

TOWN OF MOUNT DESERT, MAINE

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

***FOR THE YEAR
ENDED JUNE 30, 2009***

TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2009

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TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2009

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INDEPENDENT AUDITOR'S REPORT

March 5, 2010

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, each major fund, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of and for the year ended June 30, 2009, 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, each major fund, and the aggregate remaining fund information of the Town of Mount Desert, Maine as of June 30, 2009, 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.

The management's discussion and analysis and budgetary comparison information on pages 3-6 and 34, 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, and other supplementary information 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 and other supplementary information 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, C.P.A.

James W. Wadman, C.P.A.

TOWN OF MOUNT DESERT, MAINE
Management's Discussion and Analysis
For the Year Ended June 30, 2009

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 year ended June 30, 2009. 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 year ending June 30, 2009 by \$27,116,251 (presented as "net assets"). Of this amount, \$8,135,433 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 \$92,603 (a .3% increase) for the year ended June 30, 2009. Net assets of governmental activities increased by \$99,480 (a .4% increase), while net assets of business-type activities showed a decrease of \$6,877 (a .9% decrease).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the year ended June 30, 2009, the Town's governmental funds reported a combined ending fund balance of \$7,679,912 with \$605,700 being general undesignated fund balance. This undesignated fund balance represents approximately 6.1% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations increased by \$4,651,453 for the year ended June 30, 2009. New bonds were issued for the sewer project for \$5,300,000 and a new fire truck for \$289,905. 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

70% 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	June 30, 2009 Total	June 30, 2008 Total
Current Assets	9,412,882		9,412,882	8,223,745
Capital Assets	33,252,470	756,822	34,009,292	24,467,730
Total Assets	42,665,352	756,822	43,422,174	32,691,475
Current Liabilities	2,601,558	11,470	2,613,028	1,475,206
Other Liabilities	13,692,895		13,692,895	9,455,915
Total Liabilities	16,294,453	11,470	16,305,923	10,931,121
Net Assets:				
Invested in Capital Assets	18,189,760	756,822	18,946,582	14,054,585
Restricted	34,236		34,236	497,556
Unrestricted	8,146,903	(11,470)	8,135,433	7,208,213
Total Net Assets	26,370,899	745,352	27,116,251	21,760,354
Total Liabilities and Net Assets	42,665,352	756,822	43,422,174	32,691,475

Changes in Net Assets

Approximately 93% of the Town's total revenue came from property and excise taxes, approximately 6.6% came from State subsidies and grants, and approximately .4% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,144,148 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	June 30, 2009 Total	June 30, 2008 Total
Revenues:				
Taxes	11,802,269		11,802,269	3,844,731
Intergovernmental Revenues	849,262		849,262	165,766
Charges for Services	287,690	579,086	866,776	322,847
Transfer to/from other funds	262,516	(263,069)	(553)	(1,152)
Miscellaneous	(219,558)		(219,558)	279,249
Total	12,982,179	316,017	13,298,196	4,611,441
Expenses:				
General Government	759,037		759,037	389,808
Public Safety	1,334,583		1,334,583	695,042
Public Works	2,310,754		2,310,754	997,225
Recreation	-		-	2,935
Rural Wastewater Support	148,843		148,843	(580)
Wastewater Capital and Debt	114,675		114,675	364,184
Wastewater Treatment Plants	1,202,851		1,202,851	478,074
Marine Dept.	-	322,894	322,894	202,626
Debt Service	201,831		201,831	22,375
Unclassified	193,418		193,418	-
Assessments	3,020,714		3,020,714	1,112,418
Education Programs	3,190,833		3,190,833	1,460,454
Capital Outlay	402,510		402,510	46,487
Other	2,650		2,650	18,208
Total	12,882,699	322,894	13,205,593	5,789,256
Changes in Net Assets	99,480	(6,877)	92,603	(1,177,815)

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 year, the Town's governmental funds reported ending fund balances of \$7,679,912, an increase of \$632,212 in comparison with the prior year. Approximately 10 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 \$50,151,189, net of accumulated depreciation of \$16,141,898, leaving a net book value of \$34,009,291. Current additions include a boiler, fire truck, police base station, police cruiser, public works vehicles, public works generator, sewer vehicle, CEO vehicle, paving, sewer plant, and gym lights for the school. → Cause Sewer School Budget

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
JUNE 30, 2009

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	2,016,614		2,016,614
Investments	4,907,927		4,907,927
Receivables			
Taxes	17,551		17,551
Tax Liens	156,553		156,553
Bonds	2,174,609		2,174,609
Accounts	101,783		101,783
Due from Other Governments	34,634		34,634
Inventory	3,211		3,211
Capital Assets:			
Land	2,625,091	103,201	2,728,292
Other Capital Assets, Net of Depreciation	30,627,379	653,621	31,281,000
Total Assets	42,665,352	756,822	43,422,174
<i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	647,958		647,958
Retainage Payable	220,700		220,700
Prepaid Taxes	34,751		34,751
Accrued Compensated Absences	71,471	5,647	77,118
Accrued Salaries Payable	244,696	5,823	250,519
Due to Other Governments	12,167		12,167
Long-term Liabilities:			
Due Within One Year	1,369,815		1,369,815
Due in More Than One Year	13,692,895		13,692,895
Total Liabilities	16,294,453	11,470	16,305,923
Net Assets			
Investment in Capital Assets, net of Related Debt	18,189,760	756,822	18,946,582
Restricted Net Assets	34,236		34,236
Unrestricted	8,146,903	(11,470)	8,135,433
Total Net Assets	26,370,899	745,352	27,116,251
Total Liabilities and Net Assets	42,665,352	756,822	43,422,174

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

**TOWN OF MOUNT DESERT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009**

Exhibit B

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants	Governmental Activities	Business-like Activities	Total
Primary Government						
Governmental Activities						
General Government	759,037	144,869		(614,168)		(614,168)
Public Safety	1,334,583	30,983		(1,303,600)		(1,303,600)
Public Works	2,310,754	9,279		(2,301,475)		(2,301,475)
Rural Wastewater Support	148,843			(148,843)		(148,843)
Wastewater Capital and Debt	114,675			(114,675)		(114,675)
Wastewater Treatment Plants	1,202,851	593		(1,202,258)		(1,202,258)
Debt Service	201,831			(201,831)		(201,831)
Unclassified	193,418			(193,418)		(193,418)
Assessments	3,020,714			(3,020,714)		(3,020,714)
Education Programs	3,190,833	65,707	105,298	(3,019,828)		(3,019,828)
Capital Outlay	402,510		100,000	(302,510)		(302,510)
Other	2,650			(2,650)		(2,650)
Total Governmental Activities	12,882,699	251,431	205,298	(12,425,970)		(12,425,970)
Business-type Activities						
Marina	322,894	574,191	4,895		256,192	256,192
Total Business-type Activities	322,894	574,191	4,895		256,192	256,192
Total Primary Government	13,205,593	825,622	210,193	(12,425,970)	256,192	(12,169,778)
General Revenues:						
Taxes						
Property				11,278,522		11,278,522
Auto Excise				488,936		488,936
Boat Excise				34,811		34,811
Intergovernmental Revenues				643,964		643,964
Increase (Decrease) in FMV				(729,630)		(729,630)
Other Local Sources				546,331		546,331
Transfers Marina				263,069	(263,069)	-
Transfers Fiduciary Funds				(553)		(553)
Total Revenues, Special Items and Transfers				12,525,450	(263,069)	12,262,381
Changes in Net Assets						
				99,480	(6,877)	92,603
Net Assets - Beginning				26,271,419	752,229	27,023,648
Net Assets - Ending				26,370,899	745,352	27,116,251

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit C
Page 1 of 2

	<i>General Fund</i>	<i>Town Reserves</i>	<i>School Fund</i>	<i>Somesville Treatment Plant Project</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets						
Cash and Equivalents	1,999,864		16,750			2,016,614
Investments		4,898,019			9,908	4,907,927
Receivables						
Taxes	17,551					17,551
Tax Liens	156,553					156,553
Bonds				2,174,609		2,174,609
Other	100,876		907			101,783
Due from Other Governments	18,543		16,091			34,634
Inventory			3,211			3,211
Due from Other Funds	564,849		546,206		227,695	1,338,750
Total Assets	2,858,236	4,898,019	583,165	2,174,609	237,603	10,751,632
Liabilities and Net Assets						
Liabilities						
Accounts Payable	238,818		16,808	392,091	241	647,958
Retainage Payable				220,700		220,700
Accrued Salaries Payable			193,518			193,518
Prepaid Taxes	34,751					34,751
Deferred Property Taxes	126,430					126,430
Due to Other Governments	12,167					12,167
Due to Other Funds	1,258,693	388,593	15,463	173,447		1,836,196
Total Liabilities	1,670,859	388,593	225,789	786,238	241	3,071,720
Fund Balances						
Reserved For:						
Encumbrances	581,677					581,677
Construction				1,388,371	186,635	1,575,006
Endowments					7,824	7,824
Inventory			3,211			3,211
Unreserved						
Designated for Subsequent Years' Expenditures		4,509,426	223,125			4,732,551
Undesignated	605,700		131,040	-	42,903	779,643
Total Fund Balances	1,187,377	4,509,426	357,376	1,388,371	237,362	7,679,912
Total Liabilities and Fund Balances	2,858,236	4,898,019	583,165	2,174,609	237,603	10,751,632

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2009

Exhibit C
Page 2 of 2

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

Total Fund Balance	7,679,912
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$15,937,172	33,252,470
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Taxes	126,430
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(14,989,307)
Accrued Compensated Absences	(71,471)
Accrued Salaries	(51,178)
Capital Leases Payable	(73,403)
Transfers to Fiduciary and Proprietary Funds	497,446
	<u>(14,687,913)</u>
Net Assets of Governmental Activities	<u><u>26,370,899</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 JUNE 30, 2009

Exhibit D
Page 1 of 2

	<i>General</i>	<i>Town</i>	<i>School</i>	<i>Somesville</i>	<i>Other</i>	<i>Total</i>
	<i>Fund</i>	<i>Reserves</i>	<i>Fund</i>	<i>Treatment</i>	<i>Governmental</i>	<i>Governmental</i>
				<i>Plant Project</i>	<i>Funds</i>	<i>Funds</i>
Revenues						
Taxes	11,891,527					11,891,527
Intergovernmental Revenues	192,747		483,720		172,795	849,262
Local Sources	185,724		30,957		36,259	252,940
Lunch and Milk Sales			34,750			34,750
Miscellaneous	274,794	(494,352)				(219,558)
Total Revenues	12,544,792	(494,352)	549,427		209,054	12,808,921
Expenditures						
General Government	759,636					759,636
Public Safety	1,939,470					1,939,470
Public Works Department	2,143,177					2,143,177
Rural Wastewater Support	148,843					148,843
Wastewater Capital and Debt	114,675					114,675
Wastewater Treatment	807,549					807,549
Debt Service	842,782					842,782
Unclassified	188,918					188,918
Assessments	3,020,714					3,020,714
Education Programs			3,345,961			3,345,961
Capital Outlay		552,879		3,911,629	175,317	4,639,825
Other					2,650	2,650
Total Expenditures	9,965,764	552,879	3,345,961	3,911,629	177,967	17,954,200
Excess of Revenues Over (Under)						
Expenditures	2,579,028	(1,047,231)	(2,796,534)	(3,911,629)	31,087	(5,145,279)
Other Financing Sources (Uses)						
Bond Proceeds	289,905			5,300,000		5,589,905
Transfers from Other Funds	608,089	496,500	2,959,901			4,064,490
Transfers to Other Funds	(3,279,494)	(450,000)	(75,407)		(72,003)	(3,876,904)
Total Other Financing Sources (Uses)	(2,381,500)	46,500	2,884,494	5,300,000	(72,003)	5,777,491
Excess of Revenues and Other						
Financing Sources Over						
(Under) Expenditures	197,528	(1,000,731)	87,960	1,388,371	(40,916)	632,212
Fund Balance - July 1	989,849	5,510,157	269,416		278,278	7,047,700
Fund Balance - June 30	1,187,377	4,509,426	357,376	1,388,371	237,362	7,679,912

(Continued)

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 JUNE 30, 2009

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds 632,212

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

5,242,646

Depreciation expense

(1,124,179)

4,118,467

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Deferred Taxes

(89,258)

Bond proceeds provided 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:

Capital lease obligation principal payments

22,591

New bonds

(5,589,905)

General obligation bond principal payments

938,451

(4,628,863)

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

74,930

Accrued salaries

(10,121)

Accrued compensated absences

2,113

66,922

Change in net assets of governmental activities

99,480

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

TOWN OF MOUNT DESERT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2009

Exhibit E

**Proprietary Fund
Types**

**Marina
Fund**

Assets		
Current Assets:		
Due from Other Funds		500,255
Total Current Assets		500,255
Noncurrent Assets:		
Capital Assets, net		756,822
Total Noncurrent Assets		756,822
Total Assets		1,257,077
Net Assets		
Invested in Capital Assets, net of related debt		756,822
Retained Earnings		
Unreserved - Undesignated		500,255
Total Net Assets		1,257,077

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

Total Net Assets	1,257,077
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(5,647)
Accrued Salaries	(5,823)
Transfers to Fiduciary and Proprietary Funds	(500,255)
	(511,725)
Net Assets of Business Activities	745,352

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

TOWN OF MOUNT DESERT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit F

	<u><i>Proprietary Fund</i></u> <u><i>Marina Fund</i></u>
Operating Revenues:	
NEH Marina	491,798
Moorings	79,884
Miscellaneous Revenues	4,895
Marina Concessions	2,509
Total Operating Revenues:	<u>579,086</u>
Operating Expenditures:	
NEH Marina	300,367
Seal Harbor Marina	6,559
Bartlett Narrows Harbor	586
Somesville Harbor	55
Depreciation	19,968
Total Operating Expenditures	<u>327,535</u>
Net Operating Income	<u>251,551</u>
<i>Net Income (Loss) before contributions and transfers</i>	251,551
Transfer from Other Funds	
Transfer to Other Funds	<u>(187,586)</u>
<i>Change in Net Assets</i>	63,965
<i>Total Net Assets - Beginning</i>	<u>1,193,112</u>
<i>Total Net Assets - Ending</i>	<u><u>1,257,077</u></u>
Net change in fund balances - total business funds	63,965
Amounts reported for business activities in the Statement of Activities are different because:	
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 business funds:	
Transfers to fiduciary and proprietary funds	(75,483)
Accrued salaries	5,023
Accrued compensated absences	(382)
	<u>(70,842)</u>
Change in net assets of business activities	<u><u>(6,877)</u></u>

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 JUNE 30, 2009

Exhibit G

**Proprietary Fund
Types**

Marina

Fund

Cash Flows from Operating Activities

Received from Customers	579,086
Payments to Suppliers	(132,948)
Payments to Employees	(174,618)
Other Receipts (Payments)	(263,070)

Net Cash Provided by (Used in) Operating Activities **8,450**

Cash Flows from Capital and Related Financing Activities

Purchases of Capital Assets	(8,450)
-----------------------------	---------

Net Cash Used in Capital and Related Financing Activities **(8,450)**

Cash Flows from Financing Activities

Transfer to general fund budget

Net Cash Provided by (Used in) Investing Activities **-**

Net Increase (Decrease) in Cash and Cash Equivalents

-

Balances - beginning of the year

-

Balances - end of the year

-

**Reconciliation of Operating Income (Loss) to Net Cash Provided
by Operating Activities:**

Net Operating Income (Loss)	63,965
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	19,968
(Increase) Decrease in Due from Other Funds	(75,483)

Net Cash Provided by (Used in) Operating Activities **8,450**

TOWN OF MOUNT DESERT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2009

Exhibit H

	<i>Private Purpose Trust Fund</i>
	<u><i>Horace Reynolds Scholarship Fund</i></u>
Assets	
Investments	16,660
Total Assets	<u>16,660</u>
Liabilities and Fund Balances	
Liabilities	
Due to Other Funds	2,809
Total Liabilities	<u>2,809</u>
Fund Balances	
Reserved for Endowments	12,197
Unreserved	1,654
Total Fund Balances	<u>13,851</u>
Total Liabilities Fund Balances	<u>16,660</u>

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 JUNE 30, 2009

Exhibit I

	<i>Private Purpose Trust Fund <u>Horace Reynolds Scholarship Fund</u></i>
Revenues	
Investment Income	<u>726</u>
	<u>726</u>
Expenditures	
Scholarships	<u>553</u>
Total Expenditures	<u>553</u>
Excess of Revenues Over (Under) Expenditures	173
Fund Balance - July 1	<u>13,678</u>
Fund Balance - June 30	<u><u>13,851</u></u>

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

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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
JUNE 30, 2009

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
JUNE 30, 2009

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 benefit 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 Somesville Treatment Plant Project accounts for capital improvement activities.

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
JUNE 30, 2009

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
JUNE 30, 2009

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 June 30, \$126,430 had been so classified and reported on the general fund balance sheet. Property taxes were levied on July 22 on property values assessed on April 1. Taxes were due on November 1, with interest at 8% beginning November 2. Tax liens are placed on real property within 12 months following the tax commitment date if taxes remain delinquent. Liens were not placed for the six month period. 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 are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Infrastructure	10-50
Equipment	3-20

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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 June 30, 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
JUNE 30, 2009

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 \$581,677 at June 30 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 \$2,016,614 and the bank balance was \$2,838,903. 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.

	Bank Balance	1	Category 2	3
Cash and Equivalents	<u>2,838,903</u>	<u>209,937</u>	<u>2,628,966</u>	<u>-</u>

Included in the Town's cash equivalents at June 30, 2009, 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 June 30, 2009, the Town held investments in repurchase agreements as follows:

		<u>Collateral Pledged</u>		
<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Underlying Securities</u>	<u>Fair Value</u>
1,153,001		1/1/26	FNMA	1,183,448
1,103,141	7.50%	5/1/37	FNMA	1,199,252
246,266	5.00%	2/25/24	FNR 2004-2JA	246,266

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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	1,596,474	1,596,474	1,539,909
Corporate Bonds	724,882	724,882	707,393
Common Stock	2,114,810	2,114,810	2,255,803
Preferred Stock	130,330	130,330	181,250
Equities	336,826	336,826	325,097
	<u>4,903,322</u>	<u>4,903,322</u>	<u>5,009,452</u>
Mutual Funds		21,265	21,092
Total Investments		<u>4,924,587</u>	<u>5,030,544</u>

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	1,971,813,070
Tax Rate (per \$1,000)	<u>5.70</u>
Commitment	<u>11,239,334</u>
Appropriations	12,957,912
Less:	
State Municipal Revenue Sharing	72,003
Homestead Reimbursement	22,301
BETE Reimbursement	210
Other Revenue	<u>1,624,064</u>
	<u>1,718,578</u>
Net Assessment for Commitment	<u>11,239,334</u>

Uncollected taxes at June 30 for the current year commitment totaled \$111,917. Unpaid liens at June 30 totaled \$44,636.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

D. Interfund Receivables and Payables

Individual fund interfund receivable and payable balances at June 30, 2009 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	564,849	1,258,693
Special Revenue Funds		
Municipal Revenue Sharing	8,763	
Elementary School	546,206	15,463
Town Reserves		388,593
Planning Grant	26,412	
Shellfish Fund	5,885	
Capital Project Funds	186,635	173,447
Horace Reynolds Scholarship		2,809
Enterprise Funds	<u>500,255</u>	
Totals	<u><u>1,839,005</u></u>	<u><u>1,839,005</u></u>

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. On the Governmental and Fiduciary Fund financial statements, the payables are classified as Due to Other Funds with offsetting receivables on the Governmental and Proprietary Fund financial statements. Of the balances above, the general fund receivable is expected to be repaid over the next year. The general fund payable is expected to be funded through future appropriations with a majority of the balance being paid through the next year's appropriations and funding.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

E. Capital Assets

Capital asset activity for the six months ended June 30, 2009 was as follows:

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<i>Governmental Activities;</i>				
<i>Capital assets not being depreciated</i>				
Land	2,625,091			2,625,091
<i>Capital assets being depreciated</i>				
Buildings	16,006,556	50,862		16,057,418
Equipment	3,158,900	913,825		4,072,725
Infrastructure	22,156,449	4,277,959		26,434,408
<i>Total capital assets being depreciated</i>	41,321,905	5,242,646	-	46,564,551
<i>Less accumulated depreciation for</i>				
Buildings	4,370,932	351,766		4,722,698
Equipment	1,666,922	195,520		1,862,442
Infrastructure	8,775,139	576,893		9,352,032
<i>Total accumulated depreciation</i>	14,812,993	1,124,179	-	15,937,172
<i>Net capital assets being depreciated</i>	26,508,912	4,118,467	-	30,627,379
<i>Governmental Activities Capital Assets, net</i>	<u>29,134,003</u>	<u>4,118,467</u>	<u>-</u>	<u>33,252,470</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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	849,896	8,450		858,346
<i>Total capital assets being depreciated</i>	<u>849,896</u>	<u>8,450</u>	<u>-</u>	<u>858,346</u>
<i>Less accumulated depreciation for</i>				
Marina	184,757	19,969		204,726
<i>Total accumulated depreciation</i>	<u>184,757</u>	<u>19,969</u>	<u>-</u>	<u>204,726</u>
<i>Net capital assets being depreciated</i>	<u>665,139</u>	<u>(11,519)</u>	<u>-</u>	<u>653,620</u>
<i>Business-type Activities Capital Assets, net</i>	<u>768,340</u>	<u>(11,519)</u>	<u>-</u>	<u>756,821</u>

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

Governmental Activities

General Government	10,396
Public Safety	80,743
Public Works	473,261
Recreation	4,500
Education	152,763
Wastewater Treatment Plants	<u>402,516</u>
Total Depreciation Expense - Governmental Activities	<u><u>1,124,179</u></u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

F. Capital Leases

The Town is obligated under certain leases accounted for as capital leases. The related obligations are accounted for in Statement of Net Assets. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at June 30:

<i>Year-ended June 30,</i>	<i>Minimum Lease Payment</i>
2010	25,879
2011	25,021
2012	24,118
2013	4,667
Total Minimum Lease Payments	79,685
Less: Amount Representing Interest	(6,282)
Present Value of Future Minimum Lease Payments	<u>73,403</u>

G. 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		
1996 Sewer Bond, maturing 2012	3.13%	285,831
2002 School Construction Bond, maturing 2022	3.05 – 5.25%	4,165,000
2003 Sewer Bond, Maturing 2010	1.00%	428,571
2004 Sewer Bond, Maturing 2024	1.03%	3,520,000
2006 General Obligation Bond, Maturing 2016	6.5%	1,000,000
2009 Sewer Bond Maturing 2024	1.13%	5,300,000
2009 Fire Truck Bond Maturing 2014	6.5%	<u>289,905</u>
		<u>14,989,307</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%.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

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

G. Long-Term Debt (continued)

1. General Obligation Debt (continued)

Annual debt service requirements to maturity for general obligation bonds and notes, including interest of \$2,429,934 are as follows:

<i>Six Months Ended</i> <i>June 30,</i>	<i>General</i> <i>Obligation</i> <i>Debt</i>
2010	1,640,410
2011	1,669,227
2012	1,426,827
2013	1,359,988
2014	1,293,908
2015-2019	5,524,691
2020-2024	4,282,727
2025	221,463
Total	<u>17,419,241</u>

2. Changes in Long-Term Liabilities

During the six months ended June 30, the following changes occurred in liabilities reported in the general long-term debt account group:

	<i>General</i> <i>Obligation</i> <i>Debt</i>
Balance – July 1	10,337,854
Additions	5,589,905
Reductions	<u>(938,452)</u>
Balance – June 30	<u>14,989,307</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</i> <i>outstanding</i> <i>June 30, 2009</i>	<i>Percentage</i> <i>applicable</i> <i>to the Town</i>	<i>Town's</i> <i>proportionate</i> <i>share of debt</i>
MDICSD	5,846,914	34.69%	2,028,294
Hancock County	2,700,000	14.81%	399,870
Totals	<u>8,546,914</u>		<u>2,428,164</u>

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

**TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009**

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

H. Reserve Funds

The Town has authorized various reserve funds primarily for future acquisitions. At June 30, these funds total \$4,509,426 and are detailed in Exhibit B-3.

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 June 30 are detailed as follows:

<i>Purpose</i>	<i>Principal</i>	<i>Income</i>	<i>Total</i>
Cemetery Care	3,976		3,976
Scholarships	<u>16,045</u>	<u>3,497</u>	<u>19,542</u>
Total	<u>20,021</u>	<u>3,497</u>	<u>23,518</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.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 4 - OTHER INFORMATION (Continued)

C. Pension Plans (Continued)

Plan Description

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 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 year ended June 30, 2009 amounted to \$0.

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, 2007, six months ended June 30, 2008, and year ended June 30, 2009, were \$17,166, \$4,670 and \$26,044 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 18.76% of the annual covered salary for fiscal year 2009. The State's cost for 2009 was approximately \$221,087. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 18.76% of their compensation. This cost amounted to \$6,223 for 2009 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
JUNE 30, 2009***

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 June 30, 2009.

TOWN OF MOUNT DESERT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2009

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	11,768,335	11,768,335	11,891,527	123,192
Intergovernmental Revenues	183,857	183,857	192,747	8,890
Charges for Services	127,350	127,350	185,724	58,374
Miscellaneous	155,600	225,600	274,794	49,194
Total Revenues	<u>12,235,142</u>	<u>12,305,142</u>	<u>12,544,792</u>	<u>239,650</u>
Expenditures (Net of Departmental Revenues)				
General Government	843,331	843,331	744,482	98,849
Public Safety	1,375,787	2,035,692	1,942,435	93,257
Public Works	2,176,034	2,176,034	2,265,566	(89,532)
Health and Welfare - General Assistance	3,000	3,000	-	3,000
Rural Wastewater Support	160,000	160,000	148,843	11,157
Wastewater Capital and Debt	292,000	292,000	104,725	187,275
Wastewater Treatment	712,375	712,375	799,127	(86,752)
Debt Service	857,306	857,306	842,782	14,524
Unclassified	196,997	196,997	188,918	8,079
Assessments	3,061,589	3,061,589	3,020,714	40,875
Total Expenditures	<u>9,678,419</u>	<u>10,338,324</u>	<u>10,057,592</u>	<u>280,732</u>
Excess Revenues Over Expenditures	2,556,723	1,966,818	2,487,200	520,382
Other Financing Sources				
Bond Proceeds		289,905	289,905	-
Transfers from Other Funds	322,771	622,771	608,089	(14,682)
Transfer to Other Funds	(3,279,494)	(3,279,494)	(3,279,494)	-
Total Other Financing Sources	<u>(2,956,723)</u>	<u>(2,366,818)</u>	<u>(2,381,500)</u>	<u>(14,682)</u>
Net Change in Fund Balance	<u>(400,000)</u>	<u>(400,000)</u>	105,700	505,700
Beginning Fund Balances - Budgetary Basis			500,000	
Ending Fund Balances - Budgetary Basis			605,700	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			581,677	
Ending Fund Balances - GAAP Basis			<u>1,187,377</u>	

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	11,239,335	11,328,593	89,258
Supplemental Taxes		3,257	3,257
Motor Vehicle Excise	490,000	488,936	(1,064)
Boat Excise	27,000	34,811	7,811
Interest on Taxes	12,000	35,930	23,930
	<u>11,768,335</u>	<u>11,891,527</u>	<u>123,192</u>
Intergovernmental Revenues			
Acadia National Park - PILT	23,000	39,552	16,552
ANP Otter Creek Treatment Plant	30,000	36,174	6,174
ANP Seal Harbor Sewer	15,000	24,839	9,839
Road Assistance	44,000	43,140	(860)
General Assistance	750	343	(407)
Homestead Reimbursement	22,301	22,856	555
Snowmobile Reimbursement	500		(500)
Fuel Tax Refund	210	3,041	2,831
FEMA Grant		2,385	2,385
Tree Growth	47,346	6,832	(40,514)
Veterans Exemption	750	786	36
Other State Revenues		12,799	12,799
	<u>183,857</u>	<u>192,747</u>	<u>8,890</u>
Charges for Services			
Police Department	23,250	30,983	7,733
Sewers	250	593	343
Recycling	2,500	9,279	6,779
Paid Parking	48,000	53,670	5,670
Planning and Zoning	42,000	42,920	920
Land Use Citations		28,288	28,288
Town Clerk	3,850	9,906	6,056
Tax Collection	7,500	10,085	2,585
	<u>127,350</u>	<u>185,724</u>	<u>58,374</u>

TOWN OF MOUNT DESERT

Exhibit A-1

GENERAL FUND

Page 2 of 2

STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2009

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Miscellaneous			
Solid Waste Performance Credit	50,000	56,645	6,645
Payments in Lieu of Taxes	2,500	5,321	2,821
Interest on Investments	100,000	110,059	10,059
Insurance Dividends/Refunds	1,000	9,375	8,375
Donations - Fire Truck	70,000	70,000	-
Other	2,100	23,394	21,294
	<u>225,600</u>	<u>274,794</u>	<u>49,194</u>
Transfers and Other Sources			
Bond Proceeds	289,905	289,905	-
NEH Marina	100,768	86,086	(14,682)
Transfer from Reserve	450,000	450,000	-
Municipal Revenue Sharing	72,003	72,003	-
	<u>912,676</u>	<u>897,994</u>	<u>(14,682)</u>
	<u>13,217,818</u>	<u>13,442,786</u>	<u>224,968</u>
Fund Balance Used to Reduce Tax Rate	<u>400,000</u>		
Total Revenues and Use of Fund Balance	<u>13,617,818</u>		

TOWN OF MOUNT DESERT

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-2

Page 1 of 2

	<i>Encumbered from 2008</i>	<i>Appropriation</i>	<i>Expenditures</i>	<i>Encumbered to 2010</i>	<i>(Over) Under Budget</i>
General Government					
Governing Body/Legislative	20,000	23,993	17,969	17,525.00	8,499
Municipal Management		372,776	330,105	1,969.38	40,702
Town Clerk/Registrar/Elections	2,250	76,567	76,461		2,356
Finance/Treasury		101,737	89,282		12,455
Assessment/Revaluations	21,312	105,897	113,407	6,312.00	7,490
Code Enforcement	28,148	127,217	124,615	30,750.00	-
Employee Benefits		35,144	7,797		27,347
	71,710	843,331	759,636	56,556.38	98,849
Public Safety					
Police Department	1,500	586,648	530,632	5,112.00 4,465.25	53,051
Fire Department		238,974	221,273	1,916.92 1,916.25	17,701
Fire Truck		659,905	659,905		-
Communications		275,665	253,160		22,505
Emergency Management		1,000	1,000		-
Fire Hydrant Rental		273,500	273,500		-
	1,500	2,035,692	1,939,470	4,465.44 4,465.25	93,257
Public Works Department					
Highways, Streets and Roads	77,862	1,277,205	1,443,178	64,944.20	(153,055)
Pretty Marsh Road		150,000		150,000.00	-
Waste Collection and Disposal	25,658	518,376	486,468	9,351.75	57,566
Buildings & Grounds	12,704	187,567	191,611	9,352.00	(692)
Parks and Cemeteries	11,187	42,886	21,920	25,504.00	6,649
	127,411	2,176,034	2,143,177	249,800.00	(89,532)
Health and Welfare - General Assistance		3,000		2,449.75 2,449.80	3,000
Rural Wastewater Support		160,000	148,843		11,157
Wastewater Capital and Debt					
NEH Recon Yard	30,147	70,000	69,356	248,204.75	30,791
Replace DEEP Station	193,000	107,000	31,485	268,515.00	-
Sewer Design Work	16,175		13,834	2,341.50	-
Return Pumps	5,284	15,000			20,284
NEH Electrical Upgrade	36,200	100,000			136,200
	280,806	292,000	114,675	270,856.25	187,275

581,676.62

#16 - 27136.00
encumbrance.

TOWN OF MOUNT DESERT

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED JUNE 30, 2009

Exhibit A-2

Page 2 of 2

	<i>Encumbered from 2008</i>	<i>Appropriation</i>	<i>Expenditures</i>	<i>Encumbered to 2010</i>	<i>(Over) Under Budget</i>
Wastewater Treatment					
Sewer Treatment	8,422	429,075	456,259		(18,762)
Northeast Harbor Plant		109,100	155,312		(46,212)
Somesville Plant		57,800	54,599		3,201
Seal Harbor Plant		81,300	98,923		(17,623)
Otter Creek Plant		35,100	42,456		(7,356)
	8,422	712,375	807,549		(86,752)
Debt Service					
Principal on Bonds/Notes		640,952	640,952		-
Interest on Bonds/Notes		216,354	201,830		14,524
		857,306	842,782		14,524
Unclassified					
Libraries		43,700	43,700		-
Recreation		99,797	91,718		8,079
Public Agencies		53,500	53,500		-
		196,997	188,918		8,079
Assessments					
MDI High School		2,265,763	2,265,763		-
County Tax		743,147	743,147		-
Overlay		52,679	11,804		40,875
		3,061,589	3,020,714		40,875
Operating Transfers Out					
Elementary School		2,884,494	2,884,494		-
Summit/Ripples/SH Sidewalk					-
Reserve Funds					
Public Works Equipment Reserve		65,500	65,500		-
Town Roads Reserve		25,000	25,000		-
Seal Harbor Marina Road Reserve		20,000	20,000		-
Refuse Equipment Reserve		20,000	20,000		-
Wastewater Equipment Reserve		10,000	10,000		-
Fire Equipment Reserve		154,500	154,500		-
Fire Station Building		10,000	10,000		-
Town Office Building Reserve		30,000	30,000		-
Capital Improvement Reserve		50,000	50,000		-
Communications Reserve		10,000	10,000		-
		3,279,494	3,279,494		-
Totals	489,849	13,617,818	13,245,258	581,677	280,732

TOWN OF MOUNT DESERT

Exhibit A-3

GENERAL FUND

**STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009**

Unreserved Fund Balance, July 1	500,000	
Unreserved Fund Balance, June 30	<u>605,700</u>	
Increase		<u><u>105,700</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus - Exhibit A-1	224,968	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>280,732</u>	
Budget Surplus		<u>505,700</u>
Deductions		
Beginning Fund Balance Used		
to Reduce Tax Rate		<u>(400,000)</u>
Increase		<u><u>105,700</u></u>

TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

Exhibit B-1

<i>Assets</i>	<i>Municipal Revenue Sharing</i>	<i>Elementary School Department</i>	<i>Town Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Cash & Equivalents		16,750				16,750
Investments			4,898,019			4,898,019
Accounts Receivable		907				907
Due from Other Governments		546,834				546,834
Due from Other Funds	8,763	15,463		26,412	5,885	56,523
Inventory		3,211				3,211
Total Assets	8,763	583,165	4,898,019	26,412	5,885	5,522,244

Liabilities and Fund Balances

<i>Liabilities</i>						
Accounts Payable	16,808					16,808
Accrued Salaries Payable	193,518					193,518
Due to Other Funds	15,463		388,593			404,056
Total Liabilities	-	225,789	388,593	-	-	614,382

Fund Balances

Reserved for Inventory	3,211					3,211
Unreserved						
Designated for Subsequent Years' Expenditures		223,125	4,509,426			4,732,551
Undesignated	8,763	131,040		26,412	5,885	172,100
Total Fund Balances	8,763	357,376	4,509,426	26,412	5,885	4,907,862

Total Liabilities and Fund Balances

	8,763	583,165	4,898,019	26,412	5,885	5,522,244
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TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	Municipal Revenue Sharing	Elementary School Department	Town Reserve Funds	Planning Grant	BIG Grant	Shellfish Fund	Total
Revenues							
Intergovernmental Revenues	72,795	483,720			100,000		656,515
Local Sources		30,957	235,278		33,333	620	300,188
Lunch and Milk Sales		34,750					34,750
Fair Value Increase (Decrease)			(729,630)				(729,630)
Total Revenues	72,795	549,427	(494,352)	-	133,333	620	261,823
Expenditures							
Education		3,345,961					3,345,961
Capital Outlay			549,439		133,333		682,772
Other			3,440			2,494	5,934
Total Expenditures		3,345,961	552,879	-	133,333	2,494	4,034,667
Excess of Revenues Over (Under) Expenditures	72,795	(2,796,534)	(1,047,231)	-	-	(1,874)	(3,772,844)
Other Financing Sources (Uses)							
Transfers from Other Funds		2,959,901	496,500				3,456,401
Transfers to Other Funds	(72,003)	(75,407)	(450,000)				(597,410)
Total Other Financing Sources (Uses)	(72,003)	2,884,494	46,500				2,858,991
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	792	87,960	(1,000,731)	-	-	(1,874)	(913,853)
Fund Balance - July 1	7,971	269,416	5,510,157	26,412		7,759	5,821,715
Fund Balance - June 30	8,763	357,376	4,509,426	26,412	-	5,885	4,907,862

TOWN OF MOUNT DESERT
RESERVE FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2009

	Balance July 1	Transfers In	Interest	Revenues	Expenditures/ Transfers	Balance June 30
Capital Improvement Funds						
Bartlett Harbor Moorings/Floats		2,500	81			2,581
Bartlett Narrows Dock	28,495	5,000	1,085			34,580
Capital Improvement	1,596,059		49,671		(232,346)	1,413,384
CEO Work Truck	1,065		35			1,100
Communications Radio	31,044	10,000	1,330		(20,600)	21,774
Dog Welfare	536		24	984	(151)	1,393
Fire Equipment/Engine	407,005	154,500	18,199	70,000	(370,000)	279,704
Fire Station Building		10,000	324			10,324
Land Acquisition	185,524		8,072			193,596
Northeast Harbor Marina	137,050	75,000	6,715		(56,514)	162,251
Northeast Harbor Marina Work Truck		4,000	130			4,130
Northeast Harbor Moorings/Floats		10,000	324			10,324
Pollution Control Equipment	877		28			905
Public Works Equipment	150,545	65,500	5,052		(84,442)	136,655
Refuse Truck	12,372	20,000	1,049			33,421
Seal Harbor Bait House	3,289				(3,289)	-
Seal Harbor Dock	34,422	5,000	1,278			40,700
Seal Harbor Marina Road	137,323	20,000	3,402		(153,159)	7,566
Town Office Building	60,554	30,000	2,965		(27,239)	66,280
Town Roads	97,018	25,000	3,955			125,973
Wastewater	125,745	50,000	5,076		(26,307)	154,514
Wastewater Bond Repayment	1,691,253		54,816			1,746,069
Wastewater Work Truck	25,333	10,000	683		(28,832)	7,184
Sub-Total	4,725,509	496,500	164,294	70,984	(1,002,879)	4,454,408
General (Fair Value Changes)	784,648		(729,630)			55,018
Total	5,510,157	496,500	(565,336)	70,984	(1,002,879)	4,509,426

**TOWN OF MOUNT DESERT
SCHOOL DEPARTMENT
COMBINING BALANCE SHEET
JUNE 30, 2009**

Exhibit B-4

<i>Assets</i>	<i>Operating Fund</i>	<i>Food Service</i>	<i>Reserves</i>	<i>Other Special Revenue Funds</i>	<i>Total</i>
Cash & Equivalents		16,750			16,750
Accounts Receivable	907				907
Due from Other Governments	333,211	5,301	208,322		546,834
Due from Other Funds	660			14,803	15,463
Inventory		3,211			3,211
Total Assets	334,778	25,262	208,322	14,803	583,165
<i>Liabilities and Fund Balances</i>					
Liabilities					
Accounts Payable	14,637	2,171			16,808
Accrued Salaries Payable	193,518				193,518
Due to Other Funds	14,803	660			15,463
Total Liabilities	222,958	2,831	-	-	225,789
Fund Balances					
Reserved for Inventory		3,211			3,211
Unreserved					
Designated for Subsequent Years' Expenditures			208,322	14,803	223,125
Undesignated	111,820	19,220			131,040
Total Fund Balances	111,820	22,431	208,322	14,803	357,376
Total Liabilities and Fund Balances	334,778	25,262	208,322	14,803	583,165

**TOWN OF MOUNT DESERT
SCHOOL DEPARTMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009**

	<i>Operating Fund</i>	<i>Food Service</i>	<i>Federal/ State Projects</i>	<i>Reserves</i>	<i>Other Special Revenue Funds</i>	<i>Total</i>
Revenues						
Intergovernmental Revenues	364,845	24,242	81,056	13,577		483,720
Local Sources	4,023	7,971			18,963	30,957
Lunch and Milk Sales		34,750				34,750
Total Revenues	<u>368,868</u>	<u>66,963</u>	<u>81,056</u>	<u>13,577</u>	<u>18,963</u>	<u>549,427</u>
Expenditures						
Education Programs	1,621,282		81,056		14,540	1,716,878
Administrative Support	1,521,272					1,521,272
Lunch Program		107,811				107,811
Total Expenditures	<u>3,142,554</u>	<u>107,811</u>	<u>81,056</u>	<u>-</u>	<u>14,540</u>	<u>3,345,961</u>
Excess of Revenues Over (Under) Expenditures	<u>(2,773,686)</u>	<u>(40,848)</u>	<u>-</u>	<u>13,577</u>	<u>4,423</u>	<u>(2,796,534)</u>
Other Financing Sources (Uses)						
Transfers from Other Funds	2,884,494	50,907		24,500		2,959,901
Transfers to Other Funds	(75,407)					(75,407)
Total Other Financing Sources (Uses)	<u>2,809,087</u>	<u>50,907</u>	<u>-</u>	<u>24,500</u>	<u>-</u>	<u>2,884,494</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	<u>35,401</u>	<u>10,059</u>	<u>-</u>	<u>38,077</u>	<u>4,423</u>	<u>87,960</u>
Fund Balance - July 1	<u>76,419</u>	<u>12,372</u>		<u>170,245</u>	<u>10,380</u>	<u>269,416</u>
Fund Balance - June 30	<u>111,820</u>	<u>22,431</u>	<u>-</u>	<u>208,322</u>	<u>14,803</u>	<u>357,376</u>

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2009

Exhibit C-1

<i>Assets</i>	<i>Somesville Treatment Plant Project</i>	<i>Sewer Treatment Project</i>	<i>Summit / Ripples SH Sidewalk Project</i>	<i>Total</i>
Bonds Receivable	2,174,609			2,174,609
Due from Other Funds		55,423	131,212	186,635
Total Assets	2,174,609	55,423	131,212	2,361,244
 <i>Liabilities and Fund Balances</i>				
Liabilities				
Accounts Payable	392,091			392,091
Retainage Payable	220,700			220,700
Due to Other Funds	173,447			173,447
Total Liabilities	786,238	-	-	786,238
Fund Balances				
Reserved for Construction	1,388,371	55,423	131,212	1,575,006
Total Fund Balances	1,388,371	55,423	131,212	1,575,006
Total Liabilities and Fund Balances	2,174,609	55,423	131,212	2,361,244

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit C-2

	<i>Somesville Treatment Plant Project</i>	<i>Sewer Treatment Project</i>	<i>Summit / Ripples SH Sidewalk Project</i>	<i>Total</i>
Revenues				
Interest Income			1,819	1,819
Total Revenues			1,819	1,819
Expenditures				
Construction	3,666,741		2,500	3,669,241
Engineering	237,628		11,762	249,390
Professional Services		26,180		26,180
Legal	7,115			7,115
Miscellaneous	145		1,542	1,687
Total Expenditures	3,911,629	26,180	15,804	3,953,613
Excess of Revenues Over (Under) Expenditures	(3,911,629)	(26,180)	(13,985)	(3,951,794)
Other Financing Sources (Uses)				
Bond Proceeds	5,300,000			5,300,000
Transfer from Other Funds				-
Transfer to Other Funds				-
	5,300,000	-	-	5,300,000
Excess of Revenues and Other Sources Over (Under) Expenditures	1,388,371	(26,180)	(13,985)	1,348,206
Fund Balance - July 1		81,603	145,197	226,800
Fund Balance - June 30	1,388,371	55,423	131,212	1,575,006

TOWN OF MOUNT DESERT
COMBINING BALANCE SHEET
ALL PERMANENT FUNDS
JUNE 30, 2009

Exhibit D-1

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	5,691	4,217	9,908
Total Assets	5,691	4,217	9,908
<i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		241	241
Due to Other Funds			-
Total Liabilities	-	241	241
Fund Balances			
Reserved for Endowments	3,848	3,976	7,824
Unreserved	1,843		1,843
Total Fund Balances	5,691	3,976	9,667
Total Liabilities and Fund Balances	5,691	4,217	9,908

TOWN OF MOUNT DESERT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit D-2

	Frank Stanley Trust	Cemetery Trusts	Total
Revenues			
Investment Income	272	215	487
Expenditures			
Scholarships			-
Cemetery Maintenance		156	156
	-	156	156
Excess of Revenues Over Expenditures	272	59	331
Fund Balance - July 1	5,419	3,917	9,336
Fund Balance - June 30	5,691	3,976	9,667

James W. Wadman

Certified Public Accountant

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March 5, 2010

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

We have audited the financial statements of the Town of Mount Desert for the year ended June 30, 2009.

In connection with our audit, we make the following statements of assurances and determinations:

1. The audit has been conducted in accordance with applicable state and federal laws relating to financial and compliance audits.
2. Budgetary controls are in place.
3. The corrected annual financial report submitted to the Department of Education and Cultural Services is materially correct.
4. The Town of Mount Desert has complied with the applicable provisions of the Maine School Finance Act.

Respectfully Submitted,

James W. Wadman, CPA

James W. Wadman, CPA