

***TOWN OF MOUNT DESERT, MAINE***

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

***FOR THE YEAR  
ENDED JUNE 30, 2011***

**TOWN OF MOUNT DESERT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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**TOWN OF MOUNT DESERT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

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***INDEPENDENT AUDITOR'S REPORT***

March 24, 2012

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, 2011, 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, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-8 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Mount Desert, Maine financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the information is fairly stated in all material respects in relation to the financial statements as a whole. 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 or provide any assurance 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, 2011**

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, 2011. 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, 2011 by \$30,120,606 (presented as “net assets”). Of this amount, \$8,030,993 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 \$1,488,413 (a 5.2% increase) for the year ended June 30, 2011. Net assets of governmental activities increased by \$1,479,145 (a 5.3% increase), while net assets of business-type activities showed an increase of \$9,268 (a 1.2% decrease).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the year ended June 30, 2011; the Town's governmental funds reported a combined ending fund balance of \$7,712,836 with \$2,208,989 being general unassigned fund balance. This unassigned fund balance represents approximately 16.7% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations decreased by \$1,348,371 for the year ended June 30, 2011. Existing debt obligations were retired according to schedule.

Additional information on the Town's long-term debt can be found in Note 3G of the notes to the financial statements on pages 32-33 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 9-10 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 11-14 of this report.

The basic proprietary fund financial statements can be found on pages 15-17 of this report.

The fiduciary fund financial statements can be found on pages 18-19 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 20-36 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 37 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Net Assets**

72% 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.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>June 30, 2011 Total</b>	<b>June 30, 2010 Total</b>
Current Assets	9,971,819	2,072,959	12,044,778	10,139,706
Capital Assets	33,118,187	893,744	34,011,931	33,945,159
<b>Total Assets</b>	<b>43,090,006</b>	<b>2,966,703</b>	<b>46,056,709</b>	<b>44,084,865</b>
Current Liabilities	2,557,673	125,679	2,683,352	3,131,260
Other Liabilities	11,162,751	2,090,000	13,252,751	12,321,412
<b>Total Liabilities</b>	<b>13,720,424</b>	<b>2,215,679</b>	<b>15,936,103</b>	<b>15,452,672</b>
<b>Net Assets:</b>				
Invested in Capital Assets	20,796,775	766,703	21,563,478	20,252,405
Restricted	526,135		526,135	487,597
Unrestricted	8,046,672	(15,679)	8,030,993	7,892,191
<b>Total Net Assets</b>	<b>29,369,582</b>	<b>751,024</b>	<b>30,120,606</b>	<b>28,632,193</b>
<b>Total Liabilities and Net Assets</b>	<b>43,090,006</b>	<b>2,966,703</b>	<b>46,056,709</b>	<b>44,084,865</b>

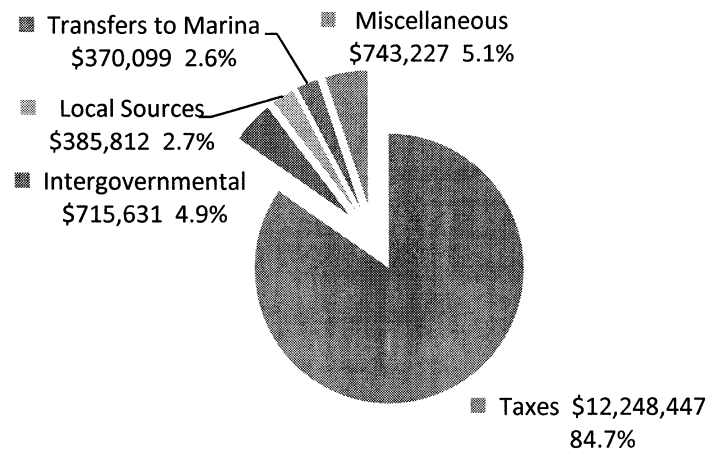
### Changes in Net Assets

Approximately 83% of the Town's total revenue came from property and excise taxes, approximately 5% came from State subsidies and grants, and approximately 12% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,270,905 of the total expenses for the fiscal year.

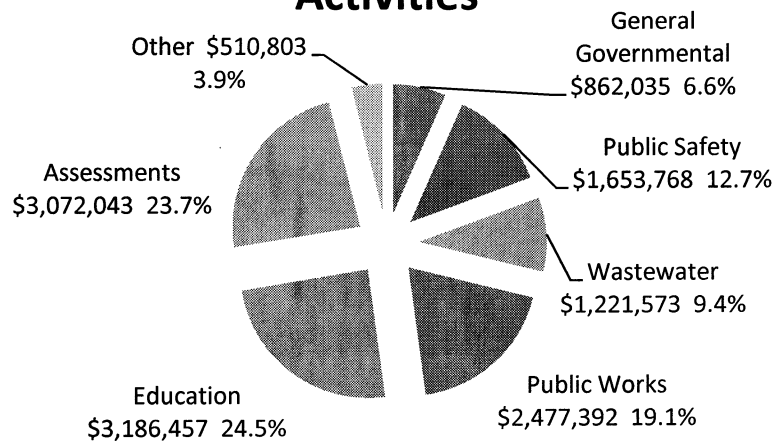
	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>June 30, 2011 Total</b>	<b>June 30, 2010 Total</b>
<b>Revenues:</b>				
Taxes	12,248,447		12,248,447	12,191,753
Intergovernmental Revenues	715,631		715,631	724,279
Charges for Services	385,812	715,380	1,101,192	891,000
Fair Value Increase (Decrease)	554,656		554,656	393,070
Gain on Sale of Asset	31,338		31,338	
Transfers In / Out	370,099	(371,011)	(912)	(552)
Miscellaneous	157,233		157,233	365,803
<b>Total</b>	<b>14,463,216</b>	<b>344,369</b>	<b>14,807,585</b>	<b>14,565,353</b>
<b>Expenses:</b>				
General Government	862,035		862,035	844,346
Public Safety	1,653,768		1,653,768	1,504,197
Public Works	2,477,392		2,477,392	2,358,049
Health and Welfare	639		639	2,934
Rural Wastewater Support	160,000		160,000	151,547
Wastewater Capital and Debt	34,035		34,035	38,072
Wastewater Treatment Plants	1,221,573		1,221,573	1,154,134
Marine Dept.		335,101	335,101	340,127
Debt Service	113,783		113,783	45,223
Unclassified	202,153		202,153	210,907
Assessments	3,072,043		3,072,043	3,048,969
Education Programs	3,186,457		3,186,457	3,088,016
Capital Outlay	-		-	259,004
Other	193		193	3,886
<b>Total</b>	<b>12,984,071</b>	<b>335,101</b>	<b>13,319,172</b>	<b>13,049,411</b>
<b>Changes in Net Assets</b>	<b>1,479,145</b>	<b>9,268</b>	<b>1,488,413</b>	<b>1,515,942</b>



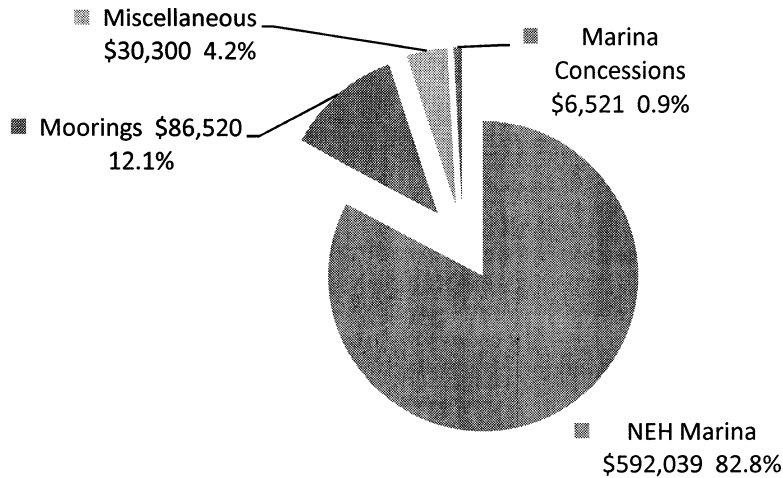
## Revenues By Source - Governmental Activities



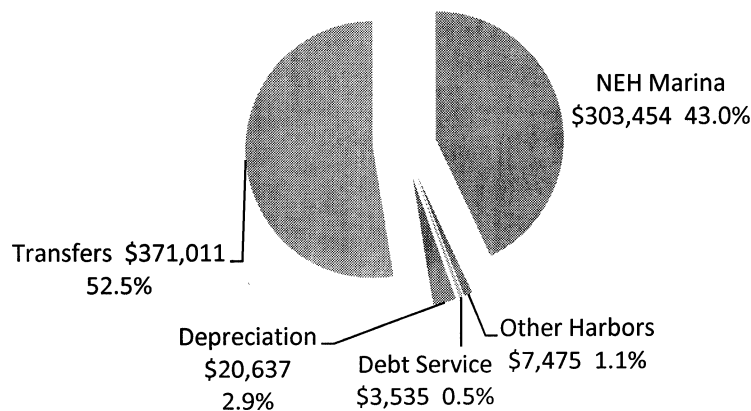
## Expenditures By Source - Governmental Activities



## 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 \$7,712,836, a decrease of \$9,841 in comparison with the prior year. Approximately 29 percent of this total amount constitutes unassigned 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:

- \$39,423 positive variance in vehicle excise revenue. The town budgeted these revenues conservatively.
- \$41,195 positive variance in paid parking revenue. The amount includes parking fees for 2010 and 2011.
- \$17,958 negative variance in finance/treasury. This was due to part time accounting help not budgeted.
- \$13,190 negative variance in human resources. This was an unbudgeted human resource study.
- \$22,875 positive variance in highways, streets, and roads. This is approximately 1.6% of budget.
- \$52,817 positive variance in waste collection and disposal. This was due to increase in recycling of materials and reduction of tipping fees.
- \$35,700 negative variance in sewer treatment. This was due to timing on improvement expenditures.
- \$32,499 positive variance in Northeast Harbor plant. This was due to the plant operating more efficiently.

### **CAPITAL ASSET ADMINISTRATION**

#### **Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$52,236,895, net of accumulated depreciation of \$18,224,965, leaving a net book value of \$34,011,930. Current additions include office building renovations, police cruiser, auxiliary receiver system upgrade, plow truck, and paving.

Additional information on the Town's capital assets can be found in Note 3E of the notes to the financial statements on pages 30-31 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, 2011**

**Exhibit A**

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	3,200,524		3,200,524
Investments	6,323,661		6,323,661
Receivables			
Taxes	450		450
Tax Liens	149,053		149,053
Bonds	51,473	2,072,959	2,124,432
Accounts	142,586		142,586
Due from Other Governments	86,824		86,824
Prepaid Expenditures	13,867		13,867
Inventory	3,381		3,381
Capital Assets:			
Land	2,625,091		2,625,091
Other Capital Assets, Net of Depreciation	30,493,096	893,744	31,386,840
<b>Total Assets</b>	<b>43,090,006</b>	<b>2,966,703</b>	<b>46,056,709</b>
<b><i>Liabilities and Net Assets</i></b>			
Liabilities			
Accounts Payable	157,494		157,494
Retainage Payable	58,444		58,444
Accrued Interest Payable		3,535	3,535
Prepaid Taxes	795,906		795,906
Accrued Compensated Absences	106,980	12,144	119,124
Accrued Salaries Payable	264,951		264,951
Due to Other Governments	15,237		15,237
Long-term Liabilities:			
Due Within One Year	1,158,661	110,000	1,268,661
Due in More Than One Year	11,162,751	2,090,000	13,252,751
<b>Total Liabilities</b>	<b>13,720,424</b>	<b>2,215,679</b>	<b>15,936,103</b>
Net Assets			
Investment in Capital Assets, net of Related Debt	20,796,775	766,703	21,563,478
Restricted Net Assets	526,135		526,135
Unrestricted	8,046,672	(15,679)	8,030,993
<b>Total Net Assets</b>	<b>29,369,582</b>	<b>751,024</b>	<b>30,120,606</b>
<b>Total Liabilities and Net Assets</b>	<b>43,090,006</b>	<b>2,966,703</b>	<b>46,056,709</b>

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, 2011**

**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	862,035	164,700		(697,335)		(697,335)
Public Safety	1,653,768	14,520		(1,639,248)		(1,639,248)
Public Works	2,477,392	4,913		(2,472,479)		(2,472,479)
Health & Welfare - General Assistance	639			(639)		(639)
Rural Wastewater Support	160,000			(160,000)		(160,000)
Wastewater Capital and Debt	34,035			(34,035)		(34,035)
Wastewater Treatment Plants	1,221,573	647		(1,220,926)		(1,220,926)
Debt Service	113,783			(113,783)		(113,783)
Unclassified	202,153			(202,153)		(202,153)
Assessments	3,072,043			(3,072,043)		(3,072,043)
Education Programs	3,186,457	41,865	329,419	(2,815,173)		(2,815,173)
Other	193			(193)		(193)
Total Governmental Activities	12,984,071	226,645	329,419	(12,428,007)		(12,428,007)
Business-type Activities						
Marina	335,101	685,080	30,300		380,279	380,279
Total Business-type Activities	335,101	685,080	30,300		380,279	380,279
Total Primary Government	13,319,172	911,725	359,719	(12,428,007)	380,279	(12,047,728)
General Revenues:						
Taxes						
Property				11,708,389		11,708,389
Auto Excise				509,423		509,423
Boat Excise				30,635		30,635
Intergovernmental Revenues				407,300		407,300
Increase (Decrease) in FMV				554,656		554,656
Other Local Sources				295,312		295,312
Gain on Sale of Asset				31,338		31,338
Transfers Marina				371,011	(371,011)	-
Transfers Fiduciary Funds				(912)		(912)
Total Revenues, Special Items and Transfers				13,907,152	(371,011)	13,536,141
Changes in Net Assets						
				1,479,145	9,268	1,488,413
Net Assets - Beginning				27,890,437	741,756	28,632,193
Net Assets - Ending				29,369,582	751,024	30,120,606

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

**Exhibit C**  
**Page 1 of 2**

<i>Assets</i>	<i>General Fund</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	3,200,524			3,200,524
Investments	4,254,970	2,057,867	10,824	6,323,661
Receivables				
Taxes	450			450
Tax Liens	149,053			149,053
Bonds			51,473	51,473
Other	142,586			142,586
Due from Other Governments	86,824			86,824
Prepaid Expenditures	13,867			13,867
Inventory	3,381			3,381
Due from Other Funds	216,539	120,965	157,110	494,614
<b>Total Assets</b>	<b>8,068,194</b>	<b>2,178,832</b>	<b>219,407</b>	<b>10,466,433</b>
<b><i>Liabilities and Fund Balances</i></b>				
Liabilities				
Accounts Payable	157,405		89	157,494
Retainage Payable			58,444	58,444
Accrued Salaries Payable	264,951			264,951
Prepaid Taxes	795,906			795,906
Deferred Property Taxes	114,354			114,354
Due to Other Governments	15,237			15,237
Due to Other Funds	1,013,979	333,032	200	1,347,211
<b>Total Liabilities</b>	<b>2,361,832</b>	<b>333,032</b>	<b>58,733</b>	<b>2,753,597</b>
<b><i>Fund Balances</i></b>				
Nonspendable	3,381		8,595	11,976
Restricted	514,159			514,159
Committed	2,670,900	1,845,800	150,139	4,666,839
Assigned	308,933		1,940	310,873
Unassigned	2,208,989			2,208,989
<b>Total Fund Balances</b>	<b>5,706,362</b>	<b>1,845,800</b>	<b>160,674</b>	<b>7,712,836</b>
<b>Total Liabilities and Fund Balances</b>	<b>8,068,194</b>	<b>2,178,832</b>	<b>219,407</b>	<b>10,466,433</b>

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2011**

**Exhibit C**  
**Page 2 of 2**

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

Total Fund Balance	7,712,836
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$17,979,132	33,118,187
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Taxes	114,354
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(12,293,708)
Accrued Compensated Absences	(106,980)
Capital Leases Payable	(27,704)
Transfers to Fiduciary and Proprietary Funds	852,597
	<u>(11,575,795)</u>
Net Assets of Governmental Activities	<u><u>29,369,582</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, 2011**

**Exhibit D**  
**Page 1 of 2**

	<b>General Fund</b>	<b>Capital Improvement Program</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>				
Taxes	12,240,721			12,240,721
Intergovernmental Revenues	715,631			715,631
Local Sources	309,175	123,606	531	433,312
Fair Value Increase (Decrease)	554,656			554,656
Miscellaneous	157,233			157,233
Total Revenues	13,977,416	123,606	531	14,101,553
<b>Expenditures</b>				
General Government	848,058	37,036		885,094
Public Safety	1,488,502	119,950		1,608,452
Public Works Department	2,154,051	104,511		2,258,562
Health and Welfare - General Assistance	639			639
Rural Wastewater Support	160,000			160,000
Wastewater Capital and Debt	34,035			34,035
Wastewater Treatment	780,875			780,875
Debt Service	1,164,654			1,164,654
Unclassified	199,903			199,903
Assessments	3,072,043			3,072,043
Education Programs	3,359,295			3,359,295
Capital Outlay			762,420	762,420
Other			193	193
Total Expenditures	13,262,055	261,497	762,613	14,286,165
Excess of Revenues Over (Under) Expenditures	715,361	(137,891)	(762,082)	(184,612)
<b>Other Financing Sources (Uses)</b>				
Transfers from Other Funds	89,343	453,712	315,859	858,914
Transfers to Other Funds	(420,437)	(223,944)	(39,762)	(684,143)
Total Other Financing Sources (Uses)	(331,094)	229,768	276,097	174,771
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	384,267	91,877	(485,985)	(9,841)
Fund Balance - July 1	5,322,095	1,753,923	646,659	7,722,677
<b>Fund Balance - June 30</b>	<b>5,706,362</b>	<b>1,845,800</b>	<b>160,674</b>	<b>7,712,836</b>

(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, 2011**

**Exhibit D**  
**Page 2 of 2**

Net change in fund balances - total governmental funds (9,841)

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	1,189,215
Capital asset disposals	(16,162)
Depreciation expense	(1,250,268)
	<u>(77,215)</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>7,726</u>
----------------	--------------

Bond proceeds proved current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets:

Capital lease obligation principal payments	22,971
General obligation bond principal payments	1,348,371
	<u>1,371,342</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	195,328
Accrued compensated absences	(8,195)
	<u>187,133</u>

Change in net assets of governmental activities	<u><u>1,479,145</u></u>
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The notes to financial statements are an integral part of this statement.

**TOWN OF MOUNT DESERT**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
**JUNE 30, 2011**

**Exhibit E**

	<b>Proprietary Fund Types Marina Fund</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Loan Receivable	2,072,959
Due from Other Funds	856,870
<b>Total Current Assets</b>	<b>2,929,829</b>
<b>Noncurrent Assets:</b>	
Capital Assets, net	893,744
<b>Total Noncurrent Assets</b>	<b>893,744</b>
<b>Total Assets</b>	<b>3,823,573</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accrued Interest Payable	3,535
<b>Long-term Liabilities:</b>	
Due Within One Year	110,000
Due in More Than One Year	2,090,000
<b>Total Liabilities</b>	<b>2,203,535</b>
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	766,703
Retained Earnings	
Unreserved - Undesignated	853,335
<b>Total Net Assets</b>	<b>1,620,038</b>
<b>Total Liabilities and Net Assets</b>	<b>3,823,573</b>
Amounts reported for business activities in the Statement of Net Assets are different because:	
Total Net Assets	1,620,038
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(12,144)
Transfers to Fiduciary and Proprietary Funds	(856,870)
	<b>(869,014)</b>
Net Assets of Business Activities	<b>751,024</b>

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, 2011**

**Exhibit F**

	<u><b>Proprietary Fund</b></u> <u><b>Marina Fund</b></u>
Operating Revenues:	
NEH Marina	592,039
Mooring	86,520
Donations	30,300
Marina Concessions	6,521
Total Operating Revenues:	<u>715,380</u>
Operating Expenditures:	
NEH Marina	299,311
Seal Harbor Marina	6,795
Bartlett Narrows Harbor	570
Somesville Harbor	110
Debt Service	3,535
Depreciation	20,637
Total Operating Expenditures	<u>330,958</u>
Net Operating Income	<u>384,422</u>
<b>Net Income (Loss) before contributions and transfers</b>	384,422
Transfer from Other Funds	
Transfer to Other Funds	<u>(174,771)</u>
<b>Change in Net Assets</b>	209,651
<b>Total Net Assets - Beginning</b>	<u>1,410,387</u>
<b>Total Net Assets - Ending</b>	<u><u>1,620,038</u></u>
Net change in fund balances - total business funds	209,651
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	(206,880)
Accrued compensated absences	6,497
	<u>(200,383)</u>
Change in net assets of business activities	<u><u>9,268</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, 2011**

**Exhibit G**

	<b><i>Proprietary Fund Types Marina Fund</i></b>
<b><i>Cash Flows from Operating Activities</i></b>	
Received from Customers	685,080
Payments to Suppliers	(111,073)
Payments to Employees	(195,714)
Other Receipts (Payments)	(2,413,670)
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b><i>(2,035,377)</i></b>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>	
New Bond	2,200,000
Purchases of Capital Assets	(164,623)
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b><i>2,035,377</i></b>
<b><i>Cash Flows from Financing Activities</i></b>	
Transfer to general fund budget	
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b><i>-</i></b>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b><i>-</i></b>
<b><i>Balances - beginning of the year</i></b>	<b><i>-</i></b>
<b><i>Balances - end of the year</i></b>	<b><i>-</i></b>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>	
Net Operating Income (Loss)	209,651
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	20,637
(Increase) Decrease in Loan Receivable	(2,072,959)
(Increase) Decrease in Due from Other Funds	(196,241)
Increase (Decrease) in Accrued Interest Payable	3,535
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b><i>(2,035,377)</i></b>

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, 2011**

**Exhibit H**

		<i>Private Purpose Trust Fund</i>
		<i>Horace Reynolds Scholarship Fund</i>
<i>Assets</i>		
Investments		18,868
<b>Total Assets</b>		<b>18,868</b>
<i>Liabilities and Net Assets</i>		
Liabilities		
Due to Other Funds		4,273
Total Liabilities		4,273
Net Assets		
Reserved for Endowments		13,333
Unreserved		1,262
Total Net Assets		14,595
<b>Total Liabilities and Net Assets</b>		<b>18,868</b>

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, 2011**

**Exhibit I**

	<i>Private Purpose</i> <i>Trust Fund</i> <hr/> <i>Horace Reynolds</i> <i>Scholarship Fund</i> <hr/>
Revenues	
Investment Income	793
	<hr/>
	793
	<hr/>
Expenditures	
Scholarships	553
	<hr/>
Total Expenditures	553
	<hr/>
Excess of Revenues Over (Under)	
Expenditures	240
Net Assets - July 1	14,355
	<hr/>
<b>Net Assets - June 30</b>	<b>14,595</b>
	<hr/> <hr/>

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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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, 2011**

**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 capital improvement program account for all the Town funds designated for capital equipment purchases.

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 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.



**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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, \$114,354 had been so classified and reported on the general fund balance sheet. Property taxes were levied on June 11 on property values assessed on April 1. Taxes were due on June 30, with interest at 7% 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 June 6, 2011. 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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**4. Capital Assets (continued)**

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.

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%.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**6. Long-term Obligations (continued)**

At June 30, the Town of Mount Desert is in compliance with the above requirements.

**7. Fund Balances/Net Assets**

*Fund Balances*

In accordance with Government Accounting Standards Board 54, fund balance reporting and governmental fund type definitions, the Town classifies governmental fund balances as follows:

*Non-spendable* – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

*Restricted* – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through town meeting voting and does not lapse at year-end.

*Assigned* – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Town Manager and Department Managers.

*Unassigned* – includes positive fund balance within the general fund which has not been classified within the above mentioned categories and negative fund balance in other governmental funds.

The Town considers restricted, committed, assigned, and unassigned amounts to be spent in that order when expenditures for which any of those amounts are available.

The Town does not have a formal minimum fund balance policy.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**7. Fund Balances/Net Assets (continued)**

Fund Balances

The Town has identified June 30, 2011 fund balances on the balance sheet as follows:

	<b>General</b>	<b>Capital</b>	<b>Other</b>	
	<b>Fund</b>	<b>Improvement</b>	<b>Governmental</b>	
		<b>Program</b>	<b>Funds</b>	<b>Total</b>
<u><b>Nonspendable</b></u>				
School Inventory	3,381			3,381
Frank Stanley Trust Principal			4,274	4,274
Cemetery Trust Principal			4,321	4,321
<u><b>Restricted</b></u>				
School Department	483,636			483,636
Municipal Revenue Sharing	7,784			7,784
Planning Grant	22,739			22,739
<u><b>Committed</b></u>				
Town Reserves	2,670,900			2,670,900
Capital Improvement Program		1,845,800		1,845,800
Somesville Treatment Plant Project			8,441	8,441
Sewer Treatment Project			15,661	15,661
Summit / Ripples SH Sidewalk Project			126,037	126,037
<u><b>Assigned</b></u>				
Shellfish Fund	7,185			7,185
Encumbrances	301,748			301,748
Frank Stanley Trust Income			1,940	1,940
<u><b>Unassigned</b></u>				
General Fund	2,208,989			2,208,989
<u><b>Total Fund Balance</b></u>	<u>5,706,362</u>	<u>1,845,800</u>	<u>160,674</u>	<u>7,712,836</u>

Net Assets

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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**7. Fund Balances/Net Assets (continued)**

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.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In 2010-2011, \$300,000 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 \$788,765 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).

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**A. Deposits (continued)**

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. 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.

At June 30, the carrying amount of the Town's deposits was \$3,200,524 and the bank balance was \$3,277,439. Of the bank balance, \$1,447,311 was covered by federal depository insurance and 1,830,128 was collateralized through Camden National and Bar Harbor Bank & Trust.

**B. Investments**

At June 30, 2011, 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
Reserves and CIP							
Common Stock	621,703	621,703				A+	
Common Stock	747,516	747,516				A	
Common Stock	343,665	343,665				A-	
Common Stock	392,281	392,281				B+	
Common Stock	57,414	57,414				B	
Common Stock	71,540	71,540				NR	
Common Stock - Foreign	143,838	143,838				B+	
Common Stock - Foreign	535,585	535,585				NR	
Corporate Bonds	212,280	212,280				AA+	Aa2
Corporate Bonds	159,893		159,893			A+	Aa3
Corporate Bonds	524,428		524,428			A	A2
Mutual Funds - Bonds	302,047	302,047				NR	
U.S. Gov't Agency	1,653,825	101,581	1,404,412	147,832		AAA	Aaa
Bonds - Foreign	360,203		360,203			AA	Aa1
Money Market	186,619	186,619				NR	
	6,312,837	3,716,069	2,448,936	147,832	-		
Trust Funds							
Mutual Funds	10,824	10,824				NR	
	10,824	10,824	-	-	-		

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

***B. Investments (continued)***

**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.

***C. Property Taxes***

Property taxes were levied for the fiscal year as follows:

Assessed Value		2,001,659,935	
Tax Rate (per \$1,000)		5.83	
Commitment		11,669,677	
Appropriations		13,117,483	
Less:			
State Municipal Revenue Sharing	45,200		
Homestead Reimbursement	17,342		
Other Revenue	1,385,264		
		1,447,806	
Net Assessment for Commitment		11,669,677	

Uncollected taxes and liens at June 30 for the current year commitment totaled \$117.110. Unpaid liens at June 30 totaled \$32,189.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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, 2011 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	216,539	1,013,979
Capital Project Funds	278,075	333,032
Permanent Funds		200
Horace Reynolds Scholarship		4,273
Enterprise Funds	<u>856,870</u>	
Totals	<u><u>1,351,484</u></u>	<u><u>1,351,484</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, 2011, were as follows:

	<u><i>Transfers From</i></u>	<u><i>Transfers To</i></u>
General Fund	89,343	420,437
Capital Projects	769,571	263,706
Enterprise Funds		<u>174,771</u>
Totals	<u><u>858,914</u></u>	<u><u>858,914</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, 2011**

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2011 was as follows:

	<b><i>Beginning Balance</i></b>	<b><i>Increases</i></b>	<b><i>Decreases</i></b>	<b><i>Ending Balance</i></b>
<b><i>Governmental Activities;</i></b>				
<i>Capital assets not being depreciated</i>				
Land	2,625,091			2,625,091
<i>Capital assets being depreciated</i>				
Buildings	16,057,418	42,667		16,100,085
Equipment	3,765,364	150,031	92,500	3,822,895
Infrastructure	27,552,731	996,517		28,549,248
<i>Total capital assets being depreciated</i>	47,375,513	1,189,215	92,500	48,472,228
<i>Less accumulated depreciation for</i>				
Buildings	5,080,671	356,364		5,437,035
Equipment	1,738,689	220,595	76,338	1,882,946
Infrastructure	9,985,842	673,309		10,659,151
<i>Total accumulated depreciation</i>	16,805,202	1,250,268	76,338	17,979,132
<i>Net capital assets being depreciated</i>	30,570,311	(61,053)	16,162	30,493,096
<b><i>Governmental Activities Capital Assets, net</i></b>	33,195,402	(61,053)	16,162	33,118,187

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

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

**E. Capital Assets**

	<b><i>Beginning Balance</i></b>	<b><i>Increases</i></b>	<b><i>Decreases</i></b>	<b><i>Ending Balance</i></b>
<b><i>Business-type Activities;</i></b>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
Construction WIP		134,623		134,623
 <i>Capital assets being depreciated</i>				
Marina	871,752	30,000		901,752
<i>Total capital assets being depreciated</i>	871,752	30,000	-	901,752
 <i>Less accumulated depreciation for</i>				
Marina	225,196	20,637		245,833
<i>Total accumulated depreciation</i>	225,196	20,637	-	245,833
<i>Net capital assets being depreciated</i>	646,556	9,363	-	655,919
<b><i>Business-type Activities Capital Assets, net</i></b>	749,757	143,986	-	893,743

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

Governmental Activities

General Government	13,003
Public Safety	115,272
Public Works	541,027
Recreation	2,250
Education	142,678
Wastewater Treatment Plants	436,038
Total Depreciation Expense - Governmental Activities	1,250,268

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2011**

**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>
2012	24,167
2013	4,667
Total Minimum Lease Payments	28,834
Less: Amount Representing Interest	<u>(1,130)</u>
Present Value of Future Minimum Lease Payments	<u><u>27,704</u></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%	122,499
2002 School Construction Bond, maturing 2022	3.05 – 5.25%	3,570,000
2004 Sewer Bond, Maturing 2024	1.03%	3,080,000
2006 General Obligation Bond, Maturing 2016	6.5%	750,000
2011 Sewer Bond Maturing 2024	1.13%	4,593,332
2011 Fire Truck Bond Maturing 2014	6.5%	<u>177,877</u>
		<u><u>12,293,708</u></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, 2011**

**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 \$1,815,706 are as follows:

<i>Six Months Ended</i>	<i>General</i>
<i>June 30,</i>	<i>Obligation</i>
	<i>Debt</i>
2012	1,426,827
2013	1,359,988
2014	1,293,717
2015	1,206,055
2016	1,179,491
2017-2021	5,035,726
2022-2026	<u>2,607,610</u>
Total	<u><u>14,109,414</u></u>

**2. Changes in Long-Term Liabilities**

During the year 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	13,642,079
Additions	
Reductions	<u>(1,348,371)</u>
Balance – June 30	<u><u>12,293,708</u></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>Percentage</i>	<i>Town's</i>
	<i>outstanding</i>	<i>applicable</i>	<i>proportionate</i>
	<i>June 30, 2011</i>	<i>to the Town</i>	<i>share of debt</i>
MDICSD	5,243,142	34.52%	1,809,933
Hancock County	<u>2,900,000</u>	<u>14.81%</u>	<u>429,490</u>
Totals	<u><u>8,143,142</u></u>		<u><u>2,239,423</u></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, 2011**

**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	4,321		4,321
Scholarships	<u>17,607</u>	<u>3,202</u>	<u>20,384</u>
Total	<u>21,928</u>	<u>3,202</u>	<u>24,705</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, 2011**

**NOTE 4 - OTHER INFORMATION (Continued)**

**C. Pension Plans (Continued)**

***Plan Description***

The Maine Public Employees 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 Public Employees 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, 2009, 2010 and year ended 2011, were \$1,777, \$2,562, and \$1835 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 17.76% of the annual covered salary for fiscal year 2011. The State's cost for 2011 was approximately \$212,682. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 17.76% of their compensation. This cost amounted to \$7,487 for 2011 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, 2011***

***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, 2011.

**TOWN OF MOUNT DESERT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES AND EXPENDITURES**  
**BUDGET AND ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit J**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	12,181,677	12,181,677	12,240,721	59,044
Intergovernmental Revenues	201,092	214,974	252,693	37,719
Charges for Services	125,040	125,040	184,780	59,740
Miscellaneous	160,600	160,600	157,233	(3,367)
<b>Total Revenues</b>	<b>12,668,409</b>	<b>12,682,291</b>	<b>12,835,427</b>	<b>153,136</b>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	838,189	838,189	860,716	(22,527)
Public Safety	1,503,807	1,517,689	1,487,453	30,236
Public Works	2,133,904	2,133,904	2,054,592	79,312
Health and Welfare - General Assistance	3,000	3,000	639	2,361
Rural Wastewater Support	160,000	160,000	160,000	-
Wastewater Treatment	812,774	812,774	784,677	28,097
Debt Service	1,046,281	1,046,281	1,046,282	(1)
Unclassified	211,014	211,014	199,903	11,111
Education	2,904,233	2,904,233	2,904,233	-
Assessments	3,142,781	3,142,781	3,072,043	70,738
<b>Total Expenditures</b>	<b>12,755,983</b>	<b>12,769,865</b>	<b>12,570,538</b>	<b>199,327</b>
<b>Excess Revenues Over Expenditures</b>	<b>(87,574)</b>	<b>(87,574)</b>	<b>264,889</b>	<b>352,463</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	149,074	149,074	135,471	(13,603)
Transfer to Other Funds	(361,500)	(361,500)	(361,500)	-
<b>Total Other Financing Sources</b>	<b>(212,426)</b>	<b>(212,426)</b>	<b>(226,029)</b>	<b>(13,603)</b>
<b>Net Change in Fund Balance</b>	<b>(300,000)</b>	<b>(300,000)</b>	<b>38,860</b>	<b>338,860</b>
<b>Beginning Fund Balances - Budgetary Basis</b>			<b>2,170,129</b>	
<b>Ending Fund Balances - Budgetary Basis</b>			<b>2,208,989</b>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<b>788,765</b>	
<b>Ending Fund Balances - GAAP Basis</b>			<b>2,997,754</b>	



**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit A-1**  
**Page 1 of 2**

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	11,669,677	11,661,952	(7,725)
Supplemental Taxes		14,201	14,201
Motor Vehicle Excise	470,000	509,423	39,423
Boat Excise	29,000	30,635	1,635
Sale of Tax Acquired Property	1,000		(1,000)
Interest on Taxes	12,000	24,510	12,510
	12,181,677	12,240,721	59,044
Intergovernmental Revenues			
Acadia National Park - PILT	25,000	30,645	5,645
ANP Otter Creek Treatment Plant	33,000	52,161	19,161
ANP Seal Harbor Sewer	18,000	16,472	(1,528)
Urban Rural Initiative Program	43,000	43,140	140
General Assistance	250	319	69
Homestead Reimbursement	17,342	17,342	-
Fire ANP Grant	1,610	1,610	-
Fire ANP Rural Fire Assistance	7,996	7,996	-
JAG Grant	525	525	-
Underage Drinking Grant	1,406	1,406	-
Speed Enforcement Grant	1,545	1,545	-
Wellness Grant	800	800	-
Highway Safety Grant		941	941
MDEA Reimbursement	8,500	11,695	3,195
Hancock County Sheriff Reimbursemen	53,000	54,578	1,578
Tree Growth	3,000	5,653	2,653
Veterans Exemption		734	734
Other State Revenues		5,131	5,131
	214,974	252,693	37,719
Charges for Services			
Police Department	18,250	12,832	(5,418)
Fire Department		1,688	1,688
Sewers	590	647	57
Recycling	1,000	4,913	3,913
Paid Parking	50,000	91,195	41,195
Planning and Zoning	43,050	54,359	11,309
Land Use Citations		16	16
Town Clerk	4,650	9,451	4,801
Tax Collection	7,500	9,679	2,179
	125,040	184,780	59,740

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit A-1**  
**Page 2 of 2**

	<u>Estimated</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Miscellaneous			
Solid Waste Performance Credit	47,000	36,744	(10,256)
Payments in Lieu of Taxes	3,000	4,509	1,509
Interest on Investments	100,000	102,774	2,774
Insurance Dividends/Refunds	5,000	8,227	3,227
Donations	600	3,819	3,219
Other	5,000	1,160	(3,840)
	<u>160,600</u>	<u>157,233</u>	<u>(3,367)</u>
Transfers and Other Sources			
NEH Marina	103,874	90,271	(13,603)
Municipal Revenue Sharing	45,200	45,200	-
	<u>149,074</u>	<u>135,471</u>	<u>(13,603)</u>
	12,831,365	<u><u>12,970,898</u></u>	<u><u>139,533</u></u>
Fund Balance Used to Reduce Tax Rate	<u>300,000</u>		
<b>Total Revenues and Use of     Fund Balance</b>	<u><u>13,131,365</u></u>		

**TOWN OF MOUNT DESERT**

**GENERAL FUND**

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES**

**FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit A-2**  
**Page 1 of 2**

	<b>Encumbered from 2010</b>	<b>Appropriation</b>	<b>Revenues/ Transfers In</b>	<b>Expenditures</b>	<b>Encumbered to 2012</b>	<b>(Over) Under Budget</b>
General Government						
Governing Body/Legislative		29,493		13,471	7,939	8,083
Municipal Management		365,551		378,419		(12,868)
Town Clerk/Registrar/Elections	1,000	83,498		82,018		2,480
Finance/Treasury	5,000	108,295		128,753	2,500	(17,958)
Assessment/Revaluations	8,000	103,324		91,718	15,137	4,469
Code Enforcement	38,750	113,038		110,881	39,832	1,075
Human Resources				13,190		(13,190)
Employee Benefits		34,990		29,608		5,382
	52,750	838,189		848,058	65,408	(22,527)
Public Safety						
Police Department	3,788	681,967		659,229	2,400	24,126
Fire Department		283,566		277,090		6,476
Communications	761	277,656		278,683	1,100	(1,366)
Emergency Management		1,000				1,000
Fire Hydrant Rental		273,500		273,500		-
	4,549	1,517,689		1,488,502	3,500	30,236
Public Works Department						
Highways, Streets and Roads	98,333	1,358,319		1,401,777	32,000	22,875
Waste Collection and Disposal	20,000	551,120		503,303	15,000	52,817
Buildings & Grounds	9,310	191,979		194,438	3,615	3,236
Parks and Cemeteries	22,431	32,486		54,533		384
	150,074	2,133,904		2,154,051	50,615	79,312
Health and Welfare - General Assistance		3,000		639		2,361
Rural Wastewater Support		160,000		160,000		-
Wastewater Capital and Debt						
Pump Station Replacement	183,760			34,035	149,725	-
Return Pumps	15,000				15,000	-
	198,760	-		34,035	164,725	-
Debt Service						
Principal on Bonds/Notes		884,928		875,913		9,015
Interest on Bonds/Notes		161,353		170,369		(9,016)
		1,046,281		1,046,282		(1)

**TOWN OF MOUNT DESERT**

**GENERAL FUND**

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES**

**FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit A-2**  
**Page 2 of 2**

	<b>Encumbered from 2010</b>	<b>Appropriation</b>	<b>Revenues/ Transfers In</b>	<b>Expenditures</b>	<b>Encumbered to 2012</b>	<b>(Over) Under Budget</b>
Wastewater Treatment						
Sewer Treatment	4,244	501,818		533,762	8,000	(35,700)
Northeast Harbor Plant	9,454	121,498		98,453		32,499
Somesville Plant		54,800		44,683	2,000	8,117
Seal Harbor Plant		94,858		80,783	3,000	11,075
Otter Creek Plant		39,800		23,194	4,500	12,106
	13,698	812,774		780,875	17,500	28,097
Unclassified						
Libraries		53,700		52,700		1,000
Recreation		99,447		94,046		5,401
Public Agencies		57,867		53,157		4,710
		211,014		199,903		11,111
Education						
Elementary School	464,858	2,904,233	477,221	3,359,295	487,017	-
Assessments						
MDI High School		2,315,208		2,315,208		-
County Tax		744,532		744,532		-
Overlay		83,041		12,303		70,738
		3,142,781		3,072,043		70,738
Operating Transfers Out						
Sewer Project	51,225			51,225		-
CIP Funds						
Public Works Equipment Reserve		74,500		74,500		-
Town Roads Reserve		25,000		25,000		-
Refuse Equipment Reserve		25,000		25,000		-
Wastewater Reserve		10,000		10,000		-
Fire Equipment Reserve		154,500		154,500		-
Fire Station Building		10,000		10,000		-
Town Office Building Reserve		20,000		20,000		-
Seal Harbor Bait House Reserve		500		500		-
Capital Improvement Reserve		32,000		32,000		-
Communications Reserve	7,712	10,000		17,712		-
	58,937	361,500		420,437		-
<b>Totals</b>	<b>943,626</b>	<b>13,131,365</b>	<b>477,221</b>	<b>13,564,120</b>	<b>788,765</b>	<b>199,327</b>

**TOWN OF MOUNT DESERT**

**Exhibit A-3**

**GENERAL FUND**

**STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2011**

Unassigned Fund Balance, July 1	2,170,129	
Unassigned Fund Balance, June 30	<u>2,208,989</u>	
<b>Increase</b>		<b><u><u>38,860</u></u></b>

***Analysis of Change***

**Additions**

**Budget Summary**

Revenue Surplus - Exhibit A-1 139,533

Unexpended Balance of

Appropriations - Exhibit A-2 199,327

Budget Surplus 338,860

**Deductions**

Beginning Fund Balance Used  
to Reduce Tax Rate

(300,000)

**Increase** **38,860**

**TOWN OF MOUNT DESERT  
ALL GENERAL RESERVE FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011**

**Exhibit A-4**

<i>Assets</i>	<i>Municipal Revenue Sharing</i>	<i>Town Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Investments		2,669,632			2,669,632
Due from Other Funds	7,784	2,196	22,739	7,185	39,904
<b>Total Assets</b>	<b>7,784</b>	<b>2,671,828</b>	<b>22,739</b>	<b>7,185</b>	<b>2,709,536</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds		928			928
Total Liabilities	-	928	-	-	928
Fund Balances					
Restricted	7,784		22,739		30,523
Committed		2,670,900			2,670,900
Assigned				7,185	7,185
Total Fund Balances	7,784	2,670,900	22,739	7,185	2,708,608
<b>Total Liabilities and Fund Balances</b>	<b>7,784</b>	<b>2,671,828</b>	<b>22,739</b>	<b>7,185</b>	<b>2,709,536</b>

**TOWN OF MOUNT DESERT  
ALL GENERAL RESERVES  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit A-5**

	<b>Municipal Revenue Sharing</b>	<b>General Reserve Funds</b>	<b>Planning Grant</b>	<b>Shellfish Fund</b>	<b>Total</b>
Revenues					
Intergovernmental Revenues	52,984				52,984
Local Sources		56,488		640	57,128
Fair Value Increase (Decrease)		554,656			554,656
Total Revenues	52,984	611,144	-	640	664,768
Expenditures					
Debt Service		118,372			118,372
Total Expenditures		118,372	-	-	118,372
Excess of Revenues Over (Under) Expenditures	52,984	492,772	-	640	546,396
Other Financing Sources (Uses)					
Transfers from Other Funds					-
Transfers to Other Funds	(45,200)	(928)			(46,128)
Total Other Financing Sources (Uses)	(45,200)	(928)			(46,128)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	7,784	491,844	-	640	500,268
Fund Balance - July 1	-	2,179,056	22,739	6,545	2,208,340
<b>Fund Balance - June 30</b>	<b>7,784</b>	<b>2,670,900</b>	<b>22,739</b>	<b>7,185</b>	<b>2,708,608</b>

**TOWN OF MOUNT DESERT  
GENERAL RESERVE FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit A-6**

	<b>Balance July 1</b>	<b>Transfers In</b>	<b>Interest</b>	<b>Revenues</b>	<b>Expenditures/ Transfers</b>	<b>Balance June 30</b>
Town Reserve Funds						
Dog Welfare	2,296		77	279		2,652
Police Training Reserve	30,000		1,008			31,008
Pollution Control Equipment	936		8		(928)	16
Wastewater Bond Repayment	1,696,263		54,054		(118,372)	1,631,945
Sub-Total	1,729,495	-	55,147	279	(119,300)	1,665,621
General (Fair Value Changes)	449,561		554,656	1,062		1,005,279
Total	2,179,056		609,803	1,341	(119,300)	2,670,900



**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
COMBINING BALANCE SHEET  
JUNE 30, 2011**

**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>Capital Improvement Program</i>	<i>Total</i>
Investments					
Bonds Receivable	51,473			2,057,867	2,057,867
Due from Other Funds	15,412	15,661	126,037	120,965	51,473 278,075
<b>Total Assets</b>	<b>66,885</b>	<b>15,661</b>	<b>126,037</b>	<b>2,178,832</b>	<b>2,387,415</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Retainage Payable	58,444			333,032	58,444 333,032
Due to Other Funds					
Total Liabilities	58,444	-	-	333,032	391,476
Fund Balances					
Committed	8,441	15,661	126,037	1,845,800	1,995,939
Total Fund Balances	8,441	15,661	126,037	1,845,800	1,995,939
<b>Total Liabilities and Fund Balances</b>	<b>66,885</b>	<b>15,661</b>	<b>126,037</b>	<b>2,178,832</b>	<b>2,387,415</b>

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit C-2**

	<b>Somesville Treatment Plant Project</b>	<b>Sewer Treatment Project</b>	<b>Summit / Ripples SH Sidewalk Project</b>	<b>Capital Improvement Program</b>	<b>Total</b>
<b>Revenues</b>					
Local Sources				57,500	57,500
Interest Income				66,106	66,106
Total Revenues	-	-	-	123,606	123,606
<b>Expenditures</b>					
General Government				37,036	37,036
Public Safety				119,950	119,950
Public Works Department				104,511	104,511
Construction	625,392				625,392
Engineering	122,850				122,850
Legal	5,640				5,640
Miscellaneous	8,538				8,538
Total Expenditures	762,420	-	-	261,497	1,023,917
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(762,420)</b>	<b>-</b>	<b>-</b>	<b>(137,891)</b>	<b>(900,311)</b>
<b>Other Financing Sources (Uses)</b>					
Transfer from Other Funds	315,859			453,712	769,571
Transfer to Other Funds		(39,762)		(223,944)	(263,706)
	315,859	(39,762)	-	229,768	505,865
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	<b>(446,561)</b>	<b>(39,762)</b>	<b>-</b>	<b>91,877</b>	<b>(394,446)</b>
Fund Balance - July 1	455,002	55,423	126,037	1,753,923	2,390,385
<b>Fund Balance - June 30</b>	<b>8,441</b>	<b>15,661</b>	<b>126,037</b>	<b>1,845,800</b>	<b>1,995,939</b>

**TOWN OF MOUNT DESERT  
CAPITAL IMPROVEMENT FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit C-3**

	<b>Balance July 1</b>	<b>Transfers In</b>	<b>Interest</b>	<b>Revenues</b>	<b>Expenditures/ Transfers</b>	<b>Balance June 30</b>
Capital Improvement Funds						
Bait House		500	17			517
Bartlett Harbor Moorings/Floats	5,252	2,500	260			8,012
Bartlett Narrows Dock	11,174	3,000	476			14,650
Capital Improvement	29,035				(29,035)	-
CEO Work Truck	1,136		38			1,174
Communications Radio	36,221	17,712	558	10,000	(57,703)	6,788
Fire Equipment/Engine	386,534	154,500	18,913	47,500	(62,247)	545,200
Fire Station Building	21,006	10,000	1,042			32,048
Land Acquisition	200,095		6,725			206,820
Northeast Harbor Marina	232,207	60,000	9,819			302,026
Northeast Harbor Marina Work Truck	8,403	4,000	416			12,819
Northeast Harbor Moorings/Floats	21,006	10,000	1,042			32,048
Public Works Equipment	201,724	74,500	9,161		(69,691)	215,694
Refuse Truck	60,382	25,000	2,869			88,251
Seal Harbor Dock	47,234	5,000	1,755			53,989
Seal Harbor Marina Road	7,820		160		(5,785)	2,195
Town Office Building	99,512	20,000	3,232		(37,036)	85,708
Town Roads	156,041	25,000	3,549		(101,876)	82,714
Wastewater	211,380	32,000	5,141		(122,068)	126,453
Wastewater Work Truck	17,761	10,000	933			28,694
Sub-Total	<u>1,753,923</u>	<u>453,712</u>	<u>66,106</u>	<u>57,500</u>	<u>(485,441)</u>	<u>1,845,800</u>

**TOWN OF MOUNT DESERT  
COMBINING BALANCE SHEET  
ALL PERMANENT FUNDS  
JUNE 30, 2011**

**Exhibit D-1**

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,414	4,410	10,824
<b>Total Assets</b>	<b>6,414</b>	<b>4,410</b>	<b>10,824</b>
<b><i>Liabilities and Fund Balances</i></b>			
Liabilities			
Accounts Payable		89	89
Due to Other Funds	200		200
Total Liabilities	200	89	289
Fund Balances			
Reserved for Endowments	4,274	4,321	8,595
Assigned	1,940		1,940
Total Fund Balances	6,214	4,321	10,535
<b>Total Liabilities and Fund Balances</b>	<b>6,414</b>	<b>4,410</b>	<b>10,824</b>

**TOWN OF MOUNT DESERT**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

**Exhibit D-2**

	<b><i>Frank Stanley Trust</i></b>	<b><i>Cemetery Trusts</i></b>	<b><i>Total</i></b>
Revenues			
Investment Income	285	246	531
Expenditures			
Scholarships	100		100
Cemetery Maintenance		93	93
	100	93	193
Excess of Revenues Over Expenditures	185	153	338
Fund Balance - July 1	6,029	4,168	10,197
<b>Fund Balance - June 30</b>	<b>6,214</b>	<b>4,321</b>	<b>10,535</b>

March 24, 2012

Members of the School Committee  
Mt. Desert School Department  
Mt. Desert, Maine

We have audited the financial statements of the Mt. Desert School Department for the year ended June 30, 2011.

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 Mt. Desert School Department has complied with the applicable provisions of the Maine School Finance Act.
5. The Mt. Desert School Department has complied with the transfer limitations between budget cost centers.
6. The Mt. Desert School Department has complied with the statutory budget content requirements.
7. The Mt. Desert School Department has not exceeded its authority to expend funds as provided with the total budget summary article.

Respectfully submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA