

**TOWN OF HERMON, MAINE**

**Annual Financial Report**

**For the Year Ended June 30, 2008**

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**Annual Financial Report**  
**For the year ended June 30, 2008**

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**Table of Contents**

		<u>Page Number</u>
Independent Auditor's Report		1-2
Management's Discussion and Analysis		3-12
	<u>Statements</u>	
Basic Financial Statements:		
Government-wide Financial Statements:		
Statement of Net Assets	1	15
Statement of Activities	2	16
Fund Financial Statements:		
Balance Sheet - Governmental Funds	3	17
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	4	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5	19
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual - General Fund	6	20
Statement of Net Assets – Proprietary Funds	7	21
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	8	22
Statement of Cash Flows – Proprietary Funds	9	23
Statement of Fiduciary Net Assets – Fiduciary Funds	10	24
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	11	25
Notes to Financial Statements		26-40
	<u>Exhibits</u>	
Combining and Individual Fund Statements and Schedules:		
General Fund:		
Comparative Balance Sheets	A-1	43
Statement of Revenues, Expenditures and Changes in Fund Balances	A-2	44-49
Nonmajor Governmental Funds:		
All Other Governmental Funds:		
Combining Balance Sheet	B-1	53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	B-2	54
Special Revenue Funds:		
Combining Balance Sheet	C-1	57-60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	C-2	61-64
Capital Project Funds:		
Combining Balance Sheet	D-1	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	D-2	68

**TOWN OF HERMON, MAINE**  
**Annual Financial Report**  
**For the year ended June 30, 2008**

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**Table of Contents, Continued**

	<u>Exhibits</u>	<u>Page Number</u>
Permanent Funds:		
Combining Balance Sheet	E-1	71
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	E-2	72
	<u>Schedule</u>	
School Department – General Fund:		
Schedule of Revenues, Expenditures and Changes in Fund Balance	1	75



## 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, 2008, 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, 2008, and the respective changes in financial position, and cash flows, where applicable, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report September 28, 2009, on our consideration of the Town of Hermon, Maine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, as listed in the table of contents, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Town Council  
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hermon, Maine's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Ryan Weston Ouellette".

September 28, 2009  
South Portland, Maine



## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

June 30, 2008

The Management Discussion and Analysis ("MD&A") is a report of the Town of Hermon's fiscal activity for the year ending June 30, 2008. The report is presented in a manner that fairly represents the town's present financial position in respect to all funds and accounts. Included is all the information to accurately understand the town's financial position, and the data is correct to the best of our knowledge and belief.

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

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

### **BIOGRAPHICAL INFORMATION**

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

The residential portions of Hermon are a suburb to the Bangor Region and strive to maintain a rural character. Hermon is one of the more quickly growing communities in the State, and this growth created a population increase of approximately 25% from 1990 to 2000 and this trend has not changed since 2000. The growth in Hermon has created a continual increase to the town value and allowed the town to maintain a mil rate below surrounding communities. However, the council and administration are well aware that the continued growth puts larger demands on services and efforts from the Town are to make sure the community is prepared for long term success.

The goal of the community is to continue the success and growth of our business parks while maintaining separation for our residential community. Hermon's residential area continues its dedication to serve Bangor as a bedroom community that allows for country, family living. Some business is encouraged in the village area to serve the residents while the bulk of services continue to be available by traveling to Bangor.

### **FINANCIAL INFORMATION**

The Town Administration is responsible for the accounting structure of the community. This structure includes the establishment of financial 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:

- The total assets of the Town of Hermon exceeded liabilities by \$14,718,406, an increase of \$1,590,237 when compared to the beginning net asset figure for year ending June 30, 2007 of \$13,128,169.
- The Town's debt decreased by \$682,444 for a total of \$8,777,876.
- The undesignated fund balance as reported in the Town's comparative balance sheets increased by \$652,307 to a total of \$4,519,160.
- The Town of Hermon has a fund balance policy that sets 8.33% of yearly appropriations as a minimum, 16.66% as a target, and 25% as a maximum with any funds over that amount being transferred to reserves. General Fund, undesignated fund balance as of June 30, 2008 was \$4,519,160 or 25.59%. Pursuant to the policy the Council needs to review and transfer \$104,173 to reserves.

## **OVERVIEW OF FINANCIAL STATEMENTS**

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

### Government-wide Financial Statements

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

The statement of net assets is used to express the financial data required for the government-wide financials. This shows the total assets which now include land, buildings, and other capital assets. These are then reduced by the liabilities which now include total bonds and leases due over their entire lives. The result is the net assets of the town.

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

### Fund Financial Statements

The Town segregates accounts into three basic funds. Each fund is determined to separate information in order to accurately report specific account activities. The determination of various funds is based upon accounting standards and legal requirements. The three funds for the town are General Fund (Primary Fund), Capital Projects Fund (Reserves), and Other Governmental Funds (Permanent Funds and Special Revenue).

### *General Fund*

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

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

### *Capital Projects Fund*

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

### *Other Governmental Funds*

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

### Notes to Financial Statements

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

### 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 for the non-major governmental funds are presented beginning on page 53.

### **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 \$14,718,406 of June 30, 2008.

## Net Assets for the Period Ending June 30, 2008

The current year's financial statements are substantively the same as previous years, however, since the Town changed auditors the reports are organized with some changes. Overall, the reports are more detailed and allow for detailed review of the Town's activities.

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

	<u>Governmental Activities</u>			
	<u>2008</u>	<u>2007</u>	<u>Change</u>	<u>Percent Change</u>
Cash & Cash Equivalents	\$ 793,372	\$ 327,918	\$ 465,454	58.7%
Investments	9,366,335	9,479,879	(113,544)	-1.2%
Other Assets	535,493	946,130	(410,637)	-76.7%
Capital Assets, Net	<u>13,891,727</u>	<u>12,732,013</u>	<u>1,159,714</u>	8.3%
Total Assets	24,586,927	23,485,940	1,100,987	4.5%
Long term Debt Due w/in 1 Year	1,072,081	972,870	99,211	9.3%
Long term Debt Due in more than 1 Year	7,797,281	8,556,713	(759,432)	-9.7%
Other Liabilities	<u>999,159</u>	<u>1,347,918</u>	<u>(348,759)</u>	-34.9%
Total Liabilities	9,868,521	10,877,501	(1,008,980)	-10.2%
NET ASSETS:				
Invested In:				
Invested in capital assets, net of related debt	5,022,365	3,235,583	1,786,782	35.6%
Restricted for:				
Nonexpendable trust principal	7,932	7,932	-	0.0%
Unrestricted	<u>9,688,109</u>	<u>9,884,654</u>	<u>(196,545)</u>	-2.0%
<b>Total Net Assets</b>	<b>\$ 14,718,406</b>	<b>\$ 13,128,169</b>	<b>\$ 1,590,237</b>	<b>10.8%</b>

The most significant change to net assets was the increased value for the completion of the Hermon Middle School addition and renovation which realized approximately \$1.6 million in new value.

The following table presents a summary of the Statement of Net Activities for the fiscal year ended June 30, 2008.

	<u>Governmental Activities</u>			Percent Change
	<u>2008</u>	<u>2007</u>	<u>Change</u>	
<b>Revenues</b>				
Program Revenues				
Charges for services	\$ 2,688,875	\$ 2,431,000	\$ 257,875	9.6%
Operating Grants & Contributions	7,213,705	5,717,962	1,495,743	20.7%
Capital Grants & Contributions	366,035	-	366,035	100.0%
General Revenues				
Property Taxes	4,548,549	4,460,198	88,351	1.9%
Excise Taxes	2,180,978	2,190,268	(9,290)	-0.4%
Interest and costs on taxes	34,041			
Grants and contributions not restricted		597,200	(597,200)	
State Revenue Sharing	442,552	-	442,552	100.0%
Homestead exemption	108,152	-	108,152	100.0%
Other intergovernmental revenues	12,117	-	12,117	100.0%
Investment earnings	347,626	-	347,626	100.0%
Forgiveness of Debt	650,453	-	650,453	100.0%
Disposal of property	(49,308)	-	(49,308)	100.0%
Miscellaneous	83,335	729,460	(646,125)	-775.3%
<b>Total Revenues:</b>	<b>18,627,110</b>	<b>16,126,088</b>	<b>2,466,981</b>	<b>13.2%</b>
<b>Expenses</b>				
General government	605,763	587,081	18,682	3.1%
Public Safety	560,156	437,527	122,629	21.9%
Public works	790,056	676,851	113,205	14.3%
Solid waste	465,235	438,839	26,396	5.7%
Economic Development		57,550		
Recreational and Social Services	145,811	86,133	59,678	40.9%
Education	11,789,173	9,701,796	2,087,377	17.7%
Unclassified	950,453	-	950,453	100.0%
Grants and Other Special Uses	891,196	-	891,196	100.0%
Special Projects	307,142	-	307,142	100.0%
Other	20,095	1,759,081	(1,738,986)	-8653.8%
Interest on debt	100,479	-	100,479	100.0%
Capital maintenance expenses	411,314	-	411,314	100.0%
<b>Total Expenses:</b>	<b>17,036,873</b>	<b>13,744,858</b>	<b>3,292,015</b>	<b>19.3%</b>
<b>Increase (decrease) in net assets:</b>	<b>\$ 1,590,237</b>	<b>\$ 2,381,230</b>	<b>\$ (790,993)</b>	<b>-49.7%</b>

The comparatives of this area are difficult due to changes in reporting in the financial statements. However, the totals still show insight that from 2007 to 2008 the amount of growth in net assets slowed from a \$2.38 million increase in 2007 to a \$1.59 million increase in 2008. A review of expenses indicates that education increased spending which was the largest reason last year that assets increased.

## Financial Analysis of the Town's Funds

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

### Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. As the Town completed the year, its governmental funds reported a combined fund balance of \$9,330,939, \$147,185 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:

Revenues exceeded expenditures for the general fund by \$504,008. Non-general fund expenditures exceed revenues by \$1,707,901, primarily due to the expenditure of funds on the Middle School Improvement Project. The overall result is a deficiency of \$1,203,893.

Other finance sources resulted in gain of \$1,056,708. These came from the issuance of debt issuance (\$953,604) and capital lease proceeds (\$103,104.)

The deficiency of \$1,203,893 off set by the gain of \$1,056,708 results in the overall net change to all governmental funds of a loss of \$147,185.

General Fund

The following is a summary of General Fund expenditures and revenues by function, with comparison to 2007. The information is gathered from Exhibit A-2.

	<u>Actual Activity</u>			<u>Percent Change</u>
	<u>2008</u>	<u>2007</u>	<u>Change</u>	
<b>Revenues</b>				
Property Taxes	\$ 4,429,109	\$ 4,387,150	\$ 41,959	0.9%
Excise Taxes	2,180,978	2,190,267	(9,289)	-0.4%
Interest and costs on taxes	34,041	21,676	12,365	36.3%
Tax Increment Financing	119,440	81,747	37,693	31.6%
State Revenue Sharing	442,552	408,254	34,298	7.8%
Homestead exemption	108,152	119,501	(11,349)	-10.5%
State Education Subsidy	4,286,077	3,929,640	356,437	8.3%
Other intergovernmental revenues	876,665	878,948	(2,283)	-0.3%
Licenses and permits	43,640	52,721	(9,081)	-20.8%
Charges for services	2,346,257	2,573,013	(226,756)	-9.7%
Interest earned	146,660	192,578	(45,918)	-31.3%
Miscellaneous	581,699	342,009	239,690	41.2%
Total Revenues:	15,595,270	15,177,504	380,073	2.4%
<b>Expenses</b>				
General government	601,510	589,065	12,445	2.1%
Public Safety	528,918	437,527	91,391	17.3%
Public works	765,623	676,851	88,772	11.6%
Solid waste	465,235	438,839	26,396	5.7%
Recreational and Social Services	145,811	86,133	59,678	40.9%
Unclassified	778,212	523,411	254,801	32.7%
Education	11,013,842	10,678,543	335,299	3.0%
Special Projects	307,142	-	307,142	100.0%
Debt Service	136,478	140,278	(3,800)	-2.8%
Total Expenses:	14,742,771	13,570,647	1,172,124	8.0%
<b>Excess (deficiency) of Revenues over (under) expenditures</b>	<b>\$ 852,499</b>	<b>\$ 1,606,857</b>	<b>\$ (754,358)</b>	<b>-88.5%</b>

Overall, in 2008, revenues exceeded expenses by \$852,499. This is down by \$754,358, which is good because in FY 2007 revenues exceeding expenditures by \$1.6 million is too much. FY 2008 adjusted by using the savings to put towards maintaining the education costs which allowed flat funding through taxes and \$307,142 of projects at all three schools.

## Capital Asset and Debt Administration

	Balance 6/30/2007	Additions	Deletions	Balance 6/30/2008
<b>Governmental Activities</b>				
Land	\$ 33,600	\$ -	\$ -	\$ 33,600
<b>Total assets not being depreciated</b>	<b>33,600</b>	<b>-</b>	<b>-</b>	<b>33,600</b>
Buildings and improvements	16,004,281	1,637,768	113,797	17,528,252
Equipment, furniture, and fixtures	1,136,695	68,618	13,933	1,191,380
Vehicles	1,291,158	143,623	-	1,434,781
<b>Total assets being depreciated</b>	<b>18,432,134</b>	<b>1,850,009</b>	<b>127,730</b>	<b>20,154,413</b>
<b>Total depreciation</b>	<b>5,733,721</b>	<b>640,987</b>	<b>78,422</b>	<b>6,296,286</b>
<b>Total capital assets, net</b>	<b>\$ 12,732,013</b>	<b>\$ 1,209,022</b>	<b>\$ 49,308</b>	<b>\$ 13,891,727</b>

Additional information on the Town's capital assets can be found on pages 33-34.

## Debt Administration

The Town's debt consists of six bonds and several capital leases. A summary of the Town's debt activity for the year ended June 30, 2008 is as follows:

	Long-term Debt				
	Beginning Balance	Additions	Reductions	Ending Balance	Due within one year
<b>Governmental Activities</b>					
Bonds payable	\$ 9,460,320	\$ 953,604	\$ 1,636,048	\$ 8,777,876	\$ 980,595
Capital leases payable	38,295	103,104	49,913	91,486	91,486
Accrued compensated absences	33,153	-	2,355	30,798	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 9,531,768</b>	<b>\$ 1,056,708</b>	<b>\$ 1,688,316</b>	<b>\$ 8,900,160</b>	<b>\$ 1,072,081</b>

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

## **ECONOMIC FACTOR, TAX RATES, AND NEXT YEAR'S BUDGET**

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

### **COMMITMENT:**

Commitment is the most important number to analyze because no matter what the change is in any other category this one is the most simplistic. It is the amount of money Hermon needs to raise to stay on budget and it comes from one source Real Estate and Personal Property taxes. This year we need \$4,513,039 compared to last year's \$4,260,282, up \$257,757. These are before overlay is added. Reviewing this increase it would appear that a tax increase would occur but with the increase in town valuation the mill rate is staying flat. Since the increase in new value is predominantly new construction and not increases to existing value the actual taxes to an existing resident is nominal. Overall, there is an increase of 5.9% in commitment.

### **BUDGET HIGHLIGHTS**

The "budget highlights" identify changes in the 2008-09 budget from the 2007-08. These points are only the highlights and serve to summarize changes to the overall budget rather than provide an explanation to every adjustment to the budget.

- General Government is facing an increase of \$12,935 or 2.0%. This is well below the growth indicators for this year. The largest reason for the low increase was significant savings in insurance due to the bids from last year and a continued soft market. Pay raises were set at 3% and the cost of a new audit firm increased the budget by \$4,000.
- The Economic Development budget is decreasing by \$58,114 or -17.8%. All of this decrease is due to a new budget approach in the second year of the Town's agreement with Redzone wireless. Each year for the next two or three the wireless budget will be very difficult to forecast.
- Public Safety, which encompasses Police, Fire, Animal Control and traffic lights, is increasing by 13.1% or \$69,773. Gas and vehicle / truck maintenance increases are common through both the police and fire budgets. There was also an increase of \$15,000 for equipment such as turn-out gear lockers for the new public safety building.
- The Public Works Department is increasing by 53% or about \$361,116. This is a major increase. First and foremost is the cost of pavement going up to over \$70 per ton from the mid \$50's last year. The Town also took on a paving project on the Fuller Road for an additional \$83,050. So paving and road construction accounts for almost \$250,000 of the \$361,116. Two other items that stand out are a \$20,000 increase for snowplowing and a \$25,000 budget for a storage building for the Public Works Department. Although space is reserved in the Public Safety building for the tractor and one truck the Town also needs space for all of the miscellaneous items.
- The Solid Waste budget is increasing by 3.8% or \$17,922. The usual high increase item is our PERC tipping fees but this year they are stable. So the increases are for cleaning sewer lines and maintenance at the transfer station.
- Recreation and Social Services will be increasing by 29.3% or \$41,548. The budget for the recreation department is up approximately \$7,000 for pay raises and a new budget for a "Summer Sizzler" event. Social Services are up \$31,000 due to a \$21,500 increase to Hermon Rescue and a \$10,000 budget for a Hermon operated fuel assistance program.

- Reserves are up 2.4% or \$10,800 this year. Very little change in the overall budget. Municipal Building and Economic Development both increased by \$20,000 each. And Planning and Ordinance was reduced by \$40,000. The impact of the reduction is the reserves for a revaluation but it was deemed we have a significant reserve and the remainder could be raised the year one is implemented.
- Special Assessments is getting back to normal in that it typically includes TIF's and County Taxes. It should be noted that the TIF expense is neutral because it is offset by revenue equal to the expense. County Taxes are of note because the growth of Hermon is making us a larger tax payer to the County. The increase this year is 12.45% and just over \$46,000. Two projects were placed in this area that benefit multiple departments and they are a phone system and security upgrade for the new public safety building and town office.
- The School budget expenses are up \$961,857, approximately 7.9% and the revenues are up \$902,622 leaving an increase of almost \$60,000. A reserve was created and funded with almost \$500,000 for future increases in expenses that are anticipated after school consolidation. For better explanation on the changes please contact the School Department.
- The Town's revenue is \$3,343,979 for this year. Last year it was \$3,252,500, resulting in an increase of \$91,479. The leveling off of revenue increases as anticipated in last year's summary seems to have occurred. It is expected at this point that the high increase years are over for now and we can expect increases more in line with this budget.

#### **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 PO Box 6300 Hermon, Maine 04402-6300 or call (207) 848-3485 or [www.hermon.net](http://www.hermon.net).

## **BASIC FINANCIAL STATEMENTS**

**TOWN OF HERMON, MAINE**  
**Statement of Net Assets**  
**June 30, 2008**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 793,372	-	793,372
Investments	9,366,335	-	9,366,335
Receivables:			
Taxes receivable - current year	391,482	-	391,482
Taxes receivable - prior year	133,150	-	133,150
Tax liens - prior years	64,670	-	64,670
Tax acquired property	7,434	-	7,434
Accounts receivable	91,814	-	91,814
Internal balances	(158,784)	158,784	-
Inventory	5,727	-	5,727
Nondepreciable capital assets	33,600	-	33,600
Depreciable capital assets, net	13,858,127	-	13,858,127
Total assets	24,586,927	158,784	24,745,711
<b>LIABILITIES</b>			
Accounts payable	66,171	-	66,171
Accrued payroll	600,449	-	600,449
Accrued compensated absences	30,798	-	30,798
Prepaid taxes	9,805	-	9,805
Accrued interest	53,901	-	53,901
Other liabilities	238,035	-	238,035
Noncurrent liabilities:			
Due within one year	1,072,081	-	1,072,081
Due in more than one year	7,797,281	-	7,797,281
Total liabilities	9,868,521	-	9,868,521
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	5,022,365	-	5,022,365
Restricted for:			
Permanent Funds - Nonexpendable principal	7,932	-	7,932
Unrestricted	9,688,109	158,784	9,846,893
Total net assets	\$ 14,718,406	158,784	14,877,190

*See accompanying notes to financial statements.*

TOWN OF HERMON, MAINE  
Statement of Activities  
For the year ended June 30, 2008

Functions/programs	Net (expense) revenue and changes in net assets					
	Expenses	Program revenues			Primary Government	
		Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities
Primary government:						
Governmental activities:						
General government	\$ 605,763	43,640	-	-	(562,123)	(562,123)
Public safety	560,156	4,699	-	-	(555,457)	(555,457)
Public works	790,056	2,250	-	-	(787,806)	(787,806)
Solid waste	465,235	214,030	-	-	(251,205)	(251,205)
Recreational and social services	145,811	-	-	-	(145,811)	(145,811)
Education	11,789,173	2,118,140	6,546,414	-	(3,124,619)	(3,124,619)
Unclassified	950,453	7,138	127,639	351,035	(464,641)	(464,641)
Grants and other special uses	891,196	298,978	539,652	15,000	(37,566)	(37,566)
Special projects	307,142	-	-	-	(307,142)	(307,142)
Other	20,095	-	-	-	(20,095)	(20,095)
Interest on debt	100,479	-	-	-	(100,479)	(100,479)
Capital maintenance expenses	411,314	-	-	-	(411,314)	(411,314)
Total governmental activities	17,036,873	2,688,875	7,213,705	366,035	(6,768,258)	(6,768,258)
Business-type activities:						
Recreation Department	160,193	205,925	-	-	45,732	45,732
Total business-type activities	160,193	205,925	-	-	45,732	45,732
<b>Total primary government</b>	<b>\$ 17,197,066</b>	<b>2,894,800</b>	<b>7,213,705</b>	<b>366,035</b>	<b>(6,768,258)</b>	<b>(6,722,526)</b>
General revenues:						
Property taxes					4,548,549	4,548,549
Excise taxes					2,180,978	2,180,978
Interest and costs on taxes					34,041	34,041
Grants and contributions not restricted to specific programs:						
State Revenue Sharing					442,552	442,552
Homestead exemption					108,152	108,152
Other intergovernmental revenues					12,117	12,117
Unrestricted investment earnings					347,626	347,626
Gain on forgiveness of debt					650,453	650,453
Loss on disposal of property					(49,308)	(49,308)
Miscellaneous revenues					83,335	83,335
Total general revenues					8,358,495	8,358,495
Change in net assets					1,590,237	1,635,969
Net assets - beginning, as restated					13,128,169	13,241,221
<b>Net assets - ending</b>					<b>\$ 14,718,406</b>	<b>14,877,190</b>

See accompanying notes to financial statements.

TOWN OF HERMON, MAINE  
Balance Sheet  
Governmental Funds  
June 30, 2008

	General	Highway Capital Reserve	Fire Station Reserve	School Capital Reserve	Middle School Improvement	Billings Road	All Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash	\$ 751,827	-	-	-	-	-	41,545	793,372
Investments	5,329,689	387,946	1,400,693	146,846	-	-	2,101,161	9,366,335
Receivables:								
Taxes receivable - current year	391,482	-	-	-	-	-	-	391,482
Taxes receivable - prior year	133,150	-	-	-	-	-	-	133,150
Tax liens - prior years	64,670	-	-	-	-	-	-	64,670
Tax acquired property	7,434	-	-	-	-	-	-	7,434
Accounts receivable	45,297	-	-	-	-	-	46,517	91,814
Inventory	-	-	-	-	-	-	5,727	5,727
Interfund loans receivable	642,716	-	-	109,970	179,041	10,083	17,992	959,802
<b>Total assets</b>	<b>\$ 7,366,265</b>	<b>387,946</b>	<b>1,400,693</b>	<b>256,816</b>	<b>179,041</b>	<b>10,083</b>	<b>2,212,942</b>	<b>11,813,786</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	66,171	-	-	-	-	-	-	66,171
Accrued payroll	600,449	-	-	-	-	-	-	600,449
Prepaid taxes	9,805	-	-	-	-	-	-	9,805
Interfund loans payable	484,855	318,440	185,205	-	-	-	130,086	1,118,586
Deferred tax revenue	449,801	-	-	-	-	-	-	449,801
Other liabilities	238,035	-	-	-	-	-	-	238,035
Total liabilities	<b>1,849,116</b>	<b>318,440</b>	<b>185,205</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>130,086</b>	<b>2,482,847</b>
Fund balances:								
Reserved for:								
Inventory	-	-	-	-	-	-	5,727	5,727
Encumbrances	287,989	-	-	-	-	-	-	287,989
Nonexpendable principal	-	-	-	-	-	-	7,932	7,932
Unreserved, reported in:								
General fund - designated	710,000	-	-	-	-	-	-	710,000
General fund - undesignated	4,519,160	-	-	-	-	-	-	4,519,160
Special revenue funds - undesignated	-	-	-	-	-	-	1,241,543	1,241,543
Capital projects - undesignated	-	69,506	1,215,488	256,816	179,041	10,083	718,718	2,449,652
Permanent funds - undesignated	-	-	-	-	-	-	108,936	108,936
Total fund balances	<b>5,517,149</b>	<b>69,506</b>	<b>1,215,488</b>	<b>256,816</b>	<b>179,041</b>	<b>10,083</b>	<b>2,082,856</b>	<b>9,330,939</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,366,265</b>	<b>387,946</b>	<b>1,400,693</b>	<b>256,816</b>	<b>179,041</b>	<b>10,083</b>	<b>2,212,942</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
- Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.
- Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore, are not reported in the funds.
- Bonds payable
- Capital leases
- Accrued interest
- Accrued compensated absences

	13,891,727	
	449,801	
	(8,777,876)	
	(91,486)	
	(53,901)	
	(30,798)	
<b>Net assets of governmental activities</b>	<b>\$ 14,718,406</b>	

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, 2008**

	General	Highway Capital Reserve	Fire Station Reserve	School Capital Reserve	Middle School Improvement	Billings Road	All Nonmajor Funds	Total Governmental Funds
<b>Revenues:</b>								
Taxes	\$ 6,763,568	-	-	-	-	-	-	6,763,568
Intergovernmental	5,713,445	-	-	-	-	329,381	547,418	6,590,245
Maine PERS on-behalf payments	897,425	-	-	-	-	-	-	897,425
Licenses and permits	43,640	-	-	-	-	-	-	43,640
Charges for services	2,346,257	-	-	-	-	-	-	2,346,257
Interest earned	146,660	-	-	-	-	-	-	146,660
Investment income	-	18,568	62,940	34,355	1,490	-	83,613	200,966
Other	581,699	123,468	-	-	-	-	332,037	1,037,204
<b>Total revenues</b>	<b>16,492,695</b>	<b>142,036</b>	<b>62,940</b>	<b>34,355</b>	<b>1,490</b>	<b>329,381</b>	<b>963,068</b>	<b>18,025,965</b>
<b>Expenditures:</b>								
<b>Current:</b>								
General government	601,510	-	-	-	-	-	-	601,510
Public safety	528,918	-	-	-	-	-	-	528,918
Public works	765,623	-	-	-	-	-	-	765,623
Solid waste	465,235	-	-	-	-	-	-	465,235
Recreational and social services	145,811	-	-	-	-	-	-	145,811
Education	11,259,229	-	-	-	-	-	-	11,259,229
Unclassified	778,212	-	171,661	-	-	-	-	949,873
Grants and other special uses	-	-	-	-	-	-	891,196	891,196
Special projects	307,142	-	-	-	-	-	-	307,142
Other	-	-	-	-	-	-	20,095	20,095
Maine PERS on-behalf payments	897,425	-	-	-	-	-	-	897,425
Debt service	136,478	-	-	-	-	-	-	136,478
Capital outlay	103,104	304,125	-	99,911	1,113,243	470,751	170,189	2,261,323
<b>Total expenditures</b>	<b>15,988,687</b>	<b>304,125</b>	<b>171,661</b>	<b>99,911</b>	<b>1,113,243</b>	<b>470,751</b>	<b>1,081,480</b>	<b>19,229,858</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>504,008</b>	<b>(162,089)</b>	<b>(108,721)</b>	<b>(65,556)</b>	<b>(1,111,753)</b>	<b>(141,370)</b>	<b>(118,412)</b>	<b>(1,203,893)</b>
<b>Other financing sources (uses):</b>								
Issuance of debt	-	-	-	-	953,604	-	-	953,604
Proceeds from capital lease	103,104	-	-	-	-	-	-	103,104
Transfers from other funds	-	125,000	10,000	34,939	562,116	95,000	385,239	1,212,294
Transfers to other funds	(555,178)	(95,000)	-	(562,116)	-	-	-	(1,212,294)
<b>Total other financing sources (uses)</b>	<b>(452,074)</b>	<b>30,000</b>	<b>10,000</b>	<b>(527,177)</b>	<b>1,515,720</b>	<b>95,000</b>	<b>385,239</b>	<b>1,056,708</b>
<b>Net change in fund balances</b>	<b>51,934</b>	<b>(132,089)</b>	<b>(98,721)</b>	<b>(592,733)</b>	<b>403,967</b>	<b>(46,370)</b>	<b>266,827</b>	<b>(147,185)</b>
<b>Fund balances (deficit), beginning of year</b>	<b>5,465,215</b>	<b>201,595</b>	<b>1,314,209</b>	<b>849,549</b>	<b>(224,926)</b>	<b>56,453</b>	<b>1,816,029</b>	<b>9,478,124</b>
<b>Fund balances, end of year</b>	<b>\$ 5,517,149</b>	<b>69,506</b>	<b>1,215,488</b>	<b>256,816</b>	<b>179,041</b>	<b>10,083</b>	<b>2,082,856</b>	<b>9,330,939</b>

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, 2008**

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Net change in fund balances - total governmental funds (from Statement 4)	\$	(147,185)
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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 capital outlay (\$1,850,009) exceeded loss on disposal (\$49,308) and depreciation expense (\$640,987) in the current period.

1,159,714

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 (\$2,356) and accrued interest (\$53,901).

(51,545)

Bond and capital lease proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

This is the amount by which repayments (\$1,636,048) exceeded bond proceeds (\$953,604).

682,444

This is the amount by which lease proceeds (\$103,104) exceeded repayments (\$49,913).

(53,191)

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<b>Change in net assets of governmental activities (see Statement 2)</b>	<b>\$</b>	<b>1,590,237</b>
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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**  
**General Fund**  
**For the year ended June 30, 2008**

	Budgeted amounts		Actual	Variance with final budget positive (negative)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 6,488,504	6,488,504	6,763,568	275,064
Intergovernmental	5,594,786	5,594,786	5,713,446	118,660
Licenses and permits	59,500	59,500	43,640	(15,860)
Charges for services	2,414,375	2,414,375	2,346,257	(68,118)
Interest earned	80,000	80,000	146,660	66,660
Other revenues	429,852	428,682	581,699	153,017
Total revenues	15,067,017	15,065,847	15,595,270	529,423
<b>Expenditures:</b>				
Current:				
General government	640,182	640,182	601,510	38,672
Public safety	526,027	538,124	528,918	9,206
Public works	766,346	766,346	765,623	723
Solid waste	475,982	475,982	465,235	10,747
Recreation and social services	142,502	142,502	145,811	(3,309)
Unclassified	862,710	862,710	778,212	84,498
Education	11,611,760	11,611,760	11,013,842	597,918
Special projects	315,500	315,500	307,142	8,358
Debt service:				
Principal	89,900	89,900	89,900	-
Interest	46,578	46,578	46,578	-
Total expenditures	15,477,487	15,489,584	14,742,771	746,813
Excess (deficiency) of revenues over (under) expenditures	(410,470)	(423,737)	852,499	1,276,236
<b>Other financing sources (uses):</b>				
Transfers out:				
Transfer to capital project funds (school)	(67,939)	(67,939)	(67,939)	-
Transfer to school lunch program	(20,000)	(20,000)	(20,000)	-
Transfer to adult education	(6,500)	(6,500)	(6,500)	-
Transfer to capital reserves (Town)	(457,100)	(561,189)	(460,739)	100,450
Utilization of prior year surplus - School	842,009	842,009	-	(842,009)
Utilization of prior year surplus - Town	120,000	120,000	-	(120,000)
Supplemental appropriations	-	117,356	-	(117,356)
Total other financing sources (uses)	410,470	423,737	(555,178)	(978,915)
Net change in fund balance, budgetary basis	-	-	297,321	297,321
<b>Reconciliation to GAAP:</b>				
Change in encumbrances			(219,380)	
Change in accrued summer salaries			(26,007)	
Net change in fund balance, GAAP basis			51,934	
Fund balance, beginning of year			5,465,215	
<b>Fund balance, end of year</b>	<b>\$</b>		<b>5,517,149</b>	

*See accompanying notes to financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Net Assets**  
**Proprietary Funds**  
**June 30, 2008**

<b>Business-type Activities - Enterprise Funds</b>		<b>Recreation Department</b>
<b>ASSETS</b>		
Current assets:		
Interfund receivables	\$	158,784
Total assets		158,784
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable		-
Total liabilities		-
<b>NET ASSETS</b>		
Unrestricted		158,784
<b>Total net assets</b>	<b>\$</b>	<b>158,784</b>

*See accompanying notes to financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
**For the year ended June 30, 2008**

<b>Business-type Activities - Enterprise Funds</b>	
	<b>Recreation Department</b>
Operating revenues:	
Charges for services	205,925
Total operating revenues	205,925
Operating expenses:	
Current:	
Payroll	61,037
Recreation programs	99,156
Total operating expenses	160,193
Operating income	45,732
Total net assets, beginning of year	113,052
<b>Total net assets, end of year</b>	<b>\$ 158,784</b>

*See accompanying notes to financial statements.*

**TOWN OF HERMON, MAINE**  
**Statement of Cash Flows - Proprietary Funds**  
**For the year ended June 30, 2008**

<b>Business-type Activities - Enterprise Funds</b>		<b>Recreation Department</b>
Cash flows from operating activities:		
Receipts from customers and users	\$	205,925
Payments to suppliers		(99,156)
Payments to employees		(61,037)
Interfund activity		(45,732)
Net cash provided by operating activities		-
Increase in cash		-
Cash, beginning of year		-
<b>Cash, end of year</b>		<b>\$ -</b>
Reconciliation of operating income to net cash used in operating activities:		
Operating income	\$	45,732
Adjustments to reconcile operating income to net cash used in operating activities:		
Increase in interfund receivables		(45,732)
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, 2008**

	<u>Agency Funds</u>	<u>Private-purpose Trusts</u>
	Student Activity Funds	School Department Scholarships
<b>ASSETS</b>		
Cash and cash equivalents	\$ 90,029	21,634
<b>Total assets</b>	<b>90,029</b>	<b>21,634</b>
<b>LIABILITIES</b>		
Due to student groups	90,029	-
<b>Total liabilities</b>	<b>90,029</b>	<b>-</b>
<b>NET ASSETS</b>		
Held in trust	\$ -	21,634

*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, 2008**

	Private-purpose Trusts
	School Department Scholarships
Additions	\$ 1,224
Deductions	13,586
Change in net assets	(12,362)
Net assets, beginning of year	33,996
<b>Net assets, end of year</b>	<b>\$ 21,634</b>

*See accompanying notes to financial statements.*

**TOWN OF HERMON, MAINE**  
**Notes to Financial Statements**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

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

**B. Government-wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period for property taxes and one year for other revenues. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as certain compensated absences and claims and judgments, are recorded only when the payment is due.

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

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

The Town reports the following major governmental funds:

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

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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The Town reports the following major proprietary fund:

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

Additionally, the Town reports the following fund type:

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

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

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

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

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

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

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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**D. Cash and Investments**

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

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

**F. Inventory** - Inventory in the School Lunch Program consists of food and supplies and is valued at the lower of cost (first-in, first-out basis) and is offset with a reserved fund balance for inventories. Inventories of the School Lunch Fund include the value of the U. S. Department of Agriculture commodities donated to the Fund.

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

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

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

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

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

**I. Long-term Obligations**

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

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

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**

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

**J. Fund Equity**

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

**K. Encumbrances**

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

**L. Use of Estimates**

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

**M. Comparative Data/Reclassifications**

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

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**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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**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 \$897,425. 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, 2008, the Town did not budget for revenues and expenditures related to summer salaries for teachers on an accrual basis.

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

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, CONTINUED**

**B. Budget Deficits**

The following budgeted expenditures were over expended at June 30, 2008:

Recreation and social services	\$ 3,309
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**C. Deficit Fund Balance**

For the year ended June 30, 2008, the following funds had a deficit fund balances:

Maine Forest Service	\$ 2,590
MMA Safety Enhancement Grant	152

**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, 2008, the Town reported deposits of \$905,035 with a bank balance of \$1,391,534. Of the Town's bank balances of \$1,391,534, 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	\$ 793,372
<u>Reported in fiduciary funds</u>	<u>111,663</u>
<b><u>Total deposits</u></b>	<b><u>\$ 905,035</u></b>

**B. Investments**

At June 30, 2008, the Town had the following investments and maturities:

	<u>Fair</u> <u>value</u>	<u>Less than</u> <u>1 year</u>	<u>1-5 years</u>	<u>More than</u> <u>5 years</u>
U. S. Government securities	\$ 1,641,986	-	1,641,986	-
Mutual funds	4,117,291	NA	-	-
Repurchase agreements	3,607,058	3,607,058	-	-
<b><u>Total investments</u></b>	<b><u>\$ 9,366,335</u></b>	<b><u>7,724,349</u></b>	<b><u>1,641,986</u></b>	<b><u>-</u></b>

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

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**CASH AND INVESTMENTS, CONTINUED**

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Investments have been reported as follows:

Reported in Governmental Funds	\$ 9,366,335
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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 \$9,366,335 investments, none was subject to custodial credit risk because it was collateralized by underlying securities held by a third party, but 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.

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**PROPERTY TAX**

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Property taxes for the current period were committed on October 18, 2007, on the assessed value listed as of April 1, 2007, for all real and personal property located in the Town. Payment of taxes was due in one due on April 4, 2008. Interest at the rate of 12% 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 \$129,670 for the period ended June 30, 2008.

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

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

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

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**PROPERTY TAX, CONTINUED**

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The following summarizes the period ended June 30, 2008 levy:

	<u>2008</u>
Assessed value	\$ 401,364,000
<u>Tax rate (per \$1,000)</u>	<u>11.00</u>
Commitment (includes Homestead)	4,415,004
<u>Supplemental taxes assessed</u>	<u>6,247</u>
	4,421,251
Less:	
<u>Collections and abatements</u>	<u>4,029,769</u>
<b><u>Receivable at June 30</u></b>	<b><u>\$ 391,482</u></b>

Due date	April 4, 2008
Interest rate on delinquent taxes	12.00%
Collection rate	91.15%

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**CAPITAL ASSETS**

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Capital asset activity for the year ended June 30, 2008 was as follows:

	Balance June 30, <u>2007</u>	<u>Increases</u>	<u>Decreases</u>	Balance June 30, <u>2008</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 33,600	-	-	33,600
<u>Total capital assets, not being depreciated</u>	<u>33,600</u>	<u>-</u>	<u>-</u>	<u>33,600</u>
Capital assets, being depreciated:				
Buildings and building improvements	16,004,281	1,637,768	113,797	17,528,252
Equipment, furniture and fixtures	1,136,695	68,618	13,933	1,191,380
Vehicles	1,291,158	143,623	-	1,434,781
<u>Total capital assets being depreciated</u>	<u>18,432,134</u>	<u>1,850,009</u>	<u>127,730</u>	<u>20,154,413</u>
Less accumulated depreciation for:				
Buildings and building improvements	4,266,877	450,196	70,187	4,646,886
Equipment, furniture and fixtures	584,062	95,028	8,235	670,855
Vehicles	882,782	95,763	-	978,545
<u>Total accumulated depreciation</u>	<u>5,733,721</u>	<u>640,987</u>	<u>78,422</u>	<u>6,296,286</u>
<u>Total capital assets being depreciated, net</u>	<u>12,698,413</u>	<u>1,209,022</u>	<u>49,308</u>	<u>13,858,127</u>
<b><u>Governmental activities capital assets, net</u></b>	<b><u>\$ 12,732,013</u></b>	<b><u>1,209,022</u></b>	<b><u>49,308</u></b>	<b><u>13,891,727</u></b>

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

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**CAPITAL ASSETS, CONTINUED**

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

Governmental activities:

General government	\$ 8,693
Public safety	31,238
Public Works	30,048
Education	570,428
Unclassified	580

<b><u>Total depreciation expense – governmental activities</u></b>	<b><u>\$ 640,987</u></b>
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**INTERFUND BALANCES**

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Individual interfund receivables and payables at June 30, 2008, were as follows:

	<u>Interfund receivables</u>	<u>Interfund payables</u>
<u>General Fund</u>	<u>\$ 642,716</u>	<u>484,855</u>
<u>Highway Capital Reserve</u>	<u>-</u>	<u>318,440</u>
<u>Fire Station Reserve</u>	<u>-</u>	<u>185,205</u>
<u>School Capital Reserve</u>	<u>109,970</u>	<u>-</u>
<u>Middle School Improvement</u>	<u>179,041</u>	<u>-</u>
<u>Billings Road</u>	<u>10,083</u>	<u>-</u>
Nonmajor special revenue funds:		
Adult Education	8,516	-
Title IID	807	-
Title IIA	-	1,974
Title V	1,635	-
Title 1A	-	15,345
Local Entitlement	-	20,417
Maine Forest Service	-	2,590
Trail Grant	1,033	-
Maine Development Foundation	422	-
MMA Safety Enhancement Grant	-	152
Arts and Humanities	1,759	-
Comp Grant	3,550	-
Municipal Unemployment	-	597
Planning and Maintenance	-	15,000
Photocopy Reserve	-	1,711
<u>Total nonmajor special revenue funds</u>	<u>17,722</u>	<u>57,786</u>

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

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**INTERFUND BALANCES, CONTINUED**

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Nonmajor capital project funds:		
Recreation Facilities	\$ -	66,029
Sewer Maintenance	-	4,500
<u>Total nonmajor capital project funds</u>	-	<u>70,529</u>
Permanent Funds:		
Cemetery Reserve	270	-
Medical Reimbursement	-	1,771
<u>Total nonmajor permanent funds</u>	<u>270</u>	<u>1,771</u>
Enterprise Fund:		
Recreation Department	158,784	-
<u>Totals</u>	<u>\$ 1,118,586</u>	<u>1,118,586</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.

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**INTERFUND TRANSFERS**

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Individual fund transfers for the year ended June 30, 2008 were as follows:

	Transfers <u>in</u>	Transfers <u>out</u>
<u>General Fund</u>	\$ -	555,178
<u>Highway Capital Reserve</u>	125,000	95,000
<u>Fire Station Reserve</u>	10,000	-
<u>School Capital Reserve</u>	34,939	562,116
<u>Middle School Improvement</u>	562,116	-
<u>Billings Road</u>	95,000	-

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

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**INTERFUND TRANSFERS, CONTINUED**

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Nonmajor special revenue funds:

Adult Education	\$ 6,500	-
Police Equipment	17,500	-
Municipal Unemployment	2,000	-
Fire Equipment	45,639	-
School Repair	33,000	-
Public Land Acquisition	30,000	-
Planning and Maintenance	55,000	-
Economic Development	20,000	-
Technology Reserve	3,000	-
Credit Reserve	10,000	-
School Lunch Fund	20,000	-
Total nonmajor special revenue funds	242,639	-

Nonmajor capital project funds:

Public Works Facilities	10,000	-
Recreation Facilities	40,000	-
Municipal Building	25,000	-
Sewer Maintenance	67,600	-
Total nonmajor capital project funds	142,600	-

<b>Totals</b>	<b>\$ 1,212,294</b>	<b>1,212,294</b>
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These transfers were budgeted transfers to fund certain activities.

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**CHANGES IN LONG-TERM LIABILITIES**

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Long-term liability activity for the year ended June 30, 2008 was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Due within one year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 9,460,320	953,604	1,636,048	8,777,876	980,595
Capital leases payable	38,295	103,104	49,913	91,486	91,486
Accrued compensated absences	33,154	-	2,356	30,798	-
<b>Governmental activities</b>					
<b>long-term liabilities</b>	<b>\$ 9,531,769</b>	<b>1,056,708</b>	<b>1,688,317</b>	<b>8,900,160</b>	<b>1,072,081</b>

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

**LONG-TERM DEBT**

**Bonds and Notes Payable**

Long-term debt payable at June 30, 2008 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>
<b>General obligation bonds</b>				
1998 Sewer construction	\$ 1,798,000	4.13-4.83%	2019	988,900
2001 School construction	400,000	3.07-4.20%	2012	160,000
2001 School construction	1,000,000	0%	2011	121,140
2003 School construction	6,325,000	2.50-3.70%	2014	3,620,000
2005 School construction	3,879,000	3.88%-4.00%	2020	3,615,000
2007 School construction	953,604(a)	0%	2017	272,836
<b>Total</b>				<b>\$ 8,777,876</b>

(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>
2009	\$ 980,595	297,947	1,278,542
2010	975,595	267,942	1,243,537
2011	970,595	237,575	1,208,170
2012	920,215	206,279	1,126,494
2013	880,215	174,758	1,054,973
2014-2018	3,000,760	487,079	3,487,839
2019-2020	1,049,901	40,970	1,090,871
<b>Totals</b>	<b>\$ 8,777,876</b>	<b>1,712,550</b>	<b>10,490,426</b>

**CAPITAL LEASE**

The Town has entered into lease agreements as lessee for the financing of school buses, a photocopier and a tractor. This obligation has been recorded in the entity-wide financial statements at the present value of future minimum lease payments. The following is a summary of equipment leased under capital lease agreements by the Town as of June 30, 2008:

School buses (2)	\$ 141,583
Photocopier	10,981
Tractor	25,021

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

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**CAPITAL LEASE, CONTINUED**

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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, 2008:

Fiscal year ending June 30,	
2009	\$ 51,890
2010	34,938
2011	5,615
2012	5,616
Total minimum lease payments	98,059
Less amounts representing interest	6,573
<b>Present value of future minimum</b>	
<b>Lease payments</b>	<b>\$ 91,486</b>

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**STATUTORY DEBT LIMIT**

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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, 2008, the Town's outstanding debt did not exceed these limits.

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**RISK MANAGEMENT**

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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, 2008.

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**DESIGNATED FUND BALANCES**

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At June 30, 2008, portions of the General Fund fund balance were designated to future periods as follows:

Reappropriated to the 2009 budget	\$ 110,000
Accrued summer salaries for teachers	600,000
<b>Total designated fund balance</b>	<b>\$ 710,000</b>

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

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**EMPLOYEE RETIREMENT SYSTEMS**

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**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 \$897,425 (18.71%) for the fiscal year 2008. This amount has been reported as an intergovernmental revenue and retirement expenditure in the GAAP basis financial statements (Statement 2). There is no contribution required by the School except for federally funded teachers, for which the School contributed 18.71% of their compensation. This cost is charged to the applicable grant.

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**DEFERRED COMPENSATION PLAN**

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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 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.

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**SCHOOL ADMINISTRATIVE REORGANIZATION**

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On June 6, 2007, and as amended in April of 2008, the Maine House and Senate enacted the two-year state budget including the school administrative reorganization legislation "School Administrative Reorganization" ("SAR") as Public Law 2007, Chapter 240. The law sets forth state policy to ensure that schools are organized as units in order to provide equitable educational opportunities, rigorous academic programs, uniformity in delivering programs, a greater uniformity in tax rates, more efficient and effective use of limited resources, preservation of school choice and maximum opportunity to deliver services in an efficient manner. All school units and municipal school units (collectively School Administrative Units or "SAU") are directed to work with other units to reorganize into larger, more efficient units; or where expansion of the unit would be impractical or inconsistent with state policy, reorganize their own administrative structures to reduce costs. The legislative intent of the law is to create a maximum of 80 school units or the number of units appropriate to achieve administrative efficiencies.

The School Department submitted a regionalization plan with MSAD #23. This plan, which included a proposed operational date of July 1, 2009, was approved by the Commissioner of Education, but turned down by voters on January 24, 2009.

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

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**RESTATEMENT OF NET ASSETS**

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During 2008, it was noted that prior year encumbrances were erroneously included as expended on the June 30, 2007 government-wide financial statements. Net assets as of June 30, 2007 have been restated as follows:

Net assets, June 30, 2007, as previously reported	\$ 12,608,439
Prior period adjustment – encumbrances erroneously included as expended	507,369
Prior period adjustment – additional unreconciled variance	<u>12,361</u>
<b>Net assets, June 30, 2007, as restated</b>	<b><u>\$ 13,128,169</u></b>

## **GENERAL FUND**

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

**TOWN OF HERMON, MAINE**  
**Comparative Balance Sheets - General Fund**  
**June 30, 2008 and 2007**

	2008	2007
<b>ASSETS</b>		
Cash and cash equivalents	\$ 751,827	816,939
Investments	5,329,689	5,209,663
Receivables:		
Taxes receivable - current year	391,482	284,780
Taxes receivable - prior years	133,150	135,506
Tax liens - prior years	64,670	54,650
Tax acquired property	7,434	24,300
Accounts receivable	45,297	42,184
Interfund receivables	642,716	326,258
<b>Total assets</b>	<b>\$ 7,366,265</b>	<b>6,894,280</b>
<b>LIABILITIES AND FUND BALANCE</b>		
Liabilities:		
Accounts payable	66,171	24,267
Accrued payroll	600,449	536,601
Prepaid taxes	9,805	5,578
Interfund payables	484,855	141,504
Deferred tax revenue	449,801	449,801
Other liabilities	238,035	271,314
<b>Total liabilities</b>	<b>1,849,116</b>	<b>1,429,065</b>
Fund balance:		
Reserved for:		
Encumbrances	287,989	507,369
Unreserved:		
Designated	710,000	1,090,993
Undesignated	4,519,160	3,866,853
<b>Total fund balance</b>	<b>5,517,149</b>	<b>5,465,215</b>
<b>Total liabilities and fund balance</b>	<b>\$ 7,366,265</b>	<b>6,894,280</b>

**TOWN OF HERMON, MAINE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2008**

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
<b>Revenues:</b>				
<b>Taxes:</b>				
Property taxes	\$ 4,415,004	4,429,109	14,105	4,387,150
TIF	43,000	119,440	76,440	81,747
Excise taxes	2,000,500	2,180,978	180,478	2,190,267
Interest on taxes	30,000	34,041	4,041	21,676
Total taxes	6,488,504	6,763,568	275,064	6,680,840
<b>Intergovernmental:</b>				
State education subsidy	4,512,706	4,286,077	(226,629)	3,929,640
State reimbursement - debt service	526,080	778,110	252,030	812,419
State agency client	-	13,316	13,316	23,032
Homestead reimbursement	133,000	108,152	(24,848)	119,501
Medicaid reimbursements	10,000	73,122	63,122	41,193
State Revenue Sharing	400,000	442,552	42,552	408,254
General Assistance	10,000	9,112	(888)	-
Snowmobile reimbursement	3,000	3,005	5	2,304
Total intergovernmental	5,594,786	5,713,446	118,660	5,336,343
<b>Licenses and permits:</b>				
Vehicle registration fees	22,000	25,784	3,784	27,394
Animal control fees	1,000	2,445	1,445	772
Planning/zoning fees	4,000	1,555	(2,445)	5,694
Plumbing fees	14,500	5,303	(9,197)	8,197
Building permits	18,000	8,553	(9,447)	10,664
Total licenses and permits	59,500	43,640	(15,860)	52,721

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

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues, continued:				
Charges for services:				
School tuition and fees	\$ 2,065,675	2,118,140	52,465	2,351,588
Solid waste disposal fees	199,500	212,990	13,490	205,525
Police Department revenue	-	3,889	3,889	3,467
Fire Department Revenue	2,500	810	(1,690)	3,203
Wireless fees	141,700	7,138	(134,562)	6,450
Cemetery maintenance	3,000	2,250	(750)	2,780
Sewer fees	2,000	1,040	(960)	-
Total charges for services	2,414,375	2,346,257	(68,118)	2,573,013
Interest earned	80,000	146,660	66,660	192,578
Total interest earned	80,000	146,660	66,660	192,578
Other revenues:				
School Department	395,052	498,364	103,312	301,104
Sale of property	-	4,924	4,924	3,707
Miscellaneous	33,630	78,411	44,781	37,198
Total other revenues	428,682	581,699	153,017	342,009
Total revenues	15,065,847	15,595,270	529,423	15,177,504

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

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures:				
Current:				
General government:				
Administration	\$ 248,529	216,649	31,880	202,756
Town manager	68,611	70,204	(1,593)	66,696
Town clerk	41,125	43,506	(2,381)	41,053
Finance	39,580	40,144	(564)	39,579
Assessor	46,409	48,034	(1,625)	58,756
Code enforcement	39,591	42,621	(3,030)	39,439
Clerks	77,997	75,822	2,175	71,448
Municipal building	22,638	19,174	3,464	20,222
Town Office	10,500	10,481	19	15,033
Town council	9,150	12,820	(3,670)	9,165
Town boards	9,952	4,236	5,716	4,753
Other expenses	26,100	17,819	8,281	20,165
Total general government	640,182	601,510	38,672	589,065
Public safety:				
Police department	245,756	244,785	971	175,492
Fire department	245,919	237,339	8,580	222,019
Health officer	175	175	-	175
Utilities	46,274	46,619	(345)	39,841
Total public safety	538,124	528,918	9,206	437,527
Public works:				
General	127,390	116,372	11,018	126,113
Roads	593,894	592,738	1,156	509,450
Equipment	19,861	30,578	(10,717)	18,820
Salt shed	2,446	859	1,587	1,529
Cemetery	22,755	25,076	(2,321)	20,939
Total public works	766,346	765,623	723	676,851

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

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Expenditures, continued				
Current, continued:				
Solid waste:				
Landfill	\$ 24,959	27,352	(2,393)	27,861
House waste	402,183	396,834	5,349	366,629
Sewer	48,840	41,049	7,791	44,349
Total solid waste	475,982	465,235	10,747	438,839
Recreation and social services:				
Recreation	98,543	102,559	(4,016)	55,346
Social services	33,385	33,385	-	22,475
Library	8,000	8,455	(455)	8,000
Jackson Beach	2,574	1,412	1,162	312
Total recreation and social services	142,502	145,811	(3,309)	86,133
Unclassified:				
Economic development	77,278	77,278	-	57,550
County tax	377,210	376,863	347	352,298
General assistance	20,000	17,935	2,065	17,383
TIF	43,000	30,948	12,052	81,267
Wireless	247,000	241,753	5,247	5,849
Overlay/abatements	98,222	33,435	64,787	9,064
Total unclassified	862,710	778,212	84,498	523,411

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

	2008			2007 Actual
	Budget	Actual	Variance positive (negative)	
Expenditures, continued:				
Education:				
Regular instruction	\$ 5,302,426	4,953,094	349,332	4,875,177
Special education instruction	1,251,503	1,130,286	121,217	978,903
Other instruction	405,412	512,338	(106,926)	417,581
Student and staff support	692,122	675,525	16,597	639,572
System administration	564,071	280,510	283,561	335,344
School administration	305,008	528,382	(223,374)	527,296
Transportation	541,080	426,580	114,500	413,318
Facilities maintenance	1,367,554	1,327,402	40,152	1,290,730
Debt service	1,177,074	1,177,073	1	1,197,609
Other expenditures	5,510	2,652	2,858	3,013
Total education	11,611,760	11,013,842	597,918	10,678,543
Special projects:				
High School pavement and repairs	50,000	47,131	2,869	-
Tennis court repairs	100,000	147,811	(47,811)	-
Outdoor lighting	4,500	3,881	619	-
Security systems at schools	85,000	82,473	2,527	-
Athletic field repairs	20,000	20,000	-	-
High School locks on lockers	6,000	5,846	154	-
Paper files to electronic	50,000	-	50,000	-
Total special projects	315,500	307,142	8,358	-
Debt service:				
Principal	89,900	89,900	-	89,900
Interest	46,578	46,578	-	50,378
Total debt service	136,478	136,478	-	140,278
Total expenditures	15,489,584	14,742,771	746,813	13,570,647
Excess (deficiency) of revenues over (under) expenditures	(423,737)	852,499	1,276,236	1,606,857

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

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Other financing sources (uses):				
Transfers out:				
Transfer to capital project funds (school)	\$ (67,939)	(67,939)	-	(383,980)
Transfer to school lunch program	(20,000)	(20,000)	-	(25,000)
Transfer to adult education	(6,500)	(6,500)	-	(6,500)
Transfer to capital reserves (Town)	(561,189)	(460,739)	100,450	(1,928,567)
Utilization of prior year surplus - School	842,009	-	(842,009)	-
Utilization of prior year surplus - Town	120,000	-	(120,000)	-
Supplemental appropriations	117,356	-	(117,356)	-
Total other financing sources (uses)	423,737	(555,178)	(978,915)	(2,344,047)
Net change in fund balances, budgetary basis	-	297,321	297,321	(737,190)
Fund balance, beginning of year (budgetary basis)		5,494,447		6,231,637
Fund balance, end of year (budgetary basis)		5,791,768		5,494,447
Reconciliation to GAAP:				
Add back encumbrances		287,989		507,369
Less accrued summer salaries		(562,608)		(536,601)
<b>Fund balance, end of year (GAAP basis)</b>		<b>5,517,149</b>		<b>5,465,215</b>

**ALL OTHER GOVERNMENTAL FUNDS**

**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**All Other Governmental Funds**  
**June 30, 2008**

	Special Revenue Funds	Capital Projects Fund	Permanent Funds	Total Other Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 23,309	-	18,236	41,545
Investments	1,211,781	789,247	100,133	2,101,161
Accounts receivable	46,517	-	-	46,517
Inventory	5,727	-	-	5,727
Interfund loans	17,722	-	270	17,992
<b>Total assets</b>	<b>\$ 1,305,056</b>	<b>789,247</b>	<b>118,639</b>	<b>2,212,942</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Interfund loans	57,786	70,529	1,771	130,086
<b>Total liabilities</b>	<b>57,786</b>	<b>70,529</b>	<b>1,771</b>	<b>130,086</b>
Fund balances:				
Reserved for nonexpendable principal	-	-	7,932	7,932
Reserved for inventory	5,727	-	-	5,727
Unreserved, undesignated	1,241,543	718,718	108,936	2,069,197
<b>Total fund balances</b>	<b>1,247,270</b>	<b>718,718</b>	<b>116,868</b>	<b>2,082,856</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,305,056</b>	<b>789,247</b>	<b>118,639</b>	<b>2,212,942</b>

**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**All Other Governmental Funds**  
**For the year ended June 30, 2008**

	Special Revenue Funds	Capital Project Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Intergovernmental	\$ 547,418	-	-	547,418
Other	306,212	-	25,825	332,037
Investment income	48,733	30,226	4,654	83,613
<b>Total revenues</b>	<b>902,363</b>	<b>30,226</b>	<b>30,479</b>	<b>963,068</b>
Expenditures:				
Current:				
Grants and other special uses	891,196	-	-	891,196
Other	15,750	-	4,345	20,095
Capital outlay	60,086	87,667	22,436	170,189
<b>Total expenditures</b>	<b>967,032</b>	<b>87,667</b>	<b>26,781</b>	<b>1,081,480</b>
Excess (deficiency) of revenues over (under) expenditures	(64,669)	(57,441)	3,698	(118,412)
Other financing sources:				
Transfer from other funds	242,639	142,600	-	385,239
<b>Total other financing sources</b>	<b>242,639</b>	<b>142,600</b>	<b>-</b>	<b>385,239</b>
Net change in fund balances	177,970	85,159	3,698	266,827
Fund balances, beginning of year	1,069,300	633,559	113,170	1,816,029
<b>Fund balances, end of year</b>	<b>\$ 1,247,270</b>	<b>718,718</b>	<b>116,868</b>	<b>2,082,856</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **SPECIAL REVENUE FUNDS**

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

**TOWN OF HERMON, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2008**

	Adult		Title IV		Title V	Title 1A	Reading		Local
	Education	Title IID	Title IIA	DFS			First	Entitlement	
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-	-
Accounts receivable	-	-	1,974	-	-	15,345	-	-	20,417
Inventory	-	-	-	-	-	-	-	-	-
Interfund loans	8,516	807	-	-	1,635	-	-	-	-
<b>Total assets</b>	<b>\$ 8,516</b>	<b>807</b>	<b>1,974</b>	<b>-</b>	<b>1,635</b>	<b>15,345</b>	<b>-</b>	<b>-</b>	<b>20,417</b>
<b>LIABILITIES AND FUND BALANCES</b>									
<b>Liabilities:</b>									
Accounts payable	-	-	-	-	-	-	-	-	-
Interfund loans	-	-	1,974	-	-	15,345	-	-	20,417
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>1,974</b>	<b>-</b>	<b>-</b>	<b>15,345</b>	<b>-</b>	<b>-</b>	<b>20,417</b>
<b>Fund balances:</b>									
Reserved for inventory	-	-	-	-	-	-	-	-	-
Unreserved, undesignated	8,516	807	-	-	1,635	-	-	-	-
<b>Total fund balances (deficits)</b>	<b>8,516</b>	<b>807</b>	<b>-</b>	<b>-</b>	<b>1,635</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 8,516</b>	<b>807</b>	<b>1,974</b>	<b>-</b>	<b>1,635</b>	<b>15,345</b>	<b>-</b>	<b>-</b>	<b>20,417</b>

**TOWN OF HERMON, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2008**

	Maine Forest Service	Hose Testing Grant	Trail Grant	Maine Development Foundation	MMA Safety Enhancement Grant	Roope Family Grant	Arts & Humanities	Comp. Grant
<b>ASSETS</b>								
Cash and cash equivalents	-	-	-	-	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Accounts receivable	-	-	-	-	-	-	-	4,000
Inventory	-	-	-	-	-	-	-	-
Interfund loans	-	-	1,033	422	-	-	1,759	3,550
<b>Total assets</b>	<b>\$ -</b>	<b>-</b>	<b>1,033</b>	<b>422</b>	<b>-</b>	<b>-</b>	<b>1,759</b>	<b>7,550</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	-	-	-	-	-	-	-	-
Interfund loans	2,590	-	-	-	152	-	-	-
Total liabilities	2,590	-	-	-	152	-	-	-
<b>Fund balances:</b>								
Reserved for inventory	-	-	-	-	-	-	-	-
Unreserved, undesignated	(2,590)	-	1,033	422	(152)	-	1,759	7,550
Total fund balances (deficits)	(2,590)	-	1,033	422	(152)	-	1,759	7,550
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>-</b>	<b>1,033</b>	<b>422</b>	<b>-</b>	<b>-</b>	<b>1,759</b>	<b>7,550</b>

**TOWN OF HERMON, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2008**

	Police Equipment	Municipal Unemployment	Legal Liability	Fire Equipment	School Repair	School Unemployment	Public Land Acquisition	Planning and Maintenance
<b>ASSETS</b>								
Cash and cash equivalents	\$ -	-	-	-	-	-	-	-
Investments	18,410	18,355	65,044	284,569	534,721	35,610	45,382	122,450
Accounts receivable	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	-	-	-
Interfund loans	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 18,410</b>	<b>18,355</b>	<b>65,044</b>	<b>284,569</b>	<b>534,721</b>	<b>35,610</b>	<b>45,382</b>	<b>122,450</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	-	-	-	-	-	-	-	-
Interfund loans	-	597	-	-	-	-	-	15,000
<b>Total liabilities</b>	<b>-</b>	<b>597</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15,000</b>
Fund balances:								
Reserved for inventory	-	-	-	-	-	-	-	-
Unreserved, undesignated	18,410	17,758	65,044	284,569	534,721	35,610	45,382	107,450
<b>Total fund balances (deficits)</b>	<b>18,410</b>	<b>17,758</b>	<b>65,044</b>	<b>284,569</b>	<b>534,721</b>	<b>35,610</b>	<b>45,382</b>	<b>107,450</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,410</b>	<b>18,355</b>	<b>65,044</b>	<b>284,569</b>	<b>534,721</b>	<b>35,610</b>	<b>45,382</b>	<b>122,450</b>

**TOWN OF HERMON, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2008**

	Economic Development	Fire Station				Photocopy Reserve	Credit Reserve	School		Totals
		Repair and Maintenance	Technology Reserve	Lunch Fund	2008			2007		
<b>ASSETS</b>										
Cash and cash equivalents	\$ -	-	-	-	-	-	23,309	31,082		
Investments	63,299	2,061	10,064	1,804	10,012	-	-	1,211,781	1,022,292	
Accounts receivable	-	-	-	-	-	-	4,781	39,152		
Inventory	-	-	-	-	-	-	5,727	15,967		
Interfund loans	-	-	-	-	-	-	-	17,722	40,932	
<b>Total assets</b>	<b>\$ 63,299</b>	<b>2,061</b>	<b>10,064</b>	<b>1,804</b>	<b>10,012</b>	<b>33,817</b>	<b>1,305,056</b>	<b>1,149,425</b>		
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	-	-	-	-	-	-	-	27,396		
Interfund loans	-	-	-	1,711	-	-	57,786	52,729		
Total liabilities	-	-	-	1,711	-	-	57,786	80,125		
Fund balances:										
Reserved for inventory	-	-	-	-	-	5,727	15,967			
Unreserved, undesignated	63,299	2,061	10,064	93	10,012	28,090	1,241,543	1,053,333		
Total fund balances (deficits)	63,299	2,061	10,064	93	10,012	33,817	1,247,270	1,069,300		
<b>Total liabilities and fund balances</b>	<b>\$ 63,299</b>	<b>2,061</b>	<b>10,064</b>	<b>1,804</b>	<b>10,012</b>	<b>33,817</b>	<b>1,305,056</b>	<b>1,149,425</b>		

TOWN OF HERMON, MAINE  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the year ended June 30, 2008

	Adult Education	Title IID	Title IIA	Title IV DF S	Title V	Title 1A	Reading First	Local Entitlement
<b>Revenues:</b>								
Intergovernmental	\$ 2,439	1,201	45,975	4,516	1,944	80,545	117,810	176,956
Other	3,290	-	-	-	3,100	-	-	-
Investment income	-	-	-	-	-	-	-	-
Total revenues	5,729	1,201	45,975	4,516	5,044	80,545	117,810	176,956
<b>Expenditures:</b>								
Current:								
Grants and other special uses	12,846	394	39,336	4,516	507	83,298	107,301	176,572
Other	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	12,846	394	39,336	4,516	507	83,298	107,301	176,572
Excess (deficiency) of revenues over (under) expenditures	(7,117)	807	6,639	-	4,537	(2,753)	10,509	384
<b>Other financing sources:</b>								
Transfer from other funds	6,500	-	-	-	-	-	-	-
Total other financing sources	6,500	-	-	-	-	-	-	-
Net change in fund balances	(617)	807	6,639	-	4,537	(2,753)	10,509	384
Fund balances (deficits), beginning of year	9,133	-	(6,639)	-	(2,902)	2,753	(10,509)	(384)
<b>Fund balances (deficits), end of year</b>	<b>\$ 8,516</b>	<b>807</b>	<b>-</b>	<b>-</b>	<b>1,635</b>	<b>-</b>	<b>-</b>	<b>-</b>

TOWN OF HERMON, MAINE  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the year ended June 30, 2008

	Maine Forest Service	Hose Testing Grant	Trail Grant	Maine Development Foundation	MIMA Safety Enhancement Grant	Roope Family Grant	Arts & Humanities	Comp. Grant
Revenues:								
Intergovernmental	\$ -	2,000	15,000	-	457	-	-	6,000
Other	-	-	-	-	-	844	-	-
Investment income	-	-	-	-	-	-	-	-
Total revenues	-	2,000	15,000	-	457	844	-	6,000
Expenditures:								
Current:								
Grants and other special uses	2,590	2,000	24,474	-	609	844	-	7,558
Other	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Total expenditures	2,590	2,000	24,474	-	609	844	-	7,558
Excess (deficiency) of revenues over (under) expenditures	(2,590)	-	(9,474)	-	(152)	-	-	(1,558)
Other financing sources:								
Transfer from other funds	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-
Net change in fund balances	(2,590)	-	(9,474)	-	(152)	-	-	(1,558)
Fund balances (deficits), end of year	-	-	10,507	422	-	-	1,759	9,108
Fund balances (deficits), end of year	\$ (2,590)	-	1,033	422	(152)	-	1,759	7,550

TOWN OF HERMON, MAINE  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 For the year ended June 30, 2008

	Police Equipment	Municipal Unemployment	Legal Liability	Fire Equipment	School Repair	School Unemployment	Public Land Acquisition	Planning and Maintenance
Revenues:								
Intergovernmental	\$ -	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Investment income	1,083	742	3,327	10,988	24,013	1,839	730	3,215
Total revenues	1,083	742	3,327	10,988	24,013	1,839	730	3,215
Expenditures:								
Current:								
Grants and other special uses	-	-	-	-	-	-	-	-
Other	-	-	8,493	-	-	5,038	-	2,219
Capital outlay	22,582	576	-	-	28,149	-	-	-
Total expenditures	22,582	576	8,493	-	28,149	5,038	-	2,219
Excess (deficiency) of revenues over (under) expenditures	(21,499)	166	(5,166)	10,988	(4,136)	(3,199)	730	996
Other financing sources:								
Transfer from other funds	17,500	2,000	-	45,639	33,000	-	30,000	55,000
Total other financing sources	17,500	2,000	-	45,639	33,000	-	30,000	55,000
Net change in fund balances	(3,999)	2,166	(5,166)	56,627	28,864	(3,199)	30,730	55,996
Fund balances (deficits), end of year	22,409	15,592	70,210	227,942	505,857	38,809	14,652	51,454
Fund balances (deficits), end of year	\$ 18,410	17,758	65,044	284,569	534,721	35,610	45,382	107,450

**TOWN OF HERMON, MAINE**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the year ended June 30, 2008**

	Economic Development	Fire Station Repair and Maintenance	Technology Reserve	Photocopy Reserve	Credit Reserve	School Lunch Fund	Totals	
							2008	2007
<b>Revenues:</b>								
Intergovernmental	\$ -	-	-	-	-	92,575	547,418	619,343
Other	-	-	-	-	-	298,978	306,212	278,084
Investment income	1,982	93	616	93	12	-	48,733	52,155
<b>Total revenues</b>	<b>1,982</b>	<b>93</b>	<b>616</b>	<b>93</b>	<b>12</b>	<b>391,553</b>	<b>902,363</b>	<b>949,582</b>
<b>Expenditures:</b>								
<b>Current:</b>								
Grants and other special uses	-	-	-	-	-	428,351	891,196	949,408
Other	-	-	-	-	-	-	15,750	537
Capital outlay	-	-	6,482	1,711	-	586	60,086	28,132
<b>Total expenditures</b>	<b>-</b>	<b>-</b>	<b>6,482</b>	<b>1,711</b>	<b>-</b>	<b>428,937</b>	<b>967,032</b>	<b>978,077</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,982</b>	<b>93</b>	<b>(5,866)</b>	<b>(1,618)</b>	<b>12</b>	<b>(37,384)</b>	<b>(64,669)</b>	<b>(28,495)</b>
<b>Other financing sources:</b>								
Transfer from other funds	20,000	-	3,000	-	10,000	20,000	242,639	365,429
<b>Total other financing sources</b>	<b>20,000</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>10,000</b>	<b>20,000</b>	<b>242,639</b>	<b>365,429</b>
<b>Net change in fund balances</b>	<b>21,982</b>	<b>93</b>	<b>(2,866)</b>	<b>(1,618)</b>	<b>10,012</b>	<b>(17,384)</b>	<b>177,970</b>	<b>336,934</b>
Fund balances (deficits), beginning of year	41,317	1,968	12,930	1,711	-	51,201	1,069,300	732,366
<b>Fund balances (deficits), end of year</b>	<b>\$ 63,299</b>	<b>2,061</b>	<b>10,064</b>	<b>93</b>	<b>10,012</b>	<b>33,817</b>	<b>1,247,270</b>	<b>1,069,300</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

### **CAPITAL PROJECT FUNDS**

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

**TOWN OF HERMON, MAINE**  
**Combining Balance Sheet**  
**Nonmajor Capital Project Funds**  
**June 30, 2008**  
**(with comparative totals for June 30, 2007)**

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Totals	
					2008	2007
<b>ASSETS</b>						
Investments	\$ 63,789	272,607	32,949	419,902	789,247	639,809
<b>Total assets</b>	<b>\$ 63,789</b>	<b>272,607</b>	<b>32,949</b>	<b>419,902</b>	<b>789,247</b>	<b>639,809</b>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Interfund loans	-	66,029	-	4,500	70,529	6,250
Total liabilities	-	66,029	-	4,500	70,529	6,250
Fund balances:						
Unreserved:						
Undesignated	63,789	206,578	32,949	415,402	718,718	633,559
Total fund balances	63,789	206,578	32,949	415,402	718,718	633,559
<b>Total liabilities and fund balances</b>	<b>\$ 63,789</b>	<b>272,607</b>	<b>32,949</b>	<b>419,902</b>	<b>789,247</b>	<b>639,809</b>

**TOWN OF HERMON, MAINE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Nonmajor Capital Project Funds**  
**For the year ended June 30, 2008**  
**(with comparative totals for June 30, 2007)**

	Public Works Facilities	Recreation Facilities	Municipal Building	Sewer Maintenance	Totals	
					2008	2007
Revenues:						
Investment income	\$ 2,445	10,570	739	16,472	30,226	26,148
Total revenues	2,445	10,570	739	16,472	30,226	26,148
Expenditures:						
Capital outlay	-	66,029	7,753	13,885	87,667	27,746
Total expenditures	-	66,029	7,753	13,885	87,667	27,746
Other financing sources:						
Transfer from other funds	10,000	40,000	25,000	67,600	142,600	290,072
Total other financing sources	10,000	40,000	25,000	67,600	142,600	290,072
Net change in fund balances	12,445	(15,459)	17,986	70,187	85,159	288,474
Fund balances, beginning of year	51,344	222,037	14,963	345,215	633,559	345,085
Fund balances, end of year	\$ 63,789	206,578	32,949	415,402	718,718	633,559

## **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, 2008

(with comparative totals for June 30, 2007)

	Boston								Totals	
	Cemetery Reserve	Veterans	Pike	Nowell	Post Cane	Medical Reimb.	Athletic Complex	Junior Account	2008	2007
<b>ASSETS</b>										
Cash and cash equivalents	\$ -	58	6,945	1,064	991	2,269	6,380	529	18,236	18,563
Investments	100,133	-	-	-	-	-	-	-	100,133	93,787
Interfund loans	270	-	-	-	-	-	-	-	270	2,520
<b>Total assets</b>	<b>\$ 100,403</b>	<b>58</b>	<b>6,945</b>	<b>1,064</b>	<b>991</b>	<b>2,269</b>	<b>6,380</b>	<b>529</b>	<b>118,639</b>	<b>114,870</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Interfund loans	-	-	-	-	-	1,771	-	-	1,771	1,700
Total liabilities	-	-	-	-	-	1,771	-	-	1,771	1,700
Fund balances:										
Reserved for nonexpendable principal	-	-	6,932	1,000	-	-	-	-	7,932	7,932
Unreserved:										
Undesignated	100,403	58	13	64	991	498	6,380	529	108,936	105,238
Total fund balances	100,403	58	6,945	1,064	991	498	6,380	529	116,868	113,170
<b>Total liabilities and fund balances</b>	<b>\$ 100,403</b>	<b>58</b>	<b>6,945</b>	<b>1,064</b>	<b>991</b>	<b>2,269</b>	<b>6,380</b>	<b>529</b>	<b>118,639</b>	<b>114,870</b>

TOWN OF HERMON, MAINE  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Permanent Funds  
 For the year ended June 30, 2008  
 (with comparative totals for June 30, 2007)

	Boston										Totals	
	Cemetery Reserve	Veterans	Pike	Nowell	Post Cane	Medical Reimb.	Athletic Complex	Junior Account	2008	2007		
Revenues:												
Investment income	4,096	2	192	31	29	-	303	1	4,654	5,198		
Other	-	-	-	-	-	4,171	21,654	-	25,825	21,222		
Total revenues	4,096	2	192	31	29	4,171	21,957	1	30,479	26,420		
Expenditures:												
Current:												
Other	-	-	175	-	-	4,170	-	-	4,345	13,682		
Capital outlay	-	-	-	-	-	-	22,436	-	22,436	-		
Total expenditures	-	-	175	-	-	4,170	22,436	-	26,781	13,682		
Net change in fund balances	4,096	2	17	31	29	1	(479)	1	3,698	12,738		
Fund balances, beginning of year	96,307	56	6,928	1,033	962	497	6,859	528	113,170	100,432		
Fund balances, end of year	\$ 100,403	58	6,945	1,064	991	498	6,380	529	116,868	113,170		

## **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, 2008  
(with comparative actual amount for the year ended June 30, 2007)

	2008		Variance positive (negative)	2007 Actual
	Budget	Actual		
Revenues:				
State education subsidy	\$ 4,512,706	4,286,077	(226,629)	3,929,640
State reimbursement - debt service	526,080	778,110	252,030	812,419
State agency client	-	13,316	13,316	23,032
Tuition and fees	2,065,675	2,118,140	52,465	2,351,288
Medicaid reimbursements	10,000	73,122	63,122	41,193
Other revenues	395,052	498,364	103,312	301,104
Total revenues	7,509,513	7,767,129	257,616	7,458,676
Expenditures:				
Regular instruction	5,302,426	4,953,094	349,332	4,875,177
Special education instruction	1,251,503	1,130,286	121,217	978,903
Other instruction	405,412	512,338	(106,926)	417,581
Student and staff support	692,122	675,525	16,597	639,572
System administration	564,071	280,510	283,561	335,344
School administration	305,008	528,382	(223,374)	527,296
Transportation	541,080	426,580	114,500	413,318
Facilities maintenance	1,367,554	1,327,402	40,152	1,290,730
Debt service	1,177,074	1,177,073	1	1,197,609
Other expenditures	5,510	2,652	2,858	3,013
Total expenditures	11,611,760	11,013,842	597,918	10,678,543
Other financing sources (uses):				
Town appropriation	3,348,177	3,348,177	-	4,027,567
Transfer to capital project funds	(67,939)	(67,939)	-	(383,980)
Transfer to school lunch program	(20,000)	(20,000)	-	(25,000)
Utilization of prior year surplus	842,009	-	(842,009)	-
Total other financing sources (uses)	4,102,247	3,260,238	(842,009)	3,618,587
Net change in fund balance	-	13,525	13,525	398,720
Fund balance, beginning of year (budgetary basis)		1,824,773		1,426,053
Fund balance, end of year (budgetary basis)		1,838,298		1,824,773
Reconciliation to GAAP:				
Add back encumbrances		287,989		507,369
Less accrued summer salaries		(562,608)		(536,601)
Fund balance, end of year (GAAP basis)	\$	1,563,679		1,795,541