 511,867</u>	<u>-</u>
<u>Highway Capital Reserve</u>	<u>-</u>	<u>205,650</u>
Nonmajor special revenue funds:		
Adult Education	14,583	-
Education Jobs Grant	-	59,505
Rural Grant	-	25,053
Title 1A	-	102,785
Local Entitlement	-	153,370
School Lunch Fund	-	13,328
Pre-K Local Entitlement	-	2,634
Comp Grant	7,550	-
Library Grant	6,056	-
MMA Wellness Grant	121	-
Trail Grant	-	4,776
FEMA Radio Grant	-	21
Cemetery Reserve	-	16,417
Medical Reimbursement	-	1,430
<u>Total nonmajor special revenue funds</u>	<u>28,310</u>	<u>379,319</u>
Nonmajor capital project funds:		
Recreation Facilities	-	579
Municipal Building	-	3,708
Sewer Maintenance	-	6,009
<u>Total nonmajor capital project fund</u>	<u>-</u>	<u>10,296</u>
<u>Recreation Department</u>	<u>55,088</u>	<u>-</u>
<u>Totals</u>	<u>\$ 595,265</u>	<u>595,265</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, 2012 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
General Fund	\$ 354,918	306,295
Highway Capital Reserve	125,000	200,000
Nonmajor special revenue funds:		
School lunch fund	20,000	-
Historical Society Grant	2,022	-
MFS Pagets Grant	1,540	-
United Way Fuel Assist Grant	2,363	-
MMA Safety Grant	107	-
Total nonmajor special revenue funds	26,032	-
Nonmajor capital project funds:		
Public Works Facilities	53,456	-
Recreation Facilities	42,444	-
Municipal Building	5,000	-
Sewer Maintenance	44,363	-
Fire Station Reserve	10,000	-
Middle School Improvement	-	154,918
Total nonmajor capital project funds	155,263	154,918
Totals	\$ 661,213	661,213

These transfers were budgeted transfers to fund certain activities.

CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2012 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental activities:					
Bonds payable	\$ 6,563,677	-	1,132,721	5,430,956	1,098,507
Capital leases payable	97,494	91,246	83,888	104,852	50,659
Accrued compensated absences	51,422	4,278	-	55,700	-
Governmental activities					
long-term liabilities	\$ 6,712,593	95,524	1,216,609	5,591,508	1,149,166

TOWN OF HERMON, MAINE
Notes to Financial Statements

LONG-TERM DEBT

Bonds and Notes Payable

Long-term debt payable at June 30, 2012 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	629,300
2003 School construction	6,325,000	2.50-3.70%	2014	1,155,000
2005 School construction	3,879,000	3.88%-4.00%	2020	2,995,000
2007 School construction	953,604(a)	0%	2017	151,576
2009 Billings Road Improvement	900,000	2.97%	2015	500,080
Total				\$ 5,430,956

(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>
2013	\$ 1,098,507	187,388	1,285,895
2014	1,095,155	149,099	1,244,254
2015	567,063	117,645	684,708
2016	530,215	96,988	627,203
2017	550,216	75,849	626,065
2018-2020	1,589,800	94,879	1,684,679
Totals	\$ 5,430,956	721,848	6,152,804

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, 2012:

School buses (2)	\$ 172,464
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, 2012:

2013	\$ 53,575
2014	53,575
2015	1,266
2016	844
Total minimum lease payments	109,260
Less amounts representing interest	4,408
Present value of future minimum lease payments	\$ 104,852

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, 2012, 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, 2012.

FUND BALANCES

The General Fund unassigned fund balance total of \$2,830,508 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 \$13,588 are also reported for several special revenue funds that have negative fund balances as of June 30, 2012, as shown on Statement 3.

TOWN OF HERMON, MAINE
Notes to Financial Statements

FUND BALANCES, CONTINUED

As of June 30, 2012, fund balance components consisted of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General fund:			
Restricted for education	\$ -	2,459,575	-
Assigned for:			
Reappropriated to the 2013 budget	-	-	270,000
Police Equipment	-	-	14,122
Municipal Unemployment	-	-	11,987
Legal Liability	-	-	48,355
Fire Equipment	-	-	91,423
Public Land Acquisition	-	-	14,737
Planning and Maintenance	-	-	78,059
Fire and Rescue Consolidation	-	-	64,844
Economic Development	-	-	110,804
Fire Station Repair and Maintenance	-	-	2,175
Technology Reserve	-	-	13,823
Credit Reserve	-	-	70,281
Boston Post Cane	-	-	776
Civil War	-	-	1,450
Total general fund	-	2,459,575	792,836
Highway Capital Reserve	-	-	81,912
School Capital Improvements	-	-	841,689
Other governmental funds:			
Inventory	5,512	-	-
Grants and other purposes	-	57,207	-
Capital outlay	-	-	965,342
Permanent funds - principal	7,785	-	-
Permanent funds - unexpended	-	102	-
Total other governmental funds	13,297	57,309	965,342
Grand totals	\$ 13,297	2,516,884	2,681,779

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 \$842,738 (16.36%) for the fiscal year 2012. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2 and Statement 4). There is no contribution required by the School except for federally funded teachers, for which the School contributed 16.36% 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, 2012

	2012
ASSETS	
Cash and cash equivalents	\$ 1,243,820
Investments	5,090,376
Receivables:	
Taxes receivable - current year	293,786
Taxes receivable - prior years	107,555
Tax liens - prior years	74,837
Tax acquired property	7,854
Accounts receivable	126,832
Interfund loans receivables	511,867
Prepaid expenditures	56
Total assets	\$ 7,456,983
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	159,880
Accrued payroll	793,008
Prepaid taxes	15,857
Deferred tax revenue	329,400
Other liabilities	75,919
Total liabilities	1,374,064
Fund balance:	
Restricted for education	2,459,575
Assigned - Town	792,836
Unassigned - Town	2,830,508
Total fund balance	6,082,919
Total liabilities and fund balance	\$ 7,456,983

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, 2012

		2012		Variance positive (negative)
		Budget	Actual	
Revenues:				
Taxes:				
Property taxes	\$	5,043,428	5,229,614	186,186
Excise taxes		2,011,250	2,195,670	184,420
Interest on taxes		26,000	47,733	21,733
Total taxes		7,080,678	7,473,017	392,339
Intergovernmental:				
State education subsidy		4,219,753	4,223,757	4,004
State reimbursement - debt service		615,315	615,315	-
State agency client		72,000	135,366	63,366
Homestead reimbursement		92,907	92,907	-
BETE reimbursement		113,306	113,464	158
Medicaid reimbursements		5,000	19,241	14,241
State revenue sharing		225,000	228,899	3,899
General assistance		15,000	26,479	11,479
Snowmobile reimbursement		3,000	3,065	65
URIP Funds		61,300	67,556	6,256
Total intergovernmental		5,422,581	5,526,049	103,468
Licenses and permits:				
Vehicle registration fees		27,000	29,536	2,536
Animal control fees		3,000	1,635	(1,365)
Planning/zoning fees		500	7,419	6,919
Plumbing fees		9,000	10,658	1,658
Building permits		11,000	8,708	(2,292)
Total licenses and permits		50,500	57,956	7,456

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

	2012		Variance positive (negative)
	Budget	Actual	
Revenues, continued:			
Charges for services:			
School tuition and fees	\$ 1,800,000	1,377,291	(422,709)
Solid waste disposal fees	234,262	228,119	(6,143)
Police department revenue	-	9,035	9,035
Fire department revenue	3,800	4,538	738
Public works revenues	399,518	400,998	1,480
Wireless fees	28,400	9,913	(18,487)
Cable franchise	19,000	32,436	13,436
Cemetery maintenance	3,000	750	(2,250)
Sewer fees	2,000	-	(2,000)
Total charges for services	2,489,980	2,063,080	(426,900)
Interest earned	20,000	18,913	(1,087)
Total interest earned	20,000	18,913	(1,087)
Other revenues:			
School Department	334,625	815,922	481,297
Miscellaneous	103,744	51,485	(52,259)
Total other revenues	438,369	867,407	429,038
Total revenues	15,502,108	16,006,422	504,314

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

	2012		Variance positive (negative)
	Budget	Actual	
Expenditures:			
Current:			
General government:			
Administration	\$ 236,191	227,758	8,433
Town manager	94,755	97,408	(2,653)
Town clerk	34,521	33,422	1,099
Finance	71,959	69,799	2,160
Assessor	57,864	57,250	614
Code enforcement	49,777	50,157	(380)
Clerks	93,893	96,929	(3,036)
Municipal building	21,720	22,067	(347)
Town office	10,000	8,206	1,794
Town council	10,675	12,110	(1,435)
Town boards	10,820	9,034	1,786
Other expenses	20,100	22,155	(2,055)
Total general government	712,275	706,295	5,980
Public safety:			
Police department	319,051	315,173	3,878
Fire department	284,013	275,420	8,593
Utilities	80,940	74,916	6,024
Total public safety	684,004	665,509	18,495
Public works:			
General	172,154	163,178	8,976
Roads	1,544,513	1,515,348	29,165
Equipment	37,378	57,448	(20,070)
Salt shed/ town garage	4,355	3,517	838
Cemetery	30,884	27,992	2,892
Total public works	1,789,284	1,767,483	21,801

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

	2012		Variance positive (negative)
	Budget	Actual	
Expenditures, continued			
Current, continued:			
Solid waste:			
Landfill	\$ 26,959	25,407	1,552
House waste	433,304	422,938	10,366
Sewer	52,916	28,208	24,708
Total solid waste	513,179	476,553	36,626
Recreation and social services:			
Recreation	127,102	121,095	6,007
Social services	13,800	21,960	(8,160)
Library	8,500	4,730	3,770
Jackson Beach	2,571	1,211	1,360
Total recreation and social services	151,973	148,996	2,977
Unclassified:			
Economic development	127,030	89,958	37,072
County tax	515,113	515,113	-
General assistance	88,000	53,328	34,672
Tax increment financing	50,000	99,651	(49,651)
Wireless	148,000	129,830	18,170
Municipal unemployment	2,000	1,588	412
Legal liability	-	5,530	(5,530)
Planning and maintenance	10,000	13,855	(3,855)
Credit reserve	-	47	(47)
Fire and rescue consolidation	-	44	(44)
Boston Post Cane	-	104	(104)
Overlay/abatements	-	56,890	(56,890)
Total unclassified	940,143	965,938	(25,795)

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

	2012		Variance positive (negative)
	Budget	Actual	
Expenditures, continued:			
Education:			
Regular instruction	\$ 4,559,340	4,266,772	292,568
Special education instruction	1,519,109	1,365,946	153,163
Career and technical education	154,859	146,521	8,338
Other instruction	579,194	475,893	103,301
Student and staff support	1,160,387	1,081,818	78,569
System administration	334,053	301,378	32,675
School administration	607,114	564,806	42,308
Transportation	622,951	564,422	58,529
Facilities maintenance	1,400,649	1,280,078	120,571
Debt service	1,005,239	1,005,239	-
Total education	11,942,895	11,052,873	890,022
Capital expenditures:			
Old Schoolhouse Roof	2,154	-	2,154
Police equipment	-	10,187	(10,187)
Fire equipment	58,486	64	58,422
Public land acquisition	1,500	10	1,490
Technology	2,500	7,000	(4,500)
Total capital expenditures	64,640	17,261	47,379
Debt service - Town only:			
Principal	302,406	302,406	-
Interest	50,449	49,770	679
Total debt service - Town	352,855	352,176	679
Total expenditures	17,151,248	16,153,084	998,164
Deficiency of revenues under expenditures	(1,649,140)	(146,662)	1,502,478

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

	2012		Variance positive (negative)
	Budget	Actual	
Other financing sources (uses):			
Utilization of prior year surplus - School	\$ 845,000	-	(845,000)
Utilization of prior year surplus - Town	685,517	-	(685,517)
Transfers in:			
Transfer from capital project funds (School)	154,918	154,918	-
Transfer from capital project funds (Town)	270,000	200,000	(70,000)
Transfers out:			
Transfer to capital project funds	(280,263)	(280,263)	-
Transfer to special revenue funds	(26,032)	(26,032)	-
Total other financing sources	1,649,140	48,623	(1,600,517)
Net change in fund balances, budgetary basis	-	(98,039)	(98,039)
Fund balance, beginning of year (budgetary basis)		6,900,419	
Fund balance, end of year (budgetary basis)		6,802,380	
Reconciliation to GAAP:			
Less accrued summer salaries		(719,461)	
Fund balance, end of year (GAAP basis)		\$ 6,082,919	

ALL OTHER GOVERNMENTAL FUNDS

TOWN OF HERMON, MAINE
Combining Balance Sheet
All Other Governmental Funds
June 30, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 25,811	-	7,887	33,698
Investments	33,414	975,638	-	1,009,052
Accounts receivable	355,659	-	-	355,659
Inventory	5,512	-	-	5,512
Interfund loans receivable	28,310	-	-	28,310
Total assets	\$ 448,706	975,638	7,887	1,432,231
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	18,948	-	-	18,948
Accrued payroll	1,308	-	-	1,308
Interfund loans payable	379,319	10,296	-	389,615
Total liabilities	399,575	10,296	-	409,871
Fund balances:				
Nonspendable:				
Inventory	5,512	-	-	5,512
Nonexpendable principal	-	-	7,785	7,785
Restricted	57,207	-	102	57,309
Assigned	-	965,342	-	965,342
Unassigned	(13,588)	-	-	(13,588)
Total fund balances	49,131	965,342	7,887	1,022,360
Total liabilities and fund balances	\$ 448,706	975,638	7,887	1,432,231

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
All Other Governmental Funds
For the year ended June 30, 2012

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 570,366	-	-	570,366
Investment income	263	6,620	27	6,910
Other	329,731	5,000	-	334,731
Total revenues	900,360	11,620	27	912,007
Expenditures:				
Current:				
Grants and other special uses	929,338	-	-	929,338
Capital outlay	50,473	181,468	-	231,941
Total expenditures	979,811	181,468	-	1,161,279
Excess (deficiency) of revenues over (under) expenditures	(79,451)	(169,848)	27	(249,272)
Other financing sources:				
Transfer from other funds	26,032	345	-	26,377
Total other financing sources	26,032	345	-	26,377
Net change in fund balances	(53,419)	(169,503)	27	(222,895)
Fund balances, beginning of year	102,550	1,134,845	7,860	1,245,255
Fund balances, end of year	\$ 49,131	965,342	7,887	1,022,360

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Adult Education	ARRA Education Jobs	Title IIA	Rural Grant	Title 1A	ARRA MARTI	ARRA Broadband	Local Entitlement	ARRA Title 1A
ASSETS									
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	59,505	-	25,053	102,785	-	-	153,370	-
Inventory	-	-	-	-	-	-	-	-	-
Interfund loans receivable	14,583	-	-	-	-	-	-	-	-
Total assets	\$ 14,583	59,505	-	25,053	102,785	-	-	153,370	-
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	-	-	-	-	-	-	-	-	-
Accrued payroll	-	-	-	-	-	-	-	-	-
Interfund loans payable	-	59,505	-	25,053	102,785	-	-	153,370	-
Total liabilities	-	59,505	-	25,053	102,785	-	-	153,370	-
Fund balances (deficits):									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Restricted	14,583	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances (deficits)	14,583	-	-	-	-	-	-	-	-
Total liabilities and fund balances	\$ 14,583	59,505	-	25,053	102,785	-	-	153,370	-

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	ARRA Local Ent.	Ticket to Ride Grant	School Lunch Fund	ARRA Title IID	Pre-K Local Entitlement	Arts & Humanities	Comp. Grant	Library Grant	Stephen King Turn Out Gear Grant	MMA Wellness Grant
ASSETS										
Cash and cash equivalents	\$ -	-	12,481	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	12,312	-	2,634	-	-	-	-	-
Inventory	-	-	5,512	-	-	-	-	-	-	-
Interfund loans receivable	-	-	-	-	-	-	7,550	6,056	-	121
Total assets	\$ -	-	30,305	-	2,634	-	7,550	6,056	-	121
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	-	-	18,948	-	-	-	-	-	-	-
Accrued payroll	-	-	1,308	-	-	-	-	-	-	-
Interfund loans payable	-	-	13,328	-	2,634	-	-	-	-	-
Total liabilities	-	-	33,584	-	2,634	-	-	-	-	-
Fund balances (deficits):										
Nonspendable:										
Inventory	-	-	5,512	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	7,550	6,056	-	121
Unassigned	-	-	(8,791)	-	-	-	-	-	-	-
Total fund balances (deficits)	-	-	(3,279)	-	-	-	7,550	6,056	-	121
Total liabilities and fund balances	\$ -	-	30,305	-	2,634	-	7,550	6,056	-	121

TOWN OF HERMON, MAINE
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2012

	Trail Grant	Historical Society Grant	FEMA Radio Grant	MFS Pagers Grant	United Way Fuel Assist Grant	MMA Safety Grant	Cemetery Reserve	Veterans Park	Medical Reimb.	Athletic Complex	Totals
ASSETS											
Cash and cash equivalents	\$ -	-	-	-	-	-	-	2,789	2,666	7,875	25,811
Investments	-	-	-	-	-	-	33,414	-	-	-	33,414
Accounts receivable	-	-	-	-	-	-	-	-	-	-	355,659
Inventory	-	-	-	-	-	-	-	-	-	-	5,512
Interfund loans receivable	-	-	-	-	-	-	-	-	-	-	28,310
Total assets	\$ -	-	-	-	-	-	33,414	2,789	2,666	7,875	448,706
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable	-	-	-	-	-	-	-	-	-	-	18,948
Accrued payroll	-	-	-	-	-	-	-	-	-	-	1,308
Interfund loans payable	4,776	-	21	-	-	-	16,417	-	1,430	-	379,319
Total liabilities	4,776	-	21	-	-	-	16,417	-	1,430	-	399,575
Fund balances (deficits):											
Nonspendable:											
Inventory	-	-	-	-	-	-	-	-	-	-	5,512
Restricted	-	-	-	-	-	-	16,997	2,789	1,236	7,875	57,207
Unassigned	(4,776)	-	(21)	-	-	-	-	-	-	-	(13,588)
Total fund balances (deficits)	(4,776)	-	(21)	-	-	-	16,997	2,789	1,236	7,875	49,131
Total liabilities and fund balances	\$ -	-	-	-	-	-	33,414	2,789	2,666	7,875	448,706

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2012

		ARRA								
		Adult Education	ARRA Education Jobs	Title IIA	Rural Grant	Title 1A	ARRA MARTI	ARRA Broadband	Local Entitlement	ARRA Title 1A
Revenues:										
Intergovernmental	\$	15,986	66,995	17,483	31,009	118,171	250	250	190,368	729
Other		-	-	-	-	-	-	-	-	-
Investment income		-	-	-	-	-	-	-	-	-
Total revenues		15,986	66,995	17,483	31,009	118,171	250	250	190,368	729
Expenditures:										
Current:										
Grants and other special uses		14,461	66,980	17,483	34,564	118,171	250	250	201,578	729
Capital outlay		-	-	-	-	-	-	-	-	-
Total expenditures		14,461	66,980	17,483	34,564	118,171	250	250	201,578	729
Excess (deficiency) of revenues over (under) expenditures		1,525	15	-	(3,555)	-	-	-	(11,210)	-
Other financing sources:										
Transfer from other funds		-	-	-	-	-	-	-	-	-
Total other financing sources		-	-	-	-	-	-	-	-	-
Net change in fund balances		1,525	15	-	(3,555)	-	-	-	(11,210)	-
Fund balances (deficits), beginning of year		13,058	(15)	-	3,555	-	-	-	11,210	-
Fund balances (deficits), end of year	\$	14,583	-	-	-	-	-	-	-	-

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2012

		ARRA Local Ent.	Ticket to Ride Grant	School Lunch Fund	ARRA Title IID	Pre-K Local Entitlement	Arts & Humanities	Comp. Grant	Library Grant	Stephen King Turn Out Gear Grant	MMA Wellness Grant
Revenues:											
Intergovernmental	\$	2,719	-	119,858	298	3,097	-	-	-	-	200
Other		-	300	263,571	-	-	-	-	20,000	-	-
Investment income		-	-	-	-	-	-	-	-	-	-
Total revenues		2,719	300	383,429	298	3,097	-	-	20,000	-	200
Expenditures:											
Current:											
Grants and other special uses		23,896	300	413,150	1,256	3,097	536	-	13,944	740	79
Capital outlay		-	-	-	-	-	-	-	-	-	-
Total expenditures		23,896	300	413,150	1,256	3,097	536	-	13,944	740	79
Excess (deficiency) of revenues over (under) expenditures		(21,177)	-	(29,721)	(958)	-	(536)	-	6,056	(740)	121
Other financing sources:											
Transfer from other funds		-	-	20,000	-	-	-	-	-	-	-
Total other financing sources		-	-	20,000	-	-	-	-	-	-	-
Net change in fund balances		(21,177)	-	(9,721)	(958)	-	(536)	-	6,056	(740)	121
Fund balances (deficits), beginning of year		21,177	-	6,442	958	-	536	7,550	-	740	-
Fund balances (deficits), end of year	\$	-	-	(3,279)	-	-	-	7,550	6,056	-	121

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the year ended June 30, 2012

	Trail Grant	Historical Society Grant	FEMA Radio Grant	MFS Pagers Grant	Fuel Assist Grant	MIMA Safety Grant	Cemetery Reserve	Veterans Park	Medical Reimb.	Athletic Complex	Totals
Revenues:											
Intergovernmental	\$ -	1,200	-	1,540	-	213	-	-	-	-	570,366
Other	-	1,500	-	-	2,613	-	600	2,866	14,390	23,891	329,731
Investment income	-	-	-	-	-	-	233	6	-	24	263
Total revenues	-	2,700	-	1,540	2,613	213	833	2,872	14,390	23,915	900,360
Expenditures:											
Current:											
Grants and other special uses	4,776	4,722	-	3,080	4,976	320	-	-	-	-	929,338
Capital outlay	-	-	-	-	-	-	9,316	3,841	14,041	23,275	50,473
Total expenditures	4,776	4,722	-	3,080	4,976	320	9,316	3,841	14,041	23,275	979,811
Excess (deficiency) of revenues over (under) expenditures	(4,776)	(2,022)	-	(1,540)	(2,363)	(107)	(8,483)	(969)	349	640	(79,451)
Other financing sources:											
Transfer from other funds	-	2,022	-	1,540	2,363	107	-	-	-	-	26,032
Total other financing sources	-	2,022	-	1,540	2,363	107	-	-	-	-	26,032
Net change in fund balances	(4,776)	-	-	-	-	-	(8,483)	(969)	349	640	(53,419)
Fund balances (deficits), beginning of year	-	-	(21)	-	-	-	25,480	3,758	887	7,235	102,550
Fund balances (deficits), end of year	\$ (4,776)	-	(21)	-	-	-	16,997	2,789	1,236	7,875	49,131

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, 2012

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Middle School Improvement	Totals
ASSETS							
Investments	\$ 143,215	300,656	20,557	473,786	37,424	-	975,638
Total assets	\$ 143,215	300,656	20,557	473,786	37,424	-	975,638
LIABILITIES AND FUND BALANCES							
Liabilities:							
Interfund loans payable	-	579	3,708	6,009	-	-	10,296
Total liabilities	-	579	3,708	6,009	-	-	10,296
Fund balances:							
Assigned	143,215	300,077	16,849	467,777	37,424	-	965,342
Total fund balances	143,215	300,077	16,849	467,777	37,424	-	965,342
Total liabilities and fund balances	\$ 143,215	300,656	20,557	473,786	37,424	-	975,638

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Project Funds
For the year ended June 30, 2012

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Fire Station Reserve	Middle School Improvement	Totals
Revenues:							
Other	-	-	-	5,000	-	-	5,000
Investment income	\$ 682	1,854	114	3,767	203	-	6,620
Total revenues	682	1,854	114	8,767	203	-	11,620
Expenditures:							
Capital outlay	-	-	3,708	177,760	-	-	181,468
Total expenditures	-	-	3,708	177,760	-	-	181,468
Excess (deficiency) of revenues over (under) expenditures	682	1,854	(3,594)	(168,993)	203	-	(169,848)
Other financing sources (uses):							
Transfer from (to) other funds	53,456	42,444	5,000	44,363	10,000	(154,918)	345
Total other financing sources (uses)	53,456	42,444	5,000	44,363	10,000	(154,918)	345
Net change in fund balances	54,138	44,298	1,406	(124,630)	10,203	(154,918)	(169,503)
Fund balances, beginning of year	89,077	255,779	15,443	592,407	27,221	154,918	1,134,845
Fund balances, end of year	\$ 143,215	300,077	16,849	467,777	37,424	-	965,342

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, 2012

	Pike	Nowell	Totals
ASSETS			
Cash and cash equivalents	\$ 6,811	1,076	7,887
Total assets	\$ 6,811	1,076	7,887
LIABILITIES AND FUND BALANCES			
Liabilities:			
Interfund loans payable	-	-	-
Total liabilities	-	-	-
Fund balances:			
Nonspendable			
Nonexpendable principal	6,785	1,000	7,785
Restricted	26	76	102
Total fund balances	6,811	1,076	7,887
Total liabilities and fund balances	\$ 6,811	1,076	7,887

TOWN OF HERMON, MAINE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Permanent Funds
For the year ended June 30, 2012

	Pike	Nowell	Totals
Revenues:			
Investment income	\$ 26	1	27
Total revenues	26	1	27
Expenditures:			
Current:			
Other	-	-	-
Total expenditures	-	-	-
Net change in fund balances	26	1	27
Fund balances, beginning of year	6,785	1,075	7,860
Fund balances, end of year	\$ 6,811	1,076	7,887

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, 2012

		2012		
		Budget	Actual	Variance positive (negative)
Revenues:				
State education subsidy	\$	4,219,753	4,223,757	4,004
State reimbursement - debt service		615,315	615,315	-
State agency client		72,000	135,366	63,366
Tuition and fees		1,800,000	1,377,291	(422,709)
Medicaid reimbursements		5,000	19,241	14,241
Other revenues		334,625	815,922	481,297
Total revenues		7,046,693	7,186,892	140,199
Expenditures:				
Regular instruction		4,559,340	4,266,772	292,568
Special education instruction		1,519,109	1,365,946	153,163
Career and technical education		154,859	146,521	8,338
Other instruction		579,194	475,893	103,301
Student and staff support		1,160,387	1,081,818	78,569
System administration		334,053	301,378	32,675
School administration		607,114	564,806	42,308
Transportation		622,951	564,422	58,529
Facilities maintenance		1,400,649	1,280,078	120,571
Debt service		1,005,239	1,005,239	-
Total expenditures		11,942,895	11,052,873	890,022
Other financing sources (uses):				
Town appropriation		3,916,284	3,916,284	-
Utilization of prior year surplus		845,000	-	(845,000)
Transfer from capital project fund		154,918	154,918	-
Transfer to school lunch program		(20,000)	(20,000)	-
Total other financing sources		4,896,202	4,051,202	(845,000)
Net change in fund balance		-	185,221	185,221
Fund balance, beginning of year (budgetary basis)			2,993,815	
Fund balance, end of year (budgetary basis)			3,179,036	
Reconciliation to GAAP:				
Less accrued summer salaries			(719,461)	
Fund balance, end of year (GAAP basis)		\$	2,459,575	

