

TOWN OF MOUNT DESERT, MAINE

*FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULES WITH
INDEPENDENT AUDITOR'S REPORT*

*FOR THE FISCAL YEAR
ENDED DECEMBER 31, 2005*

TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2005

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TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2005

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INDEPENDENT AUDITOR'S REPORT

January 23, 2006

Members of the Board of Selectmen
Town of Mount Desert
Mount Desert, Maine 04662

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of and for the fiscal year ended December 31, 2005, 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 Mount Desert, 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. 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 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, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of December 31, 2005, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1A, the Town has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of December 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages 2-5 and 30, are not a required part of the basic financial statements but are 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Desert, Maine basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statement. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA

TOWN OF MOUNT DESERT, MAINE
Management's Discussion and Analysis
For the Fiscal Year Ended December 31, 2005

Management of the Town of Mount Desert, Maine provides this *Management's Discussion and Analysis* of the Town's financial performance for readers of the Town's financial statements. This narrative overview and analysis of the financial activities of the Town is for the fiscal year ended December 31, 2005. We encourage readers to consider this information in conjunction with the financial statements and accompanying notes that follow.

The financial statements herein include all of the activities of the Town of Mount Desert, Maine (the Town) using the integrated approach as prescribed by Government Accounting Standards Board (GASB) Statement No. 34.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government-wide Highlights:

Net Assets – The assets of the Town exceeded its liabilities at fiscal year ending December 31, 2005 by \$18,307,018 (presented as "net assets"). Of this amount, \$6,042,472 was reported as "unrestricted net assets". Unrestricted net assets represent the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

Changes in Net Assets – The Town's total net assets increased by \$1,315,128 (a 7.7% increase) for the fiscal year ended December 31, 2005. Net assets of governmental activities increased by \$1,286,017 (a 7.8% increase), while net assets of business-type activities showed an increase of \$29,111 (a 4.6% increase).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the fiscal year ended December 31, 2005, the Town's governmental funds reported a combined ending fund balance of \$6,512,986 with \$100,000 being general undesignated fund balance. This undesignated fund balance represents approximately 1.3% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations decreased by \$1,063,304 (8.8%) during the current fiscal year. Existing debt obligations were retired according to schedule.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison) and other supplementary information. These components are described below:

Government-wide Financial Statements

The Government-wide financial statements present the financial picture of the Town from the economic resources measurement focus using the accrual basis of accounting. They present governmental activities and business-type activities separately. These statements include all assets of the Town (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain elimination entries have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

Fund Financial Statements

The fund financial statements include statements for each of the three categories of activities – governmental, business-type and fiduciary. The governmental activities are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. The business-type

activities are prepared using the economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. Reconciliation of the fund financial statements to the Government-wide financial statements is provided to explain the differences created by the integrated approach.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

Required Supplementary Information

This section includes a budgetary comparison schedule, which includes a reconciliation between the statutory fund balance for budgetary purposes and the fund balance for the general fund as presented in the governmental fund financial statements (if necessary).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

63.3% of the Town's net assets reflect its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges and other immovable assets), less any related debt used to acquire those assets that is still outstanding. The Town uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although, the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

	Governmental Activities	Business-like Activities	Total 2005	Total 2004
Current Assets	6,799,491		6,799,491	6,064,831
Capital Assets	21,960,244	659,090	22,619,334	16,734,808
Total Assets	28,759,735	659,090	29,418,825	22,799,639
Current Liabilities	974,785	2,593	977,378	1,166,027
Other Liabilities	10,134,429		10,134,429	10,989,758
Total Liabilities	11,109,214	2,593	11,111,807	12,155,785
Net Assets:				
Invested in Capital Assets	10,931,716	659,090	11,590,806	4,681,745
Restricted	673,740		673,740	246,833
Unrestricted	6,045,065	(2,593)	6,042,472	5,715,276
Total Net Assets	17,650,521	656,497	18,307,018	10,643,854
Total Liabilities and Net Assets	28,759,735	659,090	29,418,825	22,799,639

Changes in Net Assets

Approximately 91.8% of the Town's total revenue came from property and excise taxes, approximately 1.9% came from State subsidies and grants, and approximately 6.3% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$763,067 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	Total 2005	Total 2004
Revenues:				
Taxes	10,527,406		10,527,406	10,173,540
Intergovernmental Revenues	212,644		212,644	720,014
Charges for Services	131,659	553,162	684,821	567,334
Transfer to/from other funds	289,718	(291,267)	(1,549)	
Other	593,326		593,326	529,476
Total	11,754,753	261,895	12,016,648	11,990,364
Expenses:				
General Government	637,615		637,615	546,097
Public Safety	654,059		654,059	690,705
Public Works	1,466,282		1,466,282	1,495,771
Compliance / Mandates	339,660		339,660	384,646
Other Services	100,479		100,479	100,079
Recreation	62,031		62,031	64,033
Rural Wastewater Support	123,816		123,816	108,057
Wastewater Capital and Debt	398,229		398,229	290,741
Wastewater Treatment Plants	761,883		761,883	561,402
Marine Dept.	-	232,784	232,784	228,036
Debt Service	29,288		29,288	8,814
Personnel	584,542		584,542	605,624
Assessments	2,509,245		2,509,245	2,484,690
Education Programs	2,464,570		2,464,570	2,686,306
Capital Improvements	334,164		334,164	465,717
Other	2,873		2,873	12,777
Total	10,468,736	232,784	10,701,520	10,733,495
Changes in Net Assets	1,286,017	29,111	1,315,128	1,256,869

FINANCIAL ANALYSIS OF THE TOWN'S INDIVIDUAL FUNDS

Governmental Funds

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the Town's financing requirements. In particular, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the Town's governmental funds reported ending fund balances of \$6,512,986, an increase of \$691,741 in comparison with the prior year. Approximately 24.97 percent of this total amount constitutes undesignated fund balance. The remainder is reserved to indicate that it is not available

for spending because it has been committed to liquidate contracts and commitments of the prior fiscal year or for a variety of other purposes.

Proprietary Funds

The Town's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$34,407,622, net of accumulated depreciation of \$11,788,287, leaving a net book value of \$22,619,335. Current additions include floats at the marina, police cruiser, plow truck, pickup truck, John Deere loader, and infrastructure assets.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all citizens, taxpayers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Mount Desert, P.O. Box 248, Northeast Harbor, ME 04662.

**TOWN OF MOUNT DESERT
STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	3,596,840		3,596,840
Investments	2,878,360		2,878,360
Receivables			
Taxes	120,320		120,320
Tax Liens	15,050		15,050
Accounts	27,575		27,575
Due from Other Governments	161,346		161,346
Capital Assets:			
Land	2,640,059	103,201	2,743,260
Other Capital Assets, Net of Depreciation	19,320,185	555,889	19,876,074
Total Assets	28,759,735	659,090	29,418,825
<i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	3,622		3,622
Retainage Payable	38,159		38,159
Due to Other Governments	289		289
Accrued Compensated Absences	38,616	2,593	41,209
Long-term Liabilities:			
Due Within One Year	894,099		894,099
Due in More Than One Year	10,134,429		10,134,429
Total Liabilities	11,109,214	2,593	11,111,807
Net Assets			
Investment in Capital Assets, net of Related Debt	10,931,716	659,090	11,590,806
Unrestricted - Designated for Subsequent Year's Expenditures	673,740		673,740
Unrestricted - Undesignated	6,045,065	(2,593)	6,042,472
Total Net Assets	17,650,521	656,497	18,307,018
Total Liabilities and Net Assets	28,759,735	659,090	29,418,825

The notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT DESERT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Exhibit B

<u>Functions/Programs</u> <u>Primary Government</u> <u>Governmental Activities</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u>
	<u>Expenses</u>			<u>Total</u>
General Government	637,615	118,120	(519,495)	(519,495)
Public Safety	654,059	9,069	(644,990)	(644,990)
Public Works	1,466,282	4,470	(1,461,812)	(1,461,812)
Compliance / Mandates	339,660		(339,660)	(339,660)
Other Services	100,479		(100,479)	(100,479)
Recreation	62,031		(62,031)	(62,031)
Rural Wastewater Support	123,816		(123,816)	(123,816)
Wastewater Capital and Debt	398,229		(398,229)	(398,229)
Wastewater Treatment Plants	761,883		(761,883)	(761,883)
Debt Service	29,288		(29,288)	(29,288)
Personnel	584,542		(584,542)	(584,542)
Assessments	2,509,245		(2,509,245)	(2,509,245)
Education Programs	2,464,570		(2,204,995)	(2,204,995)
Capital Improvements	334,164		(334,164)	(334,164)
Other	2,873	2,733	(140)	(140)
Total Governmental Activities	10,468,736	2,733	(10,074,769)	(10,074,769)
<u>Business-type Activities</u>				
Marina	232,784			320,378
Total Business-type Activities	232,784	-		320,378
Total Primary Government	10,701,520	2,733	(10,074,769)	(9,754,391)
<u>General Revenues:</u>				
Taxes				
Property			9,972,218	9,972,218
Auto Excise			519,754	519,754
Boat Excise			35,434	35,434
Intergovernmental Revenues			209,911	209,911
Other Local Sources			333,751	333,751
Transfers Fiduciary Funds			(1,549)	(1,549)
Transfers Marina			291,267	(291,267)
Total Revenues, Special Items and Transfers			11,360,786	11,069,519
<u>Changes in Net Assets</u>				
			1,286,017	1,315,128
Net Assets - Beginning - As Restated			16,364,504	16,991,890
Net Assets - Ending			17,650,521	18,307,018

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

Exhibit C
Page 1 of 2

<i>Assets</i>	<i>General Fund</i>	<i>Town Reserves</i>	<i>School Fund</i>	<i>Sewer Treatment Project</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	3,349,704				247,136	3,596,840
Investments		2,869,357			9,003	2,878,360
Receivables						
Taxes	120,320					120,320
Tax Liens	15,050					15,050
Other	27,575					27,575
Due from Other Governments				161,346		161,346
Due from Other Funds	124,737	1,096,576	1,512,119		12,863	2,746,295
Total Assets	3,637,386	3,965,933	1,512,119	161,346	269,002	9,545,786
<i>Liabilities and Net Assets</i>						
Liabilities						
Accounts Payable	3,386				236	3,622
Retainage Payable				38,159		38,159
Deferred Property Taxes	51,123					51,123
Due to Other Funds	2,816,420			123,187		2,939,607
Due to Other Governments	289					289
Total Liabilities	2,871,218	-	-	161,346	236	3,032,800
<i>Fund Balances</i>						
Reserved For:						
Encumbrances	666,168					666,168
Construction					30	30
Endowments					7,542	7,542
Unreserved						
Designated for Subsequent Years' Expenditures		3,965,933			247,106	4,213,039
Undesignated	100,000		1,512,119	-	14,088	1,626,207
Total Fund Balances	766,168	3,965,933	1,512,119	-	268,766	6,512,986
Total Liabilities and Fund Balances	3,637,386	3,965,933	1,512,119	161,346	269,002	9,545,786

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2005

Exhibit C
Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance	6,512,986
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$11,461,633	21,960,244
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Taxes	51,123
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(10,989,759)
Accrued Compensated Absences	(38,616)
Capital Leases Payable	(38,769)
Transfers to Fiduciary and Proprietary Funds	193,312
	<u>(10,873,832)</u>
Net Assets of Governmental Activities	<u><u>17,650,521</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit D
Page 1 of 2

	<i>General Fund</i>	<i>Town Reserves</i>	<i>School Fund</i>	<i>Sewer Treatment Project</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues						
Taxes	10,622,983					10,622,983
Intergovernmental Revenues	115,578				97,066	212,644
Charges for Services	131,659					131,659
Miscellaneous	243,339	88,390	259,575		9,322	600,626
Total Revenues	11,113,559	88,390	259,575	-	106,388	11,567,912
Expenditures						
General Government	632,775					632,775
Public Safety	611,707					611,707
Public Works Department	1,258,802					1,258,802
Compliance and Mandates	339,660					339,660
Other Services	100,479					100,479
Recreation	57,531					57,531
Rural Wastewater Support	123,816					123,816
Wastewater Capital and Debt	1,164,033					1,164,033
Wastewater Treatment	461,592					461,592
Debt Service	29,288					29,288
Personnel	584,542					584,542
Assessments	2,509,245					2,509,245
Education Programs			2,762,070			2,762,070
Capital Outlay		243,884		2,184,781	90,280	2,518,945
Other					2,873	2,873
Total Expenditures	7,873,470	243,884	2,762,070	2,184,781	93,153	13,157,358
Excess of Revenues Over (Under) Expenditures	3,240,089	(155,494)	(2,502,495)	(2,184,781)	13,235	(1,589,446)
Other Financing Sources (Uses)						
Bond Proceeds				2,184,781		2,184,781
Transfers from Other Funds	604,155	1,018,078	2,435,012			4,057,245
Transfers to Other Funds	(3,380,589)	(477,100)			(103,150)	(3,960,839)
Total Other Financing Sources (Uses)	(2,776,434)	540,978	2,435,012	2,184,781	(103,150)	2,281,187
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	463,655	385,484	(67,483)	-	(89,915)	691,741
Beginning Fund Balance	302,513	3,580,449	1,579,602	-	358,681	5,821,245
Ending Fund Balance	766,168	3,965,933	1,512,119	-	268,766	6,512,986

(Continued)

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	691,741
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
Capital asset purchases capitalized	2,404,208
Disposal of capital assets	(3,582)
Depreciation expense	(745,632)
	<u>1,654,994</u>
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
Deferred Taxes	<u>(102,877)</u>
Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:	
New Bond Proceeds	(2,184,781)
New lease	(46,500)
Capital lease obligation principal payments	7,731
General obligation bond principal payments	1,063,304
	<u>(1,160,246)</u>
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 governmental funds:	
Transfers to fiduciary and proprietary funds	193,312
Accrued compensated absences	9,093
	<u>202,405</u>
Change in net assets of governmental activities	<u>1,286,017</u>

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
DECEMBER 31, 2005

Exhibit E

	<i>Proprietary Fund Types</i>
	<i>Marina Fund</i>
<i>Assets</i>	
<i>Current Assets:</i>	
Due from Other Funds	194,861
<i>Total Current Assets</i>	194,861
<i>Noncurrent Assets:</i>	
Capital Assets, net	659,090
<i>Total Noncurrent Assets</i>	659,090
<i>Total Assets</i>	853,951
<i>Net Assets</i>	
Invested in Capital Assets, net of related debt	659,090
Retained Earnings	
Unreserved - Undesignated	194,861
<i>Total Net Assets</i>	853,951

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT**Exhibit F****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS****PROPRIETARY FUNDS****FOR THE YEAR ENDED DECEMBER 31, 2005**

	Proprietary Fund Types
	Marina Fund
Operating Revenues:	
NEH Marina	446,038
Moorings	56,072
Homeland Security Grant	11,250
State Float Grant	38,072
Marina Concessions	1,730
	<hr/>
Total Operating Revenues:	553,162
	<hr/>
Operating Expenditures:	
NEH Marina	138,355
Seal Harbor Marina	23
Bartlett Narrows Harbor	1,674
Somes Harbor	350
Depreciation	17,435
Administration	26,119
Personnel	41,517
Compliance	657
Sewer Charges	8,506
	<hr/>
Total Operating Expenditures	234,636
	<hr/>
Net Operating Income	318,526
	<hr/>
<i>Net Income (Loss) before contributions and transfers</i>	318,526
	<hr/>
Transfer to General Fund	(23,906)
Transfers to Reserves	(72,500)
	<hr/>
<i>Change in Net Assets</i>	222,120
	<hr/>
<i>Total Net Assets - Beginning</i>	631,831
	<hr/>
<i>Total Net Assets - Ending</i>	853,951
	<hr/>

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit G

	Proprietary Fund Types
	Marina Fund
Cash Flows from Operating Activities	
Received from Customers	553,162
Payments to Suppliers	(233,375)
Payments to Employees	(67,636)
Other Receipts (Payments)	(168,341)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	83,810
	<hr/>
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(83,810)
	<hr/>
Net Cash Used in Capital and Related Financing Activities	(83,810)
	<hr/>
Cash Flows from Investing Activities	
Net Cash Provided by (Used in) Investing Activities	-
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	-
	<hr/>
Balances - beginning of the year	-
	<hr/>
Balances - end of the year	-
	<hr/> <hr/>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Net Operating Income (Loss)	222,120
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	17,435
(Increase) Decrease in Due from Other Funds	(155,745)
	<hr/>
Net Cash Provided by (Used in) Operating Activities	83,810
	<hr/> <hr/>

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
DECEMBER 31, 2005

Exhibit H

		<i>Private Purpose Trust Fund</i>
		<i>Horace Reynolds Scholarship Fund</i>
<i>Assets</i>		
Investments		16,653
Total Assets		16,653
<i>Liabilities and Net Assets</i>		
Liabilities		
Due to Other Funds		1,549
Total Liabilities		1,549
Net Assets		
Reserved for Endowments		11,758
Unreserved		3,346
Total Net Assets		15,104
Total Liabilities and Net Assets		16,653

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit I

	<i>Private Purpose Trust Fund</i>
	<u><i>Horace Reynolds Scholarship Fund</i></u>
Revenues	
Investment Income	<u>138</u>
	<u>138</u>
Expenditures	
Scholarships	<u>1,550</u>
Total Expenditures	<u>1,550</u>
Excess of Revenues Over (Under)	
Expenditures	(1,412)
Fund Balance - July 1	<u>16,516</u>
Fund Balance - June 30	<u><u>15,104</u></u>

The notes to financial statements are an integral part of this statement.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Mount Desert have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) 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. Financial Reporting Entity

The Town of Mount Desert operates under an elected Board of Selectmen and Town Manager form of government. The Town's major operations include public works, public safety, fire protection, education, and general administrative services.

For financial reporting purposes the Town includes all organizations, functions and activities in its financial statements for which it exercises oversight responsibility. Oversight responsibility as defined by the Governmental Accounting Standards Board (GASB) includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

In June 1999, GASB issued Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments". This statement, known as the "Reporting Model" statement affects the way the Town prepares financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

A. Financial Reporting Entity (continued)

Management's Discussion and Analysis

GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements

The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon thereafter.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Statement of Net Assets

The Statement of Net Assets is designed to display the financial position of the primary government (government and business-type activities). Governments report all capital assets, including infrastructure, in the government-wide Statement of Net Assets and report depreciation expense – the cost of “using up” capital assets – in the Statement of Activities. The net assets of a government will be broken down into three categories – 1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Program Activities

The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government’s functions. The expense of individual functions is compared to the revenues generated directly by the function (for example, through user charges or intergovernmental grants).

Budgetary Comparison Schedules

Demonstrating compliance with the adopted budget is an important component of a government’s accountability to the public. Many citizens participate in the process of establishing the annual operating budgets of state and local governments, and have a keen interest in following the actual financial progress of their governments over the course of the year. The Town and many other governments may revise their original budgets over the course of the year for a variety of reasons. Under GASB No. 34, governments continue to provide budgetary comparison information in their annual reports. GASB Statement No. 34 requires that the Town add the original budget to the current comparison of the final budget and actual results.

B. Fund Accounting

The accounts of the government are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

Funds are classified into the following categories: governmental, proprietary, and fiduciary.

Governmental funds are used to account for all or most of the Town’s general activities, including the collection and disbursement of earmarked monies (special revenue funds) and the servicing of general long-term debt (debt service fund). The General Fund is used to account for all activities of the general government not accounted in some other fund.

Proprietary funds are established to account for activities for which a fee is charged to external or internal users for goods or services. Their reporting focuses on the determination of operating income and changes in net assets. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other agencies primarily within the Town (internal service funds).

Fiduciary funds are used to account for assets held in a trustee or agency capacity for others and therefore cannot be used to support the Town’s own programs.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. 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. The effect of material interfund activity has been eliminated from these statements. Governmental activities, which normally are supported by taxes and various 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, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly from goods, services, or privileges provided by a given function or segment and 2) grants and standard revenues 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 instead 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.

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.

The reserve funds account for all the Town funds designated for a specified purpose.

The School fund accounts for the activities of the school operations.

The sewer fund accounts for the activities of the sewerage operations. The Town operates the sewer collection system and related administrative costs.

The Town reports the following major proprietary funds:

The marina fund accounts for the activities of the harbor operations. The Town operates the harbor collection system and related administrative costs.

Additionally, the Town reports the following fund types:

Permanent funds account for monies held in trust by the Town, the investment earnings from which may only be used for the operation of the program.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting, Measurement Focus, and Financial Statement 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 and additions are recorded when earned and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e. intended to finance). Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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. The Town considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the fund liability is incurred. However, debt service expenditures (if any) are recorded only when payment is due.

Property taxes, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and are recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports deferred revenue on its governmental fund financial statements. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Town before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both the revenue recognition criteria are met, or when the Town has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

E. Assets, Liabilities and Equity

1. Deposits and Investments

Governmental Accounting Standards Statement No. 40 requires the disclosure of interest rate risk, credit risk, and custodial risk. As a means of limiting its exposure to fair value losses arising from rising interest rates, the District invests in short term repurchase obligations and short term investments held by a local banking institution. As a means of limiting its exposure credit risk, the District limits its investments to those authorized by Maine State Statutes, which authorize the District to make deposits/investments in insured commercial banks, insured credit unions, and direct debt securities of the United States Government unless such an investment is expressly prohibited by law. For an investment, custodial risk is the risk that in the event of the failure of the counter party the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As a means of limiting its exposure to custodial risk, the District requires that, at the time funds are invested, collateral for repurchase agreements be held in the District's name by a custodial agent for the term of the agreement and investments in obligations of the United States or its agencies be held by the Federal Reserve.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities and Equity (continued)

2. Receivables

Transactions between funds that results in outstanding balances are reported as due to/from other funds.

Property taxes receivable not expected to be collected within 60 days from year's end are classified as deferred revenue. At December 31, \$51,123 had been so classified and reported on the general fund balance sheet. Property taxes were levied on June 30 on property values assessed on April 1. Taxes were due on July 1, with interest at 7.75% beginning September 1. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. Liens were placed on the 2004 levy on July 8, 2005. The Town has the authority to foreclose on property eighteen months after the filing of the liens if the lien amount and associated costs remain unpaid.

3. Inventories

Inventories are valued at cost. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

4. Capital Assets

Capital assets, which property, plant, equipment, and infrastructure (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 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 asset lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the asset constructed. Property, plant, and equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Infrastructure	50
Equipment	3-20

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Equity (Continued)

5. Compensated Absences

In the fund financial statements, vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Vested or accumulated vacation leave in the government-wide financial statements is recorded as an expense and liability of the fund as the benefits accrue to employees. In accordance with GASB Statement No. 16, no liability is recorded for nonvesting accumulated right to receive sick pay benefits.

6. Long-term Obligations

The government reports long-term debt of governmental funds at face value in the general long-term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

Under State Law, no municipality can incur debt which would cause its total outstanding debt, exclusive of debt incurred for school, storm or sanitary sewer, energy facilities, or municipal airports, to exceed 7.50% of its last full state valuation. A municipality may incur debt for schools not exceeding 10%, storm or sanitary sewers 7.50%, and municipal airports, water districts and special purpose districts 3% of its last full state valuation. In no event can the total debt exceed 15% of its last full valuation. Full state valuation is the valuation of taxable property as certified by the State Tax Assessor, adjusted to 100%.

At December 31, the Town of Mount Desert is in compliance with the above requirements.

7. Fund Equity/Net Assets

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. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the General Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles. State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end.

Management may transfer appropriations between operating categories as they deem necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at fiscal year end to the extent that they have not been encumbered.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (continued)

Reserve funds, once established by the Town Meeting, may be expended with approval of the Board of Selectmen for the purpose for which the reserve was established.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments are carried forward to supplement appropriations of the subsequent year. The General Fund reserve for encumbrances totals \$666,168 at December 31 and is detailed in Exhibit A-2.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Cash and Equivalents

At year-end, the government's carrying amount of deposits was \$3,596,840 and the bank balance was \$3,696,618. The bank balance is categorized according to credit risk as follows:

Category 1 – Insured by Federal depository or credit union insurance.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.

Category 3 – Uninsured and uncollateralized.

	<i>Bank Balance</i>	<i>1</i>	<i>2</i>	<i>3</i>
Cash and Equivalents	<u>3,696,618</u>	<u>250,018</u>	<u>3,386,764</u>	<u>59,836</u>

Included in the Town's cash equivalents at December 31, 2005, were short-term investments in repurchase agreements issued by a local banking institution. Under these agreements, the Town will be repaid principal plus interest on a specified date which is subsequent to year end. The agreement is guaranteed/collateralized with securities held by the banking institution which exceed the amount of the agreement. To the extent that the banking institution may default on its commitment to these obligations, the Town is at risk of economic loss. Management considers this exposure to be minimal. At December 31, 2005, the Town held investments in repurchase agreements as follows:

<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Collateral Pledged</u> <u>Underlying Securities</u>	<u>Fair Value</u>
\$2,577,316	2.55%	1/1/05	FHOR	\$2,000,000
	2.875%	1/1/05	FMNT	\$1,500,000
\$225,980	4.375%	1/1/05	FNSM	\$2,000,000
	4.25%	1/1/05	FNSM	\$1,000,000
\$583,468	%	1/1/05	FMNT	\$500,000
	5.5%	1/1/05	FGPC	\$302,111
	%	1/1/05	GNAR	\$16,018

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

B. Investments

Investments made by the Town are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk into three categories as follows:

- Category 1 - Insured or registered, or securities held by the government or its agent in the government's name.
 Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name.
 Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	<i>Category 2</i>	<i>Fair Value</i>	<i>Cost</i>
U.S. Government Obligations	947,426	947,426	951,651
Common Stock	1,743,189	1,743,189	1,481,882
Foreign Equities	154,822	154,822	102,383
Corporate Bonds	<u>25,395</u>	<u>25,395</u>	<u>25,355</u>
	<u>2,870,832</u>	2,870,832	2,561,271
Mutual Funds		<u>7,528</u>	<u>7,652</u>
Total Investments		<u>2,878,360</u>	<u>2,568,923</u>

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	703,445,884
Tax Rate (per \$1,000)	<u>14.15</u>
Commitment	<u>9,953,980</u>
Appropriations	10,092,290
Less:	
State Municipal Revenue Sharing	103,149
Homestead Reimbursement	<u>35,161</u>
	<u>138,310</u>
Net Assessment for Commitment	<u>9,953,980</u>

Uncollected taxes at December 31 for the current year commitment totaled \$119,192. Unpaid liens at December 31 totaled \$15,050.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at December 31, 2005 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	124,737	2,816,420
Special Revenue Funds		
Municipal Revenue Sharing	6,378	
Elementary School	1,512,119	
Town Reserves	1,096,576	
Shellfish Fund	6,485	
Capital Project Funds		123,187
Fiduciary Funds		1,549
Enterprise Funds	<u>194,861</u>	<u> </u>
Totals	<u><u>2,941,156</u></u>	<u><u>2,941,156</u></u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
Governmental Activities;				
<i>Capital assets not being depreciated</i>				
Land	2,640,059			2,640,059
<i>Capital assets being depreciated</i>				
Buildings	6,676,387	2,184,781		8,861,168
Equipment	1,867,644	210,803	136,988	1,941,459
Infrastructure	20,173,563	8,624		20,182,187
<i>Total capital assets being depreciated</i>	28,717,594	2,404,208	136,988	30,984,814
<i>Less accumulated depreciation for</i>				
Buildings	2,642,816	209,543		2,852,359
Equipment	1,147,965	132,446	133,407	1,147,004
Infrastructure	7,261,622	403,644		7,665,266
<i>Total accumulated depreciation</i>	11,052,403	745,632	133,407	11,664,628
<i>Net capital assets being depreciated</i>	17,665,191	1,658,576	3,581	19,320,186
Governmental Activities Capital Assets, net	20,305,250	1,658,576	3,581	21,960,245

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. Capital Assets

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Business-type Activities;</i>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
<i>Capital assets being depreciated</i>				
Marina	595,738	83,810		679,548
<i>Total capital assets being depreciated</i>	595,738	83,810	-	679,548
<i>Less accumulated depreciation for</i>				
Marina	106,224	17,435		123,659
<i>Total accumulated depreciation</i>	106,224	17,435	-	123,659
<i>Net capital assets being depreciated</i>	489,514	66,375	-	555,889
<i>Business-type Activities Capital Assets, net</i>	592,715	66,375	-	659,090

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

Governmental Activities

General Government	5,549
Public Safety	64,060
Public Works	370,181
Recreation	4,500
Wastewater Treatment Plants	301,342
Total Depreciation Expense - Governmental Activities	745,632

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Long-Term Debt

1. General Obligation Debt

The Town issues general obligation bonds and notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and notes are direct obligations and pledge the full faith and credit of the government. Bonds and notes currently outstanding are as follows:

<i>Purpose</i>	<i>Interest Rate</i>	<i>Amount</i>
General Government		
1987 Sewer Bond, maturing 2007	7.38 - 8.60%	150,000
1996 Sewer Bond, maturing 2012	3.13%	530,830
2002 School Construction Bond, maturing 2022	3.05 - 5.25%	5,057,500
2003 Sewer Bond, Maturing 2010	1.00%	1,071,429
2004 Sewer Bond, Maturing 2024	1.03%	<u>4,180,000</u>
		<u>10,989,759</u>

The 1996 Sewer Bond is comprised of a capitalization loan and a Department of Environment Protection grant passed through the Maine Municipal Bond Bank. Interest on the loan is at 5.30% with no interest on the grant portion, resulting in a blended rate of 3.13%.

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$2,907,254 are as follows:

<i>Year Ended December 31,</i>	<i>General Obligation Debt</i>
2006	1,214,815
2007	1,191,329
2008	1,092,026
2009	1,072,687
2010	1,053,346
2011-2015	3,642,652
2016-2020	3,079,040
2021-2024	<u>1,551,117</u>
Total	<u>13,897,012</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

F. Long-Term Debt (continued)

2. Changes in Long-Term Liabilities

During the year ended December 31, the following changes occurred in liabilities reported in the general long-term debt account group:

	<i>General Obligation Debt</i>
Balance - January 1	12,053,063
Additions	
Reductions	<u>(1,063,304)</u>
Balance - December 31	<u>10,989,759</u>

3. Overlapping Debt

The Town's proportionate share of debt of all local government units which provide services within the Town's boundaries, and which must be borne by properties in the Town is summarized as follows:

<i>Units</i>	<i>Net debt outstanding December 31, 2005</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	8,916,325	32.53%	2,900,481
Hancock County	<u>4,200,000</u>	<u>13.12%</u>	<u>551,040</u>
Totals	<u><u>13,116,325</u></u>		<u><u>3,451,521</u></u>

The Town's proportionate share of the above debt is paid through annual assessments by the respective units.

F. Reserve Funds

The Town has authorized various reserve funds primarily for future acquisitions. At December 31, these funds total \$3,965,933 and are detailed in Exhibit B-3.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 - OTHER INFORMATION

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the government expects such amount, if any to be immaterial.

There are various claims and suits filed against the Town which arise in the normal course of activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the Town.

B. Permanent Funds and Fiduciary Funds

The principal amount of all Non-expendable Permanent and Fiduciary Funds is restricted either by law or by terms of individual bequests in that only income earned may be expended. The government's Non-expendable and Expendable Permanent and Fiduciary funds at December 31 are detailed as follows:

<i>Purpose</i>	<i>Principal</i>	<i>Income</i>	<i>Total</i>
Cemetery Care	3,833		3,833
Scholarships	<u>15,467</u>	<u>8,280</u>	<u>23,747</u>
Total	<u>19,300</u>	<u>8,280</u>	<u>27,580</u>

C. Pension Plans

Plan Description

The Town's employees are covered under the ICMA or Maine State Retirement System.

The ICMA is a qualified pension plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Town employees, permits them 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.

The plan is administered by an independent company, and the Town remits all compensation deferred to this administrator for investment as requested by the participant employees. All assets and income of the plan are held in trust for the exclusive benefit of participants and their beneficiaries.

The Town participates in the Maine State Retirement System Consolidated Plan for Participating Districts (Consolidated Plan), and the Maine State Retirement System's Teacher Plan, both which are cost sharing multiple-employer defined benefit pension plans.

The Maine State Retirement System (System) is a body corporate and politic and an incorporated public instrumentality of the State. Under Title 5 M.R.S.A. the System is the administrator of retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The System issues a financial report that includes the financial statements and required supplementary information for the

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 - OTHER INFORMATION (Continued)

C. Pension Plans (Continued)

Plan Description

plans. That report may be obtained by writing to Maine State Retirement System, Two Central Plaza, Augusta, Maine 04333-0046 or by calling 1-800-451-9800.

Funding Policy

Under the ICMA plan, covered employees contribute 6.5% of their salary to the plan with the Town contributing 6.2%. The Town's cost for the fiscal year ended December 31, 2005 amounted to \$31,086.

Consolidated Plan members are required to contribute 6.5% of their annual covered salary and the Town is required to contribute an actuarially determined rate. The current rate is 2.8% of annual covered payroll. The contribution requirements of plan members and the Town are established by the Maine State Retirement System Board of Trustees. The Town's contributions to the Consolidated Plan for the years ended December 31, 2003, 2004 and 2005, were \$5,270, \$10,193 and \$14,631 respectively, which were paid in full each year.

Teachers and other qualified employees are required to contribute 7.65% of their compensation to the Teacher Plan. The State Department of Education is required to contribute the employer contribution which amounted to 17.77% of the annual covered salary for fiscal year 2005. The State's cost for 2005 was approximately \$180,241. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 17.77% of their compensation. This cost amounted to \$4,250 for 2005 and is chargeable to the applicable grants.

D. Risk Management

The town is exposed to various risks of loss related to torts; theft of, damage and destruction of assets; errors and omissions; and natural disasters for which the town participated in public entity risk pools sponsored by the Maine Municipal Association (MMA) for workers' compensation, and property damage.

Workers' Compensation - MMA's workers' compensation self-insured trust retains \$400,000 of risk and purchases excess insurance for claims which exceed \$400,000 up to a maximum coverage of \$2,000,000. All participants are jointly and severally liable, therefore, if collected claims exceed collective contributions the trust has a right to assess additional contributions to its members.

Property and Casualty - MMA's Self-Funded Risk Management Pool (Pool) was created to establish and administer a risk management service and to bring about prevention or lessening of casualty and property losses to member towns. The town pays an annual premium to the Pool for various coverages and services. The Pool retains loss of property risk which exceeds \$1,000 up to a maximum coverage of \$100,000 and purchases an additional \$255,000,000 per occurrence. The Pool retains the first \$100,000 liability coverage per occurrence and purchases excess insurance for claims which exceed \$100,000 up to a maximum of \$1,000,000 per occurrence, \$3,000,000 aggregate coverage, and crime coverage which exceeds \$1,000 up to a maximum coverage of \$250,000.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 - OTHER INFORMATION (Continued)

D. Risk Management (Continued)

Based on the coverage provided by the pools described above, the town is not aware of any material actual or potential claim liabilities which should be recorded at December 31, 2005.

NOTE 5 – SCHOOL DEPARTMENT OPERATIONS

The financial operations of the Mount Desert School Department are included in the accompanying financial statements. Since the School Department budgets and presents its financial statements on a July 1 to June 30 fiscal year, as opposed to the Town's January 1 to December 31 fiscal year, detailed budget to actual comparison results are not shown. In addition, since it has not been the practice of the School Department to prepare financial statements on a fund accounting basis at December 31, the operating statements shown here do not separate all funds of the School Department. The financial statements of the Mount Desert School Department are audited on a June 30 fiscal year basis.

TOWN OF MOUNT DESERT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit J

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	10,471,980	10,471,980	10,622,983	151,003
Intergovernmental Revenues	163,001	163,001	115,578	(47,423)
Charges for Services	90,043	90,043	131,659	41,616
Miscellaneous	155,621	155,621	243,339	87,718
Total Revenues	<u>10,880,645</u>	<u>10,880,645</u>	<u>11,113,559</u>	<u>232,914</u>
Expenditures (Net of Departmental Revenues)				
General Government	673,176	750,276	748,449	1,827
Public Safety	697,648	697,648	637,970	59,678
Public Works	1,285,237	1,285,237	1,261,302	23,935
Compliance and Mandates	382,160	382,160	374,654	7,506
Other Services	100,479	100,479	100,479	-
Recreation	67,747	67,747	57,531	10,216
Rural Wastewater Support	150,000	150,000	123,816	26,184
Wastewater Capital and Debt	1,451,875	1,451,875	1,448,257	3,618
Wastewater Treatment	564,274	564,274	461,592	102,682
Debt Service	16,500	16,500	29,288	(12,788)
Personnel	663,398	663,398	584,542	78,856
Assessments	2,568,194	2,568,194	2,509,245	58,949
Total Expenditures	<u>8,620,688</u>	<u>8,697,788</u>	<u>8,337,125</u>	<u>360,663</u>
Excess Revenues Over Expenditures	<u>2,259,957</u>	<u>2,182,857</u>	<u>2,776,434</u>	<u>593,577</u>
Other Financing Sources				
Transfers from Other Funds	527,055	604,155	604,155	-
Transfer to Credit Reserve			(593,577)	(593,577)
Transfers to Other Funds	(2,787,012)	(2,787,012)	(2,787,012)	-
Total Other Financing Sources	<u>(2,259,957)</u>	<u>(2,182,857)</u>	<u>(2,776,434)</u>	<u>(593,577)</u>
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balances - Budgetary Basis			100,000	100,000
Ending Fund Balances - Budgetary Basis	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>100,000</u>
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			666,168	
Ending Fund Balances - GAAP Basis			<u>766,168</u>	

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	9,953,980	10,049,557	95,577
Motor Vehicle Excise	480,000	519,754	39,754
Boat Excise	27,000	35,434	8,434
Interest on Taxes	11,000	18,238	7,238
	<u>10,471,980</u>	<u>10,622,983</u>	<u>151,003</u>
Intergovernmental Revenues			
Acadia National Park	22,500	23,055	555
Otter Creek Treatment Plant	30,000	8,360	(21,640)
Road Assistance	43,140	44,127	987
Tree Growth	4,000	3,887	(113)
General Assistance	2,000	83	(1,917)
Homestead Reimbursement	35,161	35,202	41
ANP Jordan Pond House	25,000		(25,000)
Snowmobile Refund	400		(400)
Veterans Exemption	800	864	64
	<u>163,001</u>	<u>115,578</u>	<u>(47,423)</u>
Charges for Services			
Police Department	5,000	9,069	4,069
Highways	2,500	200	(2,300)
Sewers	543		(543)
Solid Waste	1,000	4,270	3,270
Paid Parking	45,000	49,838	4,838
Planning and Zoning	20,000	51,517	31,517
Town Clerk	6,000	5,886	(114)
Tax Collection	10,000	10,879	879
	<u>90,043</u>	<u>131,659</u>	<u>41,616</u>

TOWN OF MOUNT DESERT**GENERAL FUND****STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED DECEMBER 31, 2005****Exhibit A-1****Page 2 of 2**

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Miscellaneous			
Surplus Property and Equipment	5,000	12,911	7,911
Solid Waste Performance Credit	35,021	35,032	11
Interest on Investments	95,000	141,589	46,589
Interest on Temporary Loans	15,000	26,422	11,422
Insurance Dividends/Refunds	1,000	17,955	16,955
Maple Lane Apartments	3,600	2,268	(1,332)
Donations	1,000	700	(300)
Other		6,462	6,462
	<u>155,621</u>	<u>243,339</u>	<u>87,718</u>
Transfers and Other Sources			
Credit Reserve	477,100	477,100	-
NEH Marina	23,906	23,906	-
Municipal Revenue Sharing	103,149	103,149	-
	<u>604,155</u>	<u>604,155</u>	<u>-</u>
Total Revenues and Transfers	<u>11,484,800</u>	<u>11,717,714</u>	<u>232,914</u>

TOWN OF MOUNT DESERT

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit A-2

Page 1 of 2

	<i>Encumbered from 2004</i>	<i>Appropriation</i>	<i>Expenditures</i>	<i>Encumbered to 2006</i>	<i>(Over) Under Budget</i>
General Government					
Elected Officials		8,770	7,835		935
Administration		229,553	232,671		(3,118)
Assessor/CEO	35,187	225,534	100,121	158,604	1,996
Tax Collector/Treasurer		55,200	52,556		2,644
CEO/Assessor Assistant	18,524	73,972	77,745	11,481	3,270
Buildings and Grounds		106,069	111,385		(5,316)
Town Clerk/Registrar	700	51,178	50,462		1,416
	54,411	750,276	632,775	170,085	1,827
Public Safety					
Police Department		348,638	319,738	3,500	25,400
Fire Department	10,000	187,580	138,781	36,870	21,929
Communications	4,107	161,430	153,188		12,349
	14,107	697,648	611,707	40,370	59,678
Public Works Department					
Highways, Streets and Roads		863,225	895,146		(31,921)
Waste Collection and Disposal		379,832	336,520	2,500	40,812
Parks and Cemeteries		42,180	27,136		15,044
	-	1,285,237	1,258,802	2,500	23,935
Compliance/Mandates	26,995	382,160	339,660	61,989	7,506
Other Services		100,479	100,479		
Recreation		67,747	57,531		10,216
Rural Wastewater Support		150,000	123,816		26,184
Wastewater Capital and Debt	107,000	1,451,875	1,164,033	391,224	3,618
Wastewater Treatment					
Sewer Treatment		344,154	287,697		56,457
Northeast Harbor Plant		94,446	77,518		16,928
Somesville Plant		41,000	26,467		14,533
Seal Harbor Plant		46,824	44,678		2,146
Otter Creek Plant		37,850	25,232		12,618
		564,274	461,592		102,682

TOWN OF MOUNT DESERT

Exhibit A-2

GENERAL FUND

Page 2 of 2

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED DECEMBER 31, 2005

	<i>Encumbered from 2004</i>	<i>Appropriation</i>	<i>Expenditures</i>	<i>Encumbered to 2006</i>	<i>(Over) Under Budget</i>
Debt Service					
Interest on Temporary Notes		15,000	27,928		(12,928)
Legal Expense		1,500	1,360		140
		16,500	29,288		(12,788)
Personnel					
Unemployment Compensation		10,693	435		10,258
Maine State Retirement		17,490	14,631		2,859
Actuary Administration		1,000			1,000
ICMA Retirement		31,485	26,131		5,354
Section 125 Admin Expenses		750	444		306
Workers Compensation		71,228	61,714		9,514
Social Security/Medicare		114,534	112,453		2,081
Medical Insurance		385,294	365,016		20,278
Life/Accident Insurance		630	628		2
Recruit Expenses		4,000	3,065		935
Wage Adjustments-Union		3,147			3,147
Salary Adjustments-Non Union		23,147	25		23,122
		663,398	584,542		78,856
Assessments					
MDI High School		1,871,466	1,871,466		-
County Tax		633,063	633,063		-
Overlay		63,665	4,716		58,949
		2,568,194	2,509,245		58,949
Operating Transfers Out					
Elementary School		2,435,012	2,435,012		-
Reserve Funds					
Town Roads Reserve		25,000	25,000		-
Public Works Equipment Reserve		77,000	77,000		-
Refuse Equipment Reserve		20,000	20,000		-
Wastewater Equipment Reserve		5,000	5,000		-
Fire Equipment Reserve		150,000	150,000		-
Town Office Building Reserve		20,000	20,000		-
Seal Harbor Marina Road Reserve		20,000	20,000		-
Admin. Office Equip. Reserve		25,000	25,000		-
Communications Reserve		10,000	10,000		-
		2,787,012	2,787,012		
Totals	202,513	11,484,800	10,660,482	666,168	360,663

TOWN OF MOUNT DESERT

Exhibit A-3

GENERAL FUND

STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2005Undesignated Fund Balance

Unreserved Fund Balance, January 1 100,000

Unreserved Fund Balance, December 31 100,000

Increase0*Analysis of Change*

Additions

Budget Summary

Revenue Surplus - Exhibit A-1 232,914

Unexpended Balance of

Appropriations - Exhibit A-2 360,663

Budget Surplus

593,577

Deductions

Fund Balance Transferred to

Credit Reserve per Vote

(593,577)Increase0Credit Reserve

Credit Reserve, January 1 1,716,404

Credit Reserve, December 31 1,832,882

Increase116,477*Analysis of Change*

Additions

Fund Balance Transferred to

Credit Reserve per Vote

593,577

Deductions

Credit Reserve Used to Reduce

Taxation per Vote

(477,100)Increase116,477

**TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2005**

Exhibit B-1

<i>Assets</i>	<i>Municipal Revenue Sharing</i>	<i>Elementary School Department</i>	<i>Town Reserve Funds</i>	<i>Shellfish Fund</i>	<i>Total</i>
Investments					
Due from Other Funds	6,378	1,512,119	2,869,357 1,096,576	6,485	2,869,357 2,621,558
Total Assets	6,378	1,512,119	3,965,933	6,485	5,490,915
<i>Fund Balances</i>					
Fund Balances					
Unreserved					
Designated for Subsequent Years' Expenditures			3,965,933		3,965,933
Undesignated	6,378	1,512,119		6,485	1,524,982
Total Fund Balances	6,378	1,512,119	3,965,933	6,485	5,490,915

**TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS**

Exhibit B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES**

FOR THE YEAR ENDED DECEMBER 31, 2005

	Municipal Revenue Sharing	Elementary School Department	Town Reserve Funds	Comprehensive Planning Grant	Shellfish Fund	Total
Revenues						
Intergovernmental Revenues	94,333			2,733		97,066
Local Sources		259,575	8,255		940	268,770
Fair Value Increase (Decrease)			80,135			80,135
Total Revenues	94,333	259,575	88,390	2,733	940	445,971
Expenditures						
Education		2,762,070				2,762,070
Capital Outlay			239,397			239,397
Other			4,487	2,733		7,220
Total Expenditures		2,762,070	243,884	2,733	-	3,008,687
Excess of Revenues Over (Under) Expenditures	94,333	(2,502,495)	(155,494)	-	940	(2,562,716)
Other Financing Sources (Uses)						
Transfers from Other Funds		2,435,012	1,018,078			3,453,090
Transfers to Other Funds	(103,150)		(477,100)			(580,250)
Total Other Financing Sources (Uses)	(103,150)	2,435,012	540,978			2,872,840
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(8,817)	(67,483)	385,484	-	940	310,124
Fund Balance - January 1	15,195	1,579,602	3,580,449		5,545	5,180,791
Fund Balance - December 31	6,378	1,512,119	3,965,933	-	6,485	5,490,915

**TOWN OF MOUNT DESERT
RESERVE FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2005**

Exhibit B-3

	<i>Balance January 1</i>	<i>Transfers In</i>	<i>Receipts</i>	<i>Expenditures/ Transfers</i>	<i>Balance December 31</i>
Capital Improvement Funds					
Town Roads	36,895	25,000			61,895
Wastewater	25,000	25,000			50,000
Pollution Control Equipment	5,000	5,000			10,000
Northeast Harbor Marina	144,994	72,000		92,884	124,110
Seal Harbor Bait House	1,615	500			2,115
Town Office Building	32,055	20,000			52,055
Land Acquisition	174,887				174,887
Credit Reserve	1,716,404	593,578		477,100	1,832,882
Bartlett Narrows Dock	17,500				17,500
Summit Sewer	186,545			27,774	158,771
Seal Harbor Dock	25,551				25,551
Seal Harbor Marina Road	75,000	20,000			95,000
Capital Equipment Funds					
Public Works	122,069	77,000		118,739	80,330
Fire	275,223	150,000	7,300		432,523
Refuse	53,073	20,000			73,073
Assessor's Car	1,004				1,004
Office Equipment	9,331				9,331
Communications Radio	14,324	10,000			24,324
Others					
Dog Welfare	6,168		955	4,487	2,636
Sub-Total	2,922,638	1,018,078	8,255	720,984	3,227,987
General (Fair Value Changes)	657,811		80,135		737,946
Total	3,580,449	1,018,078	88,390	720,984	3,965,933

**TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2005**

Exhibit C-1

<i>Assets</i>	<i>School Construction</i>	<i>Sewer Treatment Project</i>	<i>Total</i>
Cash and Equivalents	247,136		247,136
Due from Other Governments		161,346	161,346
Total Assets	247,136	161,346	408,482
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Retainage Payable		38,159	38,159
Due to Other Funds		123,187	123,187
Total Liabilities		161,346	161,346
Fund Balances			
Reserved for Construction	30		30
Unreserved			
Designated for Subsequent Years' Expenditures	247,106		247,106
Total Fund Balances	247,136		247,136
Total Liabilities and Fund Balances	247,136	161,346	408,482

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit C-2

	<i>School Construction</i>	<i>Sewer Treatment Project</i>	<i>Total</i>
Revenues			
Interest Income	8,356		8,356
Total Revenues	8,356		8,356
Expenditures			
Engineering		54,302	54,302
Advertising/Insurance/Legal	884	25,604	26,488
General Contractor	41,525	2,058,712	2,100,237
Supplies		22,644	22,644
Field Inspection/Clerk of the Works		22,025	22,025
Other		1,494	1,494
Contingency	47,871		47,871
Total Expenditures	90,280	2,184,781	2,275,061
Excess of Revenues Over (Under) Expenditures	(81,924)	(2,184,781)	(2,266,705)
Other Financing Sources			
Loan Proceeds		2,184,781	2,184,781
		2,184,781	2,184,781
Excess of Revenues and Other Sources Over (Under) Expenditures	(81,924)	-	(81,924)
Fund Balance - July 1	329,060		329,060
Fund Balance - June 30	247,136	-	247,136

TOWN OF MOUNT DESERT
COMBINING BALANCE SHEET
ALL PERMANENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit D-1

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	4,934	4,069	9,003
Total Assets	4,934	4,069	9,003
 <i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		236	236
Total Liabilities	-	236	236
Fund Balances			
Reserved for Endowments	3,709	3,833	7,542
Unreserved	1,225		1,225
Total Fund Balances	4,934	3,833	8,767
Total Liabilities and Fund Balances	4,934	4,069	9,003

TOWN OF MOUNT DESERT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Exhibit D-2

	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	32	(6)	26
Expenditures			
Cemetery Maintenance		140	140
	-	140	140
Excess of Revenues Over Expenditures	32	(146)	(114)
Fund Balance - July 1	4,902	3,979	8,881
Fund Balance - June 30	4,934	3,833	8,767