

TOWN OF MOUNT DESERT, MAINE

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

***FOR THE YEAR
ENDED JUNE 30, 2010***

TOWN OF MOUNT DESERT
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2010

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FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2010

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INDEPENDENT AUDITOR'S REPORT

January 13, 2011

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, 2010, 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, 2010, 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, 2010

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, 2010. 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, 2010 by \$28,632,193 (presented as “net assets”). Of this amount, \$8,348,758 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 \$1,515,942 (a 5.6% increase) for the year ended June 30, 2010. Net assets of governmental activities increased by \$1,519,538 (a 5.8% increase), while net assets of business-type activities showed a decrease of \$3,596 (a .5% decrease).

Fund Highlights:

Governmental Funds – Fund Balances – As of the close of the year ended June 30, 2010, the Town's governmental funds reported a combined ending fund balance of \$7,722,677 with \$2,648,897 being general undesignated fund balance. This undesignated fund balance represents approximately 27.6% of the total general fund expenditures for the year.

Long-term Debt:

The Town's total long-term debt obligations decreased by \$1,347,228 for the year ended June 30, 2010. Existing debt obligations were retired according to schedule.

Additional information on the Town's long-term debt can be found in Note 3F of the notes to the financial statements on pages 29-31 of this report.

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.

The government-wide financial statements can be found on pages 8-9 of this report.

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.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

The basic proprietary fund financial statements can be found on pages 14-16 of this report.

The fiduciary fund financial statements can be found on pages 17-18 of this report.

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 on pages 19-32 of this report.

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). Required supplementary information can be found on page 33 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets

71% 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.

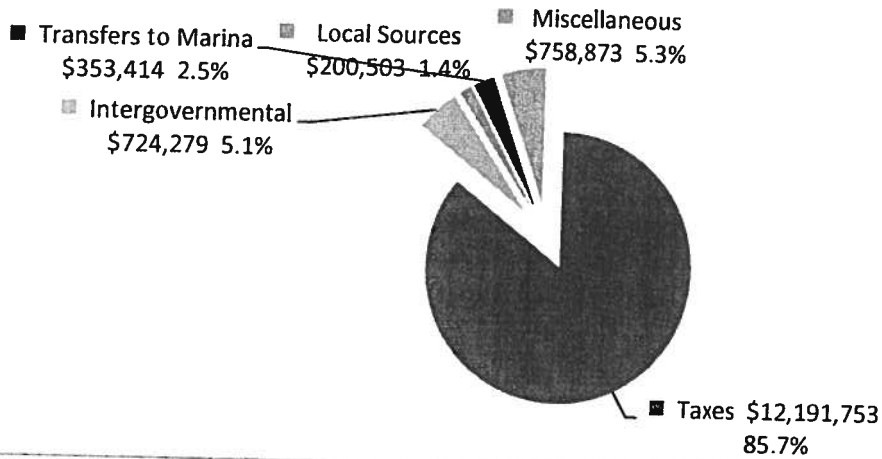
	Governmental Activities	Business-like Activities	June 30, 2010 Total	June 30, 2009 Total
Current Assets	10,139,706		10,139,706	9,412,882
Capital Assets	33,195,402	749,757	33,945,159	34,009,292
Total Assets	43,335,108	749,757	44,084,865	43,422,174
Current Liabilities	3,123,259	8,001	3,131,260	2,613,028
Other Liabilities	12,321,412		12,321,412	13,692,895
Total Liabilities	15,444,671	8,001	15,452,672	16,305,923
Net Assets:				
Invested in Capital Assets	19,502,648	749,757	20,252,405	18,946,582
Restricted	31,030		31,030	34,236
Unrestricted	8,356,759	(8,001)	8,348,758	8,135,433
Total Net Assets	27,890,437	741,756	28,632,193	27,116,251
Total Liabilities and Net Assets	43,335,108	749,757	44,084,865	43,422,174

Changes in Net Assets

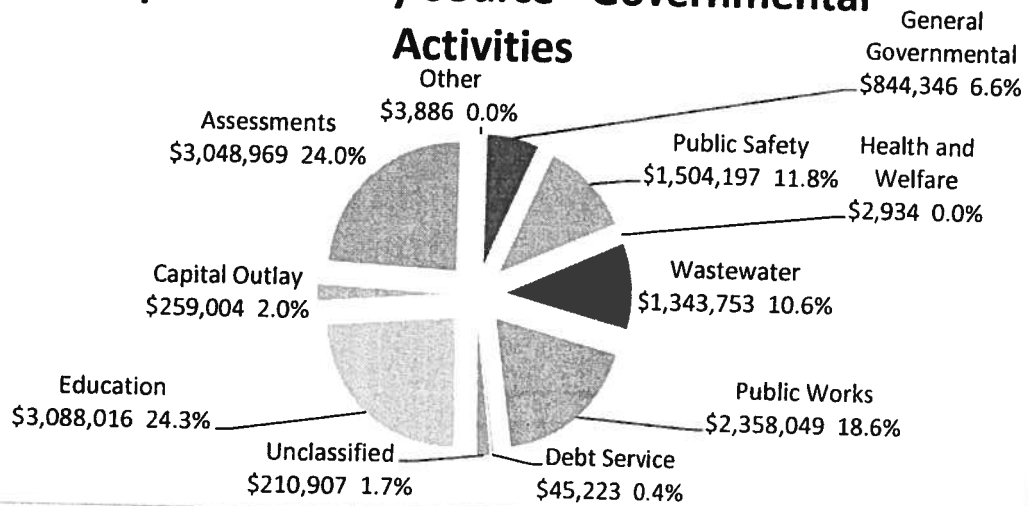
Approximately 84% of the Town's total revenue came from property and excise taxes, approximately 5% came from State subsidies and grants, and approximately 11% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,234,711 of the total expenses for the fiscal year.

	Governmental Activities	Business-like Activities	June 30, 2010 Total	June 30, 2009 Total
Revenues:				
Taxes	12,191,753		12,191,753	11,802,269
Intergovernmental Revenues	724,279		724,279	849,262
Charges for Services	200,503	690,497	891,000	866,776
Transfer to/from other funds	353,414	(353,966)	(552)	(553)
Miscellaneous	758,873		758,873	(219,558)
Total	14,228,822	336,531	14,565,353	13,298,196
Expenses:				
General Government	844,346		844,346	759,037
Public Safety	1,504,197		1,504,197	1,334,583
Public Works	2,358,049		2,358,049	2,310,754
Health and Welfare	2,934		2,934	-
Rural Wastewater Support	151,547		151,547	148,843
Wastewater Capital and Debt	38,072		38,072	114,675
Wastewater Treatment Plants	1,154,134		1,154,134	1,202,851
Marine Dept.		340,127	340,127	322,894
Debt Service	45,223		45,223	201,831
Unclassified	210,907		210,907	193,418
Assessments	3,048,969		3,048,969	3,020,714
Education Programs	3,088,016		3,088,016	3,190,833
Capital Outlay	259,004		259,004	402,510
Other	3,886		3,886	2,650
Total	12,709,284	340,127	13,049,411	13,205,593
Changes in Net Assets	1,519,538	(3,596)	1,515,942	92,603

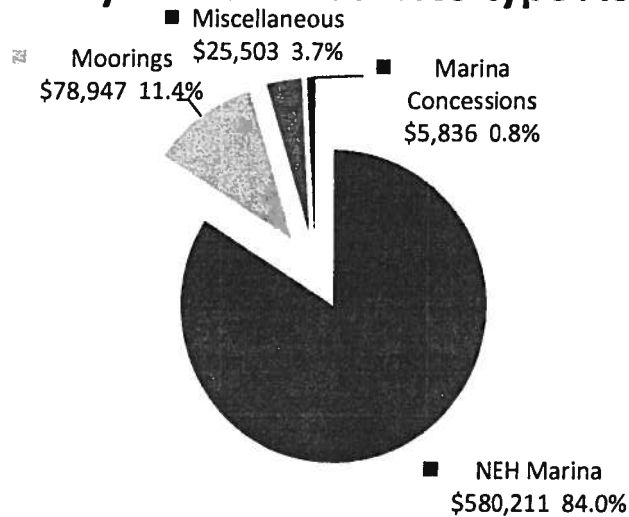
Revenues By Source - Governmental Activities



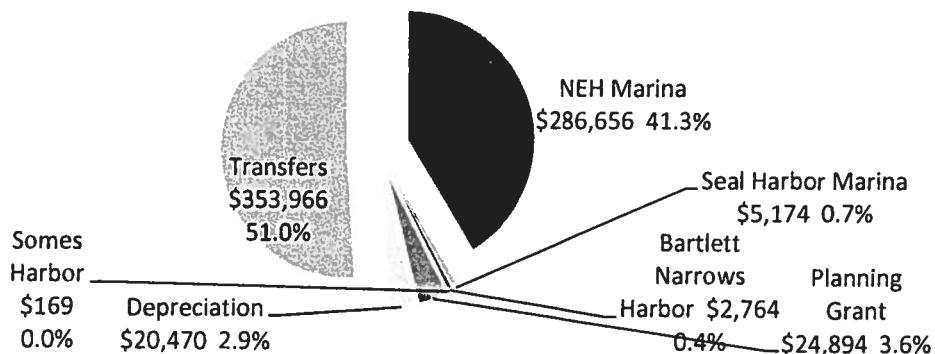
Expenditures By Source - Governmental Activities



Revenues By Source - Business-type Activities



Expenditures By Source - Business-type Activities



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 \$7,722,677, an increase of \$42,765 in comparison with the prior year. Approximately 31 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.

GENERAL FUND BUDGETARY HIGHLIGHTS

Variances between actual General Fund revenues and expenditures and the final amended budget included the following:

- \$26,876 positive variance in motor vehicle excise. The town used conservative revenue estimates with the uncertainty as to what the State was going to do when they attempted to reduce excise tax on vehicles.
- \$26,842 positive variance in interest on taxes. The town used conservative revenue estimate. A foreclosed property was sold back to the owner which generated considerable interest.
- \$10,961 negative variance in solid waste performance credit. This income is generated by trash delivered to the solid waste incinerator. The Town had a lower overall trash stream due to the recession.
- \$20,031 positive variance in the governing body / legislative department. This savings is primarily funds raised several years ago and carried over to fight school reorganization. The suit has been dropped and the funds are not needed.
- \$43,804 negative variance in the municipal management department. The principal cause is the buyout of the previous manager's employment contract.
- \$54,428 positive variance in the police department. The savings are due to lower use of overtime caused by fewer major events and fewer calls for outside detail, fuel costs were lower than anticipated, training costs as no officers were sent to the academy during the year, no major investigations were conducted, and vehicle repairs and equipment were lower than anticipated.
- \$52,788 positive variance in the waste collection department. The savings are due to lower fuel prices and the overall volume of waste was lower than anticipated due to the recession causing lower tipping fees, hauling costs, and not purchasing additional dumpsters.
- \$34,111 positive variance in the Northeast Harbor plant. The savings are due to PH control balance to a new crew that paid attention to detail and electricity budget had been increased based on higher project rates.
- \$9,669 negative variance in the Otter Creek plant. The variance is due to unanticipated expenditures for repairing grinders and a new control panel.

CAPITAL ASSET ADMINISTRATION

Capital Assets

The Town's investment in capital assets for its governmental and business-like activities amounts to \$50,975,557, net of accumulated depreciation of \$17,030,398, leaving a net book value of \$33,945,159. Current additions include police cruiser, public works vehicle, paving, pier renovations, and sewer plant.

Additional information on the Town's capital assets can be found in Note 3D of the notes to the financial statements on pages 26-27 of this report.

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, 2010

Exhibit A

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	3,988,729		3,988,729
Investments	5,335,643		5,335,643
Receivables			
Taxes	2,470		2,470
Tax Liens	113,470		113,470
Bonds	593,314		593,314
Accounts	92,732		92,732
Due from Other Governments	9,880		9,880
Inventory	3,468		3,468
Capital Assets:			
Land	2,625,091	103,201	2,728,292
Other Capital Assets, Net of Depreciation	30,570,311	646,556	31,216,867
Total Assets	43,335,108	749,757	44,084,865
<i>Liabilities and Net Assets</i>			
Liabilities			
Accounts Payable	252,513		252,513
Retainage Payable	89,330		89,330
Prepaid Taxes	1,047,992		1,047,992
Accrued Compensated Absences	98,785	8,001	106,786
Accrued Salaries Payable	245,388		245,388
Due to Other Governments	17,909		17,909
Long-term Liabilities:			
Due Within One Year	1,371,342		1,371,342
Due in More Than One Year	12,321,412		12,321,412
Total Liabilities	15,444,671	8,001	15,452,672
Net Assets			
Investment in Capital Assets, net of Related Debt	19,502,648	749,757	20,252,405
Restricted Net Assets	31,030		31,030
Unrestricted	8,356,759	(8,001)	8,348,758
Total Net Assets	27,890,437	741,756	28,632,193
Total Liabilities and Net Assets	43,335,108	749,757	44,084,865

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, 2010

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
<u>Primary Government</u>				
<u>Governmental Activities</u>				
General Government	844,346	106,890		(737,456)
Public Safety	1,504,197	73,445		(1,430,752)
Public Works	2,358,049	3,079		(2,354,970)
Health & Welfare - General Assistance	2,934			(2,934)
Rural Wastewater Support	151,547			(151,547)
Wastewater Capital and Debt	35,871			(35,871)
Wastewater Treatment Plants	1,156,335	599		(1,155,736)
Debt Service	45,223			(45,223)
Unclassified	210,907			(210,907)
Assessments	3,048,969			(3,048,969)
Education Programs	3,088,016	52,746	96,868	(2,938,402)
Capital Outlay	259,004			(259,004)
Other	3,886			(3,886)
<u>Total Governmental Activities</u>	<u>12,709,284</u>	<u>236,759</u>	<u>96,868</u>	<u>(12,375,657)</u>
<u>Business-type Activities</u>				
Marina	340,127	689,888	609	350,370
<u>Total Business-type Activities</u>	<u>340,127</u>	<u>689,888</u>	<u>609</u>	<u>350,370</u>
<u>Total Primary Government</u>	<u>13,049,411</u>	<u>926,647</u>	<u>97,477</u>	<u>(12,025,287)</u>
<u>General Revenues:</u>				
Taxes				
Property				11,654,480
Auto Excise				501,876
Boat Excise				31,936
Intergovernmental Revenues				627,411
Increase (Decrease) in FMV				393,070
Other Local Sources				329,547
Transfers Marina				-
Transfers Fiduciary Funds				2,909
<u>Total Revenues, Special Items and Transfers</u>				<u>13,541,229</u>
<u>Changes in Net Assets</u>				
				(3,596)
<u>Net Assets - Beginning</u>				1,515,942
				745,352
<u>Net Assets - Ending</u>				<u>27,116,251</u>
				741,756
				<u>28,632,193</u>

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

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	3,988,729					3,988,729
Investments	1,542,869	3,782,123			10,651	5,335,643
Receivables						
Taxes	2,470					2,470
Tax Liens	113,470					113,470
Bonds				593,314		593,314
Other	89,364		3,368			92,732
Due from Other Governments			9,880			9,880
Inventory			3,468			3,468
Due from Other Funds	52,444	150,856	689,258		210,744	1,103,302
Total Assets	5,789,346	3,932,979	705,974	593,314	221,395	11,243,008
Liabilities and Fund Balances						
Liabilities						
Accounts Payable	237,748		14,411		354	252,513
Retainage Payable				89,330		89,330
Accrued Salaries Payable	61,446		183,942			245,388
Prepaid Taxes	1,047,992					1,047,992
Deferred Property Taxes	106,628					106,628
Due to Other Governments	17,909					17,909
Due to Other Funds	1,668,726		42,763	48,982	100	1,760,571
Total Liabilities	3,140,449	-	241,116	138,312	454	3,520,331
Fund Balances						
Reserved For:						
Encumbrances	478,768					478,768
Construction				455,002	181,460	636,462
Endowments					8,291	8,291
Inventory			3,468			3,468
Unreserved						
Designated for Subsequent Years' Expenditures		3,932,979	255,426			4,188,405
Undesignated	2,170,129		205,964	-	31,190	2,407,283
Total Fund Balances	2,648,897	3,932,979	464,858	455,002	220,941	7,722,677
Total Liabilities and Fund Balances	5,789,346	3,932,979	705,974	593,314	221,395	11,243,008

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

TOWN OF MOUNT DESERT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010

Exhibit C
Page 2 of 2

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

Total Fund Balance	7,722,677
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$16,805,202	33,195,402
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds: Deferred Taxes	106,628
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds: Bonds Payable Accrued Compensated Absences Capital Leases Payable Transfers to Fiduciary and Proprietary Funds	(13,642,079) (98,785) (50,675) 657,269
	<u>(13,134,270)</u>
Net Assets of Governmental Activities	<u><u>27,890,437</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, 2010

Exhibit D
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>
Revenues						
Taxes	12,211,555					12,211,555
Intergovernmental Revenues	245,934		422,015		56,330	724,279
Local Sources	184,013		15,087		1,403	200,503
Lunch and Milk Sales			37,659			37,659
Miscellaneous	160,968	560,246				721,214
Total Revenues	12,802,470	560,246	474,761		57,733	13,895,210
Expenditures						
General Government	842,211					842,211
Public Safety	1,430,042					1,430,042
Public Works Department	2,048,423					2,048,423
Health and Welfare - General Assistance	2,934					2,934
Rural Wastewater Support	151,547					151,547
Wastewater Capital and Debt	35,871					35,871
Wastewater Treatment	729,046					729,046
Debt Service	1,094,951					1,094,951
Unclassified	206,407					206,407
Assessments	3,048,969					3,048,969
Education Programs			3,246,953			3,246,953
Capital Outlay		266,252		933,369	5,175	1,204,796
Other					3,886	3,886
Total Expenditures	9,590,401	266,252	3,246,953	933,369	9,061	14,046,036
Excess of Revenues Over (Under) Expenditures	3,212,069	293,994	(2,772,192)	(933,369)	48,672	(150,826)
Other Financing Sources (Uses)						
Transfers from Other Funds	1,703,125	675,500	2,956,547			5,335,172
Transfers to Other Funds	(3,453,674)	(1,545,941)	(76,873)		(65,093)	(5,141,581)
Total Other Financing Sources (Uses)	(1,750,549)	(870,441)	2,879,674	-	(65,093)	193,591
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	1,461,520	(576,447)	107,482	(933,369)	(16,421)	42,765
Fund Balance - July 1	1,187,377	4,509,426	357,376	1,388,371	237,362	7,679,912
Fund Balance - June 30	2,648,897	3,932,979	464,858	455,002	220,941	7,722,677

(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 JUNE 30, 2010

Exhibit D
Page 2 of 2

Net change in fund balances - total governmental funds	42,765
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	1,157,173
Depreciation expense	(1,214,241)
	<u>(57,068)</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>(19,802)</u>
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	22,728
General obligation bond principal payments	1,347,228
	<u>1,369,956</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	159,823
Accrued compensated absences	23,864
	<u>183,687</u>
Change in net assets of governmental activities	<u><u>1,519,538</u></u>

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

TOWN OF MOUNT DESERT
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2010

Exhibit E

	<i>Proprietary Fund Types</i>
	<i>Marina</i>
	<i>Fund</i>
Assets	
Current Assets:	
Due from Other Funds	660,630
Total Current Assets	660,630
Noncurrent Assets:	
Capital Assets, net	749,757
Total Noncurrent Assets	749,757
Total Assets	1,410,387
Net Assets	
Invested in Capital Assets, net of related debt	749,757
Retained Earnings	
Unreserved - Undesignated	660,630
Total Net Assets	1,410,387
Amounts reported for business activities in the Statement of Net Assets are different because:	
Total Net Assets	1,410,387
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	898,662

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 JUNE 30, 2010**

	<i>Proprietary Fund</i>
	<i>Marina Fund</i>
Operating Revenues:	
NEH Marina	580,211
Moorings	78,947
Miscellaneous Revenues	609
Master Plan Phase II Grant	24,894
Marina Concessions	5,836
Total Operating Revenues:	<u>690,497</u>
Operating Expenditures:	
NEH Marina	290,125
Seal Harbor Marina	5,174
Bartlett Narrows Harbor	2,764
Somesville Harbor	169
Planning Grant	24,894
Depreciation	20,470
Total Operating Expenditures	<u>343,596</u>
Net Operating Income	<u>346,901</u>
<i>Net Income (Loss) before contributions and transfers</i>	346,901
Transfer from Other Funds	3,072
Transfer to Other Funds	<u>(196,663)</u>
<i>Change in Net Assets</i>	153,310
<i>Total Net Assets - Beginning</i>	<u>1,257,077</u>
<i>Total Net Assets - Ending</i>	<u><u>1,410,387</u></u>
Net change in fund balances - total business funds	153,310
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>82,468</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, 2010

Exhibit G

	Proprietary Fund Types Marina Fund
Cash Flows from Operating Activities	
Received from Customers	665,604
Payments to Suppliers	(323,126)
Payments to Employees	(201,726)
Other Receipts (Payments)	(127,347)
Net Cash Provided by (Used in) Operating Activities	13,405
Cash Flows from Capital and Related Financing Activities	
Purchases of Capital Assets	(13,405)
Net Cash Used in Capital and Related Financing Activities	(13,405)
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)	153,310
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	20,470
(Increase) Decrease in Due from Other Funds	(160,375)
Net Cash Provided by (Used in) Operating Activities	13,405

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

TOWN OF MOUNT DESERT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
JUNE 30, 2010

Exhibit H

	<i>Private Purpose Trust Fund <u>Horace Reynolds Scholarship Fund</u></i>
Assets	
Investments	17,716
Total Assets	<u>17,716</u>
Liabilities and Fund Balances	
Liabilities	
Due to Other Funds	3,361
Total Liabilities	<u>3,361</u>
Fund Balances	
Reserved for Endowments	12,860
Unreserved	1,495
Total Fund Balances	<u>14,355</u>
Total Liabilities Fund Balances	<u>17,716</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, 2010

Exhibit I

	<i>Private Purpose Trust Fund <u>Horace Reynolds Scholarship Fund</u></i>
Revenues	
Investment Income	1,057
	<u>1,057</u>
Expenditures	
Scholarships	553
	<u>553</u>
Total Expenditures	553
Excess of Revenues Over (Under)	
Expenditures	504
Fund Balance - July 1	<u>13,851</u>
Fund Balance - June 30	<u>14,355</u>

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

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the Town. Fiduciary activities, whose resources are not available to finance the Town's programs, are excluded from the government-wide statements. The material effect of interfund activity has been removed 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 or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Functional expenses may also include an element of indirect cost, designed to recover administrative (overhead) costs. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *total economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and trust fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met. Agency funds, reporting only assets and liabilities, have no measurement focus but use the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 a liability is incurred, as under accrual accounting. However, debt service expenditures, including interest

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

on long-term debt, as well as expenditure related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, sales taxes, interdepartmental charges and intergovernmental revenues are considered susceptible to accrual. Special assessments are recorded as revenues in the year the assessment become current. Annual installments not yet due are reflected as special assessment receivables and deferred revenues. Other revenue items are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is 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.

The school department is the school's primary operating fund and all other funds associated with the school. It accounts for all financial resources of the school department.

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

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:

Nonexpendable trust 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.

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.

The effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and charges between the business-type functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds and of the government's internal service funds are charges to customers for goods and services. Operating expenses include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Fund Equity

1. Deposits and Investments

The Town's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. These investments are not specifically identified with any one fund. Interest is allocated to the individual funds on the basis of average cash balances.

The Town may invest in certificates of deposit, in time deposits, and in any securities in which the state investment officer is authorized to invest pursuant to the Maine Statute 5705 Title 30-A and as provided in the authorized investment guidelines of the Maine Statutes 5711 through 5719 in effect on the date the investment is made.

Investments in the Pension Trust Fund are carried at fair value. Investments in other funds are carried at fair value, except for short-term investments, which are reported at amortized cost, which approximates fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value, based on relevant market information of similar financial instruments. Income from investments held by the individual funds is recorded in the respective funds as it is earned.

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, \$106,628 had been so classified and reported on the general fund balance sheet. Property taxes were levied on June 24 on property values assessed on April 1. Taxes were due on August 30, with interest at 8% 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 May 31, 2010. 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.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

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.

Capital assets 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

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

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt using the bonds-outstanding method. For current and advance refunding of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter.

**TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

6. Long-term Obligations (continued)

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.

Net assets are required to be classified into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

Invested in capital assets, net of related debt – This component of net assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portions of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt.

Restricted – This component of net assets consists of restrictions placed on net assets use through external constraints imposed by creditors (such as debt covenants), grantors, contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This component consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the government’s general fund and school department operating fund except the Town does not budget for the revenues and expenditures associated with the employer’s teacher retirement contribution made by the State of Maine on behalf of the town to the Maine State Retirement System; and encumbrances which are considered to be expenditures for budgetary purposes.

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, 2010**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

A. Budgetary Information (continued)

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In 2009-2010, \$400,000 of the beginning General Fund fund balance was applied for this purpose.

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 \$478,768 at June 30 and is detailed in Exhibit A-2.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town's deposit policy for custodial credit risk requires compliance with the provisions of state law.

State Statute 5706 require banks to give bond or to pledge government securities (types of which are specifically identified in the Statutes) to the Town Treasurer in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance Town (FDIC).

One or more of the financial institutions holding the Town's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, all noninterest bearing checking accounts include demand deposit accounts and any transaction account that has unlimited withdrawals and cannot earn interest are fully guaranteed by the FDIC for the entire amount. Also through December 31, 2010, IOLTA accounts and NOW accounts that do not earn more than .25% interest are fully guaranteed by the FDIC for the entire amount as long as the depository institution participates in the Transaction Account Guarantee (TAG) program. For interest bearing accounts, the Town's cash deposits, including certificates of deposits, are insured up to \$250,000 per custodian by the FDIC. Any cash deposits or certificates of deposits in excess of the \$250,000 FDIC limits are covered by collateral held in a Federal Reserve pledge account or by an agent for the Town and thus no custodial risk exists.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

B. Investments

At June 30, 2010, the Town had the following investments, maturities, and credit ratings:

Type	Fair	Maturities in Years				Credit Rating	
	Value	< 1	1-5	6-10	> 10	S&P	Moody's
<i>Reserves & General Fund</i>							
Common Stock	398,045	398,045				A+	
Common Stock	590,931	590,931				A	
Common Stock	131,720	131,720				A-	
Common Stock	538,965	538,965				B+	
Common Stock	173,770	173,770				B	
Common Stock	127,833	127,833				NR	
Common Stock - Foreign	63,016	63,016				B+	
Common Stock - Foreign	400,950	400,950				NR	
Corporate Bonds	214,471		214,471			AA+	Aa2
Corporate Bonds	205,438	205,438				A+	A1
Corporate Bonds	160,263		160,263			A+	Aa3
Corporate Bonds	428,705		378,943	49,762		A	A2
Mutual Funds - Bonds	155,076	155,076				NR	
U.S. Gov't Agency	1,399,097	260,484	667,879	470,734		AAA	Aaa
Bonds - Foreign	204,379		204,379			AA	Aa1
Money Market	132,333	132,333				NR	
	5,324,992	3,178,561	1,625,935	520,496	-		
<i>Trust Funds</i>							
Mutual Funds	22,394	22,394				NR	
Money Market	5,973	5,973				NR	
	28,367	28,367	-	-	-		

Investment Policies

Generally, the Town's investing activities are managed under the custody of the Town Treasurer. Investing is performed in accordance with the investment policy adopted by the Board of Selectmen complying with state statutes. The Town may invest in securities permitted under 30-A MRSA 5712, 5713, 5714, 5715, and 5716. Upon approval of the Board of Selectmen, the treasurer of the trustee(s) of a trust fund of the Town, may enter into safekeeping and investment management agreements and/or investment advisory agreements in accordance with 30-A MRSA 5706(4) and the investment funds pursuant to any such agreements shall be governed by the rule prudence as set forth in 18-A MRSA 7-302.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

C. Property Taxes

Property taxes were levied for the fiscal year as follows:

Assessed Value	1,982,744,435
Tax Rate (per \$1,000)	<u>5.85</u>

Commitment	<u>11,599,055</u>
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Appropriations	13,141,213
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Less:

State Municipal Revenue Sharing	68,296
Homestead Reimbursement	22,877
Other Revenue	<u>1,450,985</u>
	<u>1,542,158</u>

Net Assessment for Commitment	<u>11,599,055</u>
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Uncollected taxes and liens at June 30 for the current year commitment totaled \$89,350. Unpaid liens at June 30 totaled \$24,424.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	52,444	1,668,726
Special Revenue Funds		
Elementary School	689,258	42,763
Town Reserves	150,856	
Planning Grant	22,739	
Shellfish Fund	6,545	
Capital Project Funds	181,460	48,982
Permanent Funds		100
Horace Reynolds Scholarship		3,361
Enterprise Funds	<u>660,630</u>	
Totals	<u><u>1,763,932</u></u>	<u><u>1,763,932</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.

Transfers To/From Other Funds at June 30, 2010, were as follows:

	<i>Transfers From</i>	<i>Transfers To</i>
General Fund	1,703,125	3,453,674
Special Revenue Funds		
School Department	2,956,547	76,873
Reserves	675,500	1,545,941
Municipal Revenue Sharing		65,093
Enterprise Funds	<u>3,072</u>	<u>196,663</u>
Totals	<u><u>5,338,244</u></u>	<u><u>5,338,244</u></u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues in the General fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) transfer funds to general fund to cover expenditures voted on per Selectmen.

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

E. Capital Assets

Capital asset activity for the year ended June 30, 2010 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	16,057,418			16,057,418
Equipment	4,072,725	38,849	346,210	3,765,364
Infrastructure	26,434,408	1,118,323		27,552,731
<i>Total capital assets being depreciated</i>	46,564,551	1,157,172	346,210	47,375,513
<i>Less accumulated depreciation for</i>				
Buildings	4,722,698	357,973		5,080,671
Equipment	1,862,442	222,457	346,210	1,738,689
Infrastructure	9,352,031	633,811		9,985,842
<i>Total accumulated depreciation</i>	15,937,171	1,214,241	346,210	16,805,202
<i>Net capital assets being depreciated</i>	30,627,380	(57,069)	-	30,570,311
<i>Governmental Activities Capital Assets, net</i>	<u>33,252,471</u>	<u>(57,069)</u>	<u>-</u>	<u>33,195,402</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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	858,346	13,406		871,752
<i>Total capital assets being depreciated</i>	858,346	13,406	-	871,752
<i>Less accumulated depreciation for</i>				
Marina	204,726	20,470		225,196
<i>Total accumulated depreciation</i>	204,726	20,470	-	225,196
<i>Net capital assets being depreciated</i>	653,620	(7,064)	-	646,556
<i>Business-type Activities Capital Assets, net</i>	<u>756,821</u>	<u>(7,064)</u>	<u>-</u>	<u>749,757</u>

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

Governmental Activities

General Government	12,386
Public Safety	111,736
Public Works	516,379
Recreation	4,500
Education	147,666
Wastewater Treatment Plants	421,574
Total Depreciation Expense - Governmental Activities	<u>1,214,241</u>

TOWN OF MOUNT DESERT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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>
2011	25,021
2012	24,167
2013	4,667
Total Minimum Lease Payments	53,855
Less: Amount Representing Interest	(3,180)
Present Value of Future Minimum Lease Payments	<u>50,675</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%	204,165
2002 School Construction Bond, maturing 2022	3.05 – 5.25%	3,867,500
2003 Sewer Bond, Maturing 2010	1.00%	214,286
2004 Sewer Bond, Maturing 2024	1.03%	3,300,000
2006 General Obligation Bond, Maturing 2016	6.5%	875,000
2010 Sewer Bond Maturing 2024	1.13%	4,946,666
2010 Fire Truck Bond Maturing 2014	2.38%	<u>234,462</u>
		<u>13,642,079</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, 2010

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 \$2,136,562 are as follows:

<i>Six Months Ended June 30,</i>	<i>General Obligation Debt</i>
2011	1,669,227
2012	1,426,827
2013	1,359,988
2014	1,293,717
2015	1,206,055
2016-2020	5,278,196
2021-2025	3,544,631
Total	<u>15,778,641</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 Obligation Debt</i>
Balance – July 1	14,989,307
Additions	
Reductions	<u>(1,347,228)</u>
Balance – June 30	<u>13,642,079</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 June 30, 2010</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	5,902,528	34.52%	2,037,553
Hancock County	24,000,000	14.81%	3,554,400
Totals	<u>29,902,528</u>		<u>5,591,953</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, 2010

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 \$3,932,979 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	4,168		4,168
Scholarships	<u>16,983</u>	<u>3,401</u>	<u>20,384</u>
Total	<u>21,151</u>	<u>3,401</u>	<u>24,552</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, 2010

NOTE 4 - OTHER INFORMATION (Continued)

C. Pension Plans (Continued)

Plan Description

The Maine State Retirement System (System) is a body Town and politic and an inTownd 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%.

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, less a monthly credit of \$92. The contribution requirements of plan members and the Town are established by the Maine Public Employees Retirement System Board of Trustees. The Town's contributions to the Consolidated Plan for the years ended June 30, 2008, 2009 and year ended 2010, were \$2,537, \$1,777 and \$2,562 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 17.78% of the annual covered salary for fiscal year 2010. The State's cost for 2010 was approximately \$204,563. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 17.78% of their compensation. This cost amounted to \$9,453 for 2010 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, 2010

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, 2010.

TOWN OF MOUNT DESERT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit J

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
Revenues				
Taxes	12,110,055	12,110,055	12,211,555	101,500
Intergovernmental Revenues	184,378	190,065	245,934	55,869
Charges for Services	130,090	160,090	184,013	23,923
Miscellaneous	147,100	147,100	160,968	13,868
Total Revenues	<u>12,571,623</u>	<u>12,607,310</u>	<u>12,802,470</u>	<u>195,160</u>
Expenditures (Net of Departmental Revenues)				
General Government	828,599	828,599	838,405	(9,806)
Public Safety	1,501,109	1,506,796	1,437,838	68,958
Public Works	2,141,997	2,141,997	2,098,697	43,300
Health and Welfare - General Assistance	3,000	3,000	2,934	66
Rural Wastewater Support	160,000	160,000	151,547	8,453
Wastewater Capital and Debt	15,000	15,000	15,000	-
Wastewater Treatment	776,123	776,123	742,744	33,379
Debt Service	1,094,951	1,094,951	1,094,951	-
Unclassified	212,014	212,014	206,407	5,607
Assessments	3,136,746	3,136,746	3,048,969	87,777
Total Expenditures	<u>9,869,539</u>	<u>9,875,226</u>	<u>9,637,492</u>	<u>237,734</u>
Excess Revenues Over Expenditures	<u>2,702,084</u>	<u>2,732,084</u>	<u>3,164,978</u>	<u>432,894</u>
Other Financing Sources				
Transfers from Other Funds	171,590	171,590	1,703,125	1,531,535
Transfer to Other Funds	(3,273,674)	(3,303,674)	(3,303,674)	-
Total Other Financing Sources	<u>(3,102,084)</u>	<u>(3,132,084)</u>	<u>(1,600,549)</u>	<u>1,531,535</u>
Net Change in Fund Balance	<u>(400,000)</u>	<u>(400,000)</u>	<u>1,564,429</u>	<u>1,964,429</u>
Beginning Fund Balances - Budgetary Basis			<u>605,700</u>	
Ending Fund Balances - Budgetary Basis			<u>2,170,129</u>	
Adjustments to Conform to GAAP:				
Elimination of Encumbrances			<u>478,768</u>	
Ending Fund Balances - GAAP Basis			<u><u>2,648,897</u></u>	

Handwritten notes:
 Exp 2 = 048,423. +
 p4 enc 99,800. -
 ex enc 150,074. +
 Audit Act 2 = 098,697. *
 0. *

TOWN OF MOUNT DESERT
GENERAL FUND
STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A-1
Page 1 of 2

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	11,599,055✓	11,618,854	19,799
Supplemental Taxes		16,586	16,586
Motor Vehicle Excise	475,000✓	501,876	26,876
Boat Excise	24,000✓	31,936	7,936
Sale of Tax Acquired Property		3,461	3,461
Interest on Taxes	12,000✓	38,842	26,842
	<u>12,110,055</u>	<u>12,211,555</u>	<u>101,500</u>
Intergovernmental Revenues			
Acadia National Park - PILT	22,000✓	30,427	8,427
ANP Otter Creek Treatment Plant	28,000✓	37,228	9,228
ANP Seal Harbor Sewer	14,000✓	25,562	11,562
Urban Rural Initiative Program	43,000✓	43,140	140
General Assistance	250✓	1,517	1,267
Homestead Reimbursement	22,877●	22,877	-
Fire Safety Grant	2,000	2,000	-
Maine Dept. of Public Safety Grant	1,718	1,913	195
Bulletproof Vest Grant	1,688	1,688	-
Underage Drinking Grant	861	861	-
Speed Enforcement Grant	1,421	1,421	-
Seatbelt Safety Grant		555	555
FEMA Grant		10,798	10,798
MDEA Reimbursement	7,500✓	10,868	3,368
Hancock County Sheriff Reimbursement	40,000✓	50,520	10,520
Tree Growth	4,000✓	3,170	(830)
Veterans Exemption	750✓	760	10
Other State Revenues		629	629
	<u>190,065</u>	<u>245,934</u>	<u>55,869</u>
Charges for Services			
Police Department	53,250	73,445	20,195
Sewers	590✓	599	9
Recycling	1,000✓	3,079	2,079
Paid Parking	50,000✓	51,325	1,325
Planning and Zoning	43,000✓	40,762	(2,238)
Land Use Citations		16	16
Town Clerk	4,750✓	4,787	37
Tax Collection	7,500✓	10,000	2,500
	<u>160,090</u>	<u>184,013</u>	<u>23,923</u>

TOWN OF MOUNT DESERT

GENERAL FUND

Exhibit A-1

Page 2 of 2

STATEMENT OF ESTIMATED AND ACTUAL REVENUES
FOR THE YEAR ENDED JUNE 30, 2010

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Miscellaneous			
Solid Waste Performance Credit	55,000 ✓	44,039	(10,961)
Payments in Lieu of Taxes	4,000 ✓	4,724	724
Interest on Investments	75,000 ✓	87,282	12,282
Insurance Dividends/Refunds	5,000 ✓	17,630	12,630
Donations	600 ✓	600	-
Other	7,500 ✓	6,693	(807)
	<u>147,100</u>	<u>160,968</u>	<u>13,868</u>
Transfers and Other Sources			
NEH Marina	103,295 ✓	95,163	(8,132)
Transfer from Reserve		1,542,869	1,542,869
Municipal Revenue Sharing	68,295 ✓	65,093	(3,202)
	<u>171,590</u>	<u>1,703,125</u>	<u>1,531,535</u>
	<u>12,778,900</u>	<u><u>14,505,595</u></u>	<u><u>1,726,695</u></u>
Fund Balance Used to Reduce Tax Rate	<u>400,000</u>		
Total Revenues and Use of Fund Balance	<u><u>13,178,900</u></u>		

TOWN OF MOUNT DESERT

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A-2

Page 1 of 2

	+	+	-	-	(Over)
	Encumbered	Appropriation	Expenditures	Encumbered	Under
	from 2009			to 2011	Budget
General Government					
Governing Body/Legislative	17,525	23,993	21,487		20,031
Municipal Management	1,969	368,103	413,876		(43,804)
Town Clerk/Registrar/Elections		81,256	81,859	1,000	(1,603)
Finance/Treasury		109,194	107,972	5,000	(3,778)
Assessment/Revaluations	6,312	104,038	92,921	8,000	9,429
Code Enforcement	30,750	114,025	101,630	38,750	4,395
Employee Benefits		27,990	22,466		5,524
	56,556	828,599	842,211	52,750	(9,806)
Public Safety					
Police Department	4,465	683,422	633,459	4,000	50,428
Fire Department		276,205	266,826		9,379
Fire Truck					-
Communications		272,669	256,257	8,261	8,151
Emergency Management		1,000			1,000
Fire Hydrant Rental		273,500	273,500		-
	4,465	1,506,796	1,430,042	12,261	68,958
Public Works Department					
Highways, Streets and Roads	64,944	1,392,790	1,359,257	98,333	144
Waste Collection and Disposal		520,548	467,760	20,000	32,788
Buildings & Grounds	9,352	186,522	185,369	9,310	1,195
Parks and Cemeteries	25,504	42,137	36,037	22,431	9,173
	99,800	2,141,997	2,048,423	150,074	43,300
Health and Welfare - General Assistance		3,000	2,934		66
Rural Wastewater Support		160,000	151,547		8,453
Wastewater Capital and Debt					
Pump Station Replacement					-
Replace DEEP Station	268,515		33,530	234,985	-
Sewer Design Work	2,341		2,341		-
Return Pumps		15,000		15,000	-
NEH Electrical Upgrade					-
	270,856	15,000	35,871	249,985	0

TOWN OF MOUNT DESERT

GENERAL FUND

STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES

FOR THE YEAR ENDED JUNE 30, 2010

Exhibit A-2

Page 2 of 2

	<i>Encumbered from 2009</i>	<i>Appropriation</i>	<i>Expenditures</i>	<i>Encumbered to 2011</i>	<i>(Over) Under Budget</i>
Wastewater Treatment					
Sewer Treatment		463,617	464,549	4,244	(5,176)
Northeast Harbor Plant		126,748	92,637	9,454	24,657
Somesville Plant		59,600	43,317		16,283
Seal Harbor Plant		94,058	86,774		7,284
Otter Creek Plant		32,100	41,769		(9,669)
		776,123	729,046	13,698	33,379
Debt Service					
Principal on Bonds/Notes		870,331	870,331		-
Interest on Bonds/Notes		224,620	224,620		-
		1,094,951	1,094,951		0
Unclassified					
Libraries		54,700	54,700		-
Recreation		99,447	93,840		5,607
Public Agencies		57,867	57,867		-
		212,014	206,407		5,607
Assessments					
MDI High School		2,275,921	2,275,921		-
County Tax		756,309	756,309		-
Overlay		104,516	16,739		87,777
		3,136,746	3,048,969		87,777
Operating Transfers Out					
Elementary School		2,879,674	2,879,674		-
Summit/Ripples/SH Sidewalk					-
Reserve Funds					
Police Training Reserve		30,000	30,000		-
Public Works Equipment Reserve		74,500	74,500		-
Town Roads Reserve		25,000	25,000		-
Refuse Equipment Reserve		25,000	25,000		-
Wastewater Equipment Reserve		10,000	10,000		-
Wastewater Reserve		50,000	50,000		-
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	150,000		150,000		-
Communications Reserve		15,000	15,000		-
	150,000	3,303,674	3,453,674		-
Totals	581,677	13,178,900	13,044,075	478,768	237,734

TOWN OF MOUNT DESERT

Exhibit A-3

GENERAL FUND

**STATEMENT OF CHANGES IN UNRESERVED - UNDESIGNATED FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010**

Unreserved Fund Balance, July 1	605,700	
Unreserved Fund Balance, June 30	<u>2,170,129</u>	
Increase		<u><u>1,564,429</u></u>

Analysis of Change

Additions		
Budget Summary		
Revenue Surplus - Exhibit A-1	1,726,695	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>237,734</u>	
Budget Surplus		<u>1,964,429</u>
Deductions		
Beginning Fund Balance Used		
to Reduce Tax Rate		<u>(400,000)</u>
Increase		<u><u>1,564,429</u></u>

TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

Exhibit B-1

<i>Assets</i>	<i>Elementary School Department</i>	<i>Town Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Investments		3,782,123			3,782,123
Accounts Receivable	3,368				3,368
Due from Other Governments	9,880				9,880
Due from Other Funds	689,258	150,856	22,739	6,545	869,398
Inventory	3,468				3,468
Total Assets	705,974	3,932,979	22,739	6,545	4,668,237
 <i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts Payable	14,411				14,411
Accrued Salaries Payable	183,942				183,942
Due to Other Funds	42,763				42,763
Total Liabilities	241,116	-	-	-	241,116
 <i>Fund Balances</i>					
Reserved for Inventory	3,468				3,468
Unreserved					
Designated for Subsequent Years' Expenditures	255,426	3,932,979			4,188,405
Undesignated	205,964		22,739	6,545	235,248
Total Fund Balances	464,858	3,932,979	22,739	6,545	4,427,121
 Total Liabilities and Fund Balances	705,974	3,932,979	22,739	6,545	4,668,237

TOWN OF MOUNT DESERT
ALL SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2010

	Municipal Revenue Sharing	Elementary School Department	Town Reserve Funds	Planning Grant	Shellfish Fund	Total
Revenues						
Intergovernmental Revenues	56,330	422,015				478,345
Local Sources		15,087	167,176		660	182,923
Lunch and Milk Sales		37,659				37,659
Fair Value Increase (Decrease)			393,070			393,070
Total Revenues	56,330	474,761	560,246	-	660	1,091,997
Expenditures						
Education		3,246,953				3,246,953
Capital Outlay			266,090			266,090
Other			162	3,673		3,835
Total Expenditures		3,246,953	266,252	3,673	-	3,516,878
Excess of Revenues Over (Under) Expenditures	56,330	(2,772,192)	293,994	(3,673)	660	(2,424,881)
Other Financing Sources (Uses)						
Transfers from Other Funds		2,956,547	675,500			3,632,047
Transfers to Other Funds	(65,093)	(76,873)	(1,545,941)			(1,687,907)
Total Other Financing Sources (Uses)	(65,093)	2,879,674	(870,441)			1,944,140
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(8,763)	107,482	(576,447)	(3,673)	660	(480,741)
Fund Balance - July 1	8,763	357,376	4,509,426	26,412	5,885	4,907,862
Fund Balance - June 30	-	464,858	3,932,979	22,739	6,545	4,427,121

TOWN OF MOUNT DESERT
RESERVE FUNDS
STATEMENT OF ACTIVITY
FOR THE YEAR ENDED JUNE 30, 2010

	Balance July 1	Transfers In	Interest	Revenues	Expenditures/ Transfers	Balance June 30
Capital Improvement Funds						
Bartlett Harbor Moorings/Floats	2,581	2,500	171			5,252
Bartlett Narrows Dock	34,580	5,000	1,329		(29,735)	11,174
Capital Improvement	1,413,384	150,000	47,139		(1,581,488)	29,035
CEO Work Truck	1,100		36			1,136
Communications Radio	21,774	15,000	1,203		(1,756)	36,221
Dog Welfare	1,393		47	1,018	(162)	2,296
Fire Equipment/Engine	279,704	154,500	14,577	2,000	(64,247)	386,534
Fire Station Building	10,324	10,000	682			21,006
Land Acquisition	193,596		6,499			200,095
Northeast Harbor Marina	162,251	75,000	7,828		(12,872)	232,207
Northeast Harbor Marina Work Truck	4,130	4,000	273			8,403
Northeast Harbor Moorings/Floats	10,324	10,000	682			21,006
Police Training Reserve		30,000				30,000
Pollution Control Equipment	905		31			936
Public Works Equipment	136,655	74,500	6,799		(16,230)	201,724
Refuse Truck	33,421	25,000	1,961			60,382
Seal Harbor Dock	40,700	5,000	1,534			47,234
Seal Harbor Marina Road	7,566		254			7,820
Town Office Building	66,280	30,000	3,232			99,512
Town Roads	125,973	25,000	5,068			156,041
Wastewater	154,514	50,000	6,866			211,380
Wastewater Bond Repayment	1,746,069		55,897		(105,703)	1,696,263
Wastewater Work Truck	7,184	10,000	577			17,761
Sub-Total	4,454,408	675,500	162,685	3,018	(1,812,193)	3,483,418
General (Fair Value Changes)	55,018		393,070	1,473		449,561
Total	4,509,426	675,500	555,755	4,491	(1,812,193)	3,932,979

TOWN OF MOUNT DESERT
SCHOOL DEPARTMENT
COMBINING BALANCE SHEET
JUNE 30, 2010

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>
Accounts Receivable	3,368				3,368
Due from Other Governments	9,880				9,880
Due from Other Funds	404,876	28,956	241,619	13,807	689,258
Inventory		3,468			3,468
Total Assets	418,124	32,424	241,619	13,807	705,974
<i>Liabilities and Fund Balances</i>					
<i>Liabilities</i>					
Accounts Payable	12,232	2,179			14,411
Accrued Salaries Payable	183,942				183,942
Due to Other Funds	42,763				42,763
Total Liabilities	238,937	2,179	-	-	241,116
<i>Fund Balances</i>					
Reserved for Inventory		3,468			3,468
Unreserved					
Designated for Subsequent Years' Expenditures					
Undesignated	179,187	26,777	241,619	13,807	255,426
Total Fund Balances	179,187	30,245	241,619	13,807	464,858
Total Liabilities and Fund Balances	418,124	32,424	241,619	13,807	705,974

**TOWN OF MOUNT DESERT
SCHOOL DEPARTMENT**

Exhibit B-5

COMBINING STATEMENT OF REVENUES, EXPENDITURES

AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2010

	Operating Fund	Food Service	Federal/ State Projects	Reserves	Other Special Revenue Funds	Total
Revenues						
Intergovernmental Revenues	318,350	24,655	72,213	6,797		422,015
Local Sources	2,880	1,751			10,456	15,087
Lunch and Milk Sales		37,659				37,659
Total Revenues	321,230	64,065	72,213	6,797	10,456	474,761
Expenditures						
Education Programs	1,563,242		72,213		11,452	1,646,907
Administrative Support	1,493,422					1,493,422
Lunch Program		106,624				106,624
Total Expenditures	3,056,664	106,624	72,213	-	11,452	3,246,953
Excess of Revenues Over (Under) Expenditures	(2,735,434)	(42,559)	-	6,797	(996)	(2,772,192)
Other Financing Sources (Uses)						
Transfers from Other Funds	2,879,674	50,373		26,500		2,956,547
Transfers to Other Funds	(76,873)					(76,873)
Total Other Financing Sources (Uses)	2,802,801	50,373	-	26,500	-	2,879,674
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	67,367	7,814	-	33,297	(996)	107,482
Fund Balance - July 1	111,820	22,431		208,322	14,803	357,376
Fund Balance - June 30	179,187	30,245	-	241,619	13,807	464,858

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2010

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	593,314			593,314
Due from Other Funds		55,423	126,037	181,460
Total Assets	593,314	55,423	126,037	774,774
<i>Liabilities and Fund Balances</i>				
Liabilities				
Accounts Payable				-
Retainage Payable	89,330			89,330
Due to Other Funds	48,982			48,982
Total Liabilities	138,312	-	-	138,312
Fund Balances				
Reserved for Construction	455,002	55,423	126,037	636,462
Total Fund Balances	455,002	55,423	126,037	636,462
Total Liabilities and Fund Balances	593,314	55,423	126,037	774,774

TOWN OF MOUNT DESERT
ALL CAPITAL PROJECT FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2010

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				-
Total Revenues				-
Expenditures				
Construction	806,879			806,879
Engineering	113,713			113,713
Paving			5,175	5,175
Miscellaneous	12,777			12,777
Total Expenditures	933,369	-	5,175	938,544
Excess of Revenues Over (Under) Expenditures	(933,369)	-	(5,175)	(938,544)
Other Financing Sources (Uses)				
Transfer from Other Funds				-
Transfer to Other Funds				-
	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures	(933,369)	-	(5,175)	(938,544)
Fund Balance - July 1	1,388,371	55,423	131,212	1,575,006
Fund Balance - June 30	455,002	55,423	126,037	636,462

TOWN OF MOUNT DESERT
COMBINING BALANCE SHEET
ALL PERMANENT FUNDS
JUNE 30, 2010

Exhibit D-1

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,129	4,522	10,651
Total Assets	6,129	4,522	10,651
<i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		354	354
Due to Other Funds	100		100
Total Liabilities	100	354	454
Fund Balances			
Reserved for Endowments	4,123	4,168	8,291
Unreserved	1,906		1,906
Total Fund Balances	6,029	4,168	10,197
Total Liabilities and Fund Balances	6,129	4,522	10,651

TOWN OF MOUNT DESERT
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit D-2

	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	438	305	743
Expenditures			
Scholarships	100		100
Cemetery Maintenance		113	113
	100	113	213
Excess of Revenues Over Expenditures	338	192	530
Fund Balance - July 1	5,691	3,976	9,667
Fund Balance - June 30	6,029	4,168	10,197

James W. Wadman

Certified Public Accountant

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January 13, 2011

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, 2010.

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