

*TOWN OF MOUNT DESERT, MAINE*

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

*FOR THE YEAR ENDED  
JUNE 30, 2012*

**TOWN OF MOUNT DESERT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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***TOWN OF MOUNT DESERT  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2012***

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***INDEPENDENT AUDITOR'S REPORT***

March 15, 2013

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, 2012, 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, 2012, 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, 2012**

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, 2012. 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, 2012 by \$30,941,469 (presented as “net assets”). Of this amount, \$9,364,374 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 \$820,863 (a 2.7% increase) for the year ended June 30, 2012. Net assets of governmental activities increased by \$767,009 (a 2.6% increase), while net assets of business-type activities showed an increase of \$53,854 (a 7.1% increase).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the year ended June 30, 2012; the Town's governmental funds reported a combined ending fund balance of \$8,937,737 with \$2,488,432 being general unassigned fund balance. This unassigned fund balance represents approximately 18.8% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations increased by \$2,454,561 for the year ended June 30, 2012. A new bond was issued for the Somesville sidewalk project for \$1,500,000. A new loan was issued for the marina project for \$2,200,000. 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**

68% 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, 2012 Total</b>	<b>June 30, 2011 Total</b>
Current Assets	11,131,689	92,806	11,224,495	12,044,778
Capital Assets	33,027,942	2,888,381	35,916,323	34,011,931
<b>Total Assets</b>	<b>44,159,631</b>	<b>2,981,187</b>	<b>47,140,818</b>	<b>46,056,709</b>
Current Liabilities	2,595,717	196,309	2,792,026	2,683,352
Other Liabilities	11,427,323	1,980,000	13,407,323	13,252,751
<b>Total Liabilities</b>	<b>14,023,040</b>	<b>2,176,309</b>	<b>16,199,349</b>	<b>15,936,103</b>
<b>Net Assets:</b>				
Invested in Capital Assets	20,349,897	798,381	21,148,278	21,563,478
Restricted	428,817		428,817	526,135
Unrestricted	9,357,877	6,497	9,364,374	8,030,993
<b>Total Net Assets</b>	<b>30,136,591</b>	<b>804,878</b>	<b>30,941,469</b>	<b>30,120,606</b>
<b>Total Liabilities and Net Assets</b>	<b>44,159,631</b>	<b>2,981,187</b>	<b>47,140,818</b>	<b>46,056,709</b>

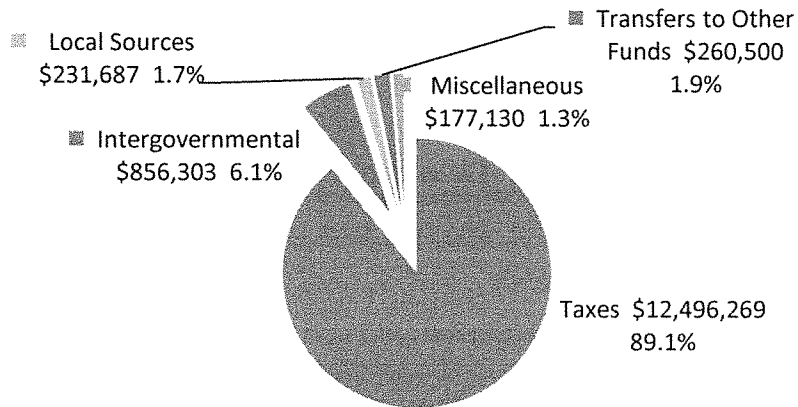
### Changes in Net Assets

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.

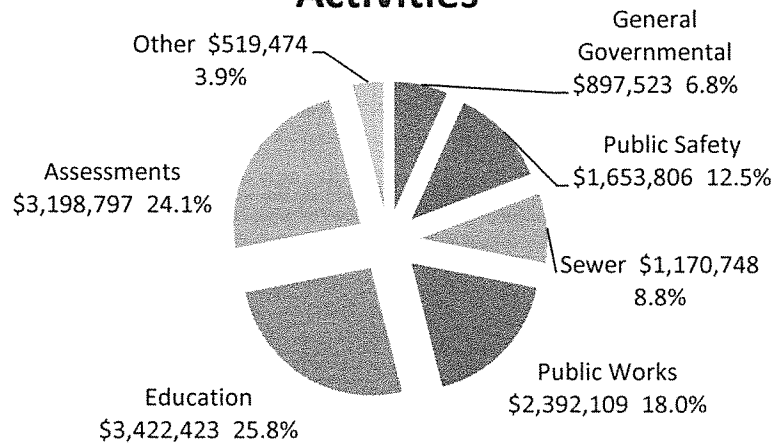
	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>June 30, 2012 Total</b>	<b>June 30, 2011 Total</b>
<b>Revenues:</b>				
Taxes	12,496,269		12,496,269	12,248,447
Intergovernmental Revenues	856,303		856,303	715,631
Charges for Services	231,687	703,929	935,616	1,101,192
Fair Value Increase (Decrease)	32,369		32,369	554,656
Gain on Sale of Asset	28,000		28,000	31,338
Transfers In / Out	260,500	(256,231)	4,269	(912)
Miscellaneous	116,761		116,761	157,233
<b>Total</b>	<b>14,021,889</b>	<b>447,698</b>	<b>14,469,587</b>	<b>14,807,585</b>
<b>Expenses:</b>				
General Government	897,523		897,523	862,035
Health and Welfare	2,370		2,370	639
Public Safety	1,653,806		1,653,806	1,653,768
Public Works	2,392,109		2,392,109	2,477,392
Sewer	1,170,748		1,170,748	1,381,573
Sewer Capital	37,647		37,647	34,035
Recreation and Library	157,252		157,252	1,221,573
Marine Dept.		393,844	393,844	335,101
Debt Service	88,940		88,940	113,783
Other	226,569		226,569	202,346
Assessments	3,198,797		3,198,797	3,072,043
Education Programs	3,422,423		3,422,423	3,186,457
Capital Outlay	6,696		6,696	-
<b>Total</b>	<b>13,254,880</b>	<b>393,844</b>	<b>13,648,724</b>	<b>13,319,172</b>
<b>Changes in Net Assets</b>	<b>767,009</b>	<b>53,854</b>	<b>820,863</b>	<b>1,488,413</b>



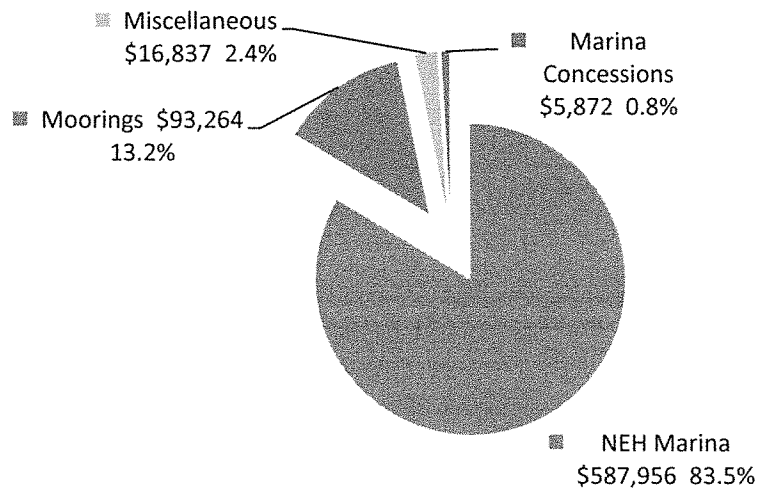
## Revenues By Source - Governmental Activities



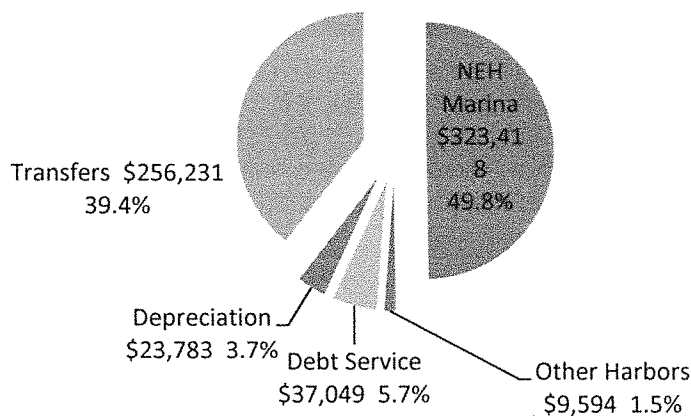
## Expenditures By Source - Governmental Activities



## 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 \$8,937,737, an increase of \$1,224,901 in comparison with the prior year. Approximately 28 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:

- \$54,554 positive variance in property taxes. Taxes receivable has decreased.
- \$48,448 positive variance in employee benefits. This was under expended due to a vote by the board of selectmen to increase the unemployment insurance budget by 300%. This extra funding proved to be unnecessary.
- \$76,548 positive variance in fire department. In the current year a volunteer firefighter year-end incentive program designed to award department members was implemented. As it turned out, not every department member qualified and the result was a significant amount of funds left over at the end of the year.
- \$130,231 positive variance in highways, streets, and roads. The majority of the variance is due to a very mild winter.
- \$85,406 positive variance in waste collection and disposal. The majority of the variance is due to household trash tonnage down.

### **CAPITAL ASSET ADMINISTRATION**

#### **Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$55,413,777, net of accumulated depreciation of \$19,497,454, leaving a net book value of \$35,916,323. Current additions include town office renovation project, fire truck, fire equipment, police truck, plowing equipment, mower, radio upgrade, sidewalk upgrade, paving and sewer project.

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, 2012**

*Exhibit A*

<i>Assets</i>	<i>Governmental Activities</i>	<i>Business-Type Activities</i>	<i>Total</i>
Cash and Equivalents	4,443,120		4,443,120
Investments	6,293,159		6,293,159
Receivables			
Taxes	2,668		2,668
Tax Liens	74,040		74,040
Bonds	1,473	92,806	94,279
Accounts	103,236		103,236
Due from Other Governments	206,178		206,178
Prepaid Expenditures	3,450		3,450
Inventory	4,365		4,365
Capital Assets:			
Land	2,625,091		2,625,091
Other Capital Assets, Net of Depreciation	30,402,851	2,888,381	33,291,232
<b>Total Assets</b>	<b>44,159,631</b>	<b>2,981,187</b>	<b>47,140,818</b>
<b><i>Liabilities and Net Assets</i></b>			
Liabilities			
Accounts Payable	237,306		237,306
Retainage Payable	21,724	35,293	57,017
Accrued Interest Payable		37,304	37,304
Prepaid Taxes	694,902		694,902
Accrued Compensated Absences	126,246	13,712	139,958
Accrued Salaries Payable	251,116		251,116
Due to Other Governments	13,701		13,701
Long-term Liabilities:			
Due Within One Year	1,250,722	110,000	1,360,722
Due in More Than One Year	11,427,323	1,980,000	13,407,323
<b>Total Liabilities</b>	<b>14,023,040</b>	<b>2,176,309</b>	<b>16,199,349</b>
Net Assets			
Investment in Capital Assets, net of Related Debt	20,349,897	798,381	21,148,278
Restricted Net Assets	428,817		428,817
Unrestricted	9,357,877	6,497	9,364,374
<b>Total Net Assets</b>	<b>30,136,591</b>	<b>804,878</b>	<b>30,941,469</b>
<b>Total Liabilities and Net Assets</b>	<b>44,159,631</b>	<b>2,981,187</b>	<b>47,140,818</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, 2012**

**Exhibit B**

<u>Functions/Programs</u> <u>Primary Government</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Governmental Activities</u>	<u>Business-like Activities</u> <u>Total</u>
<u>Governmental Activities</u>					
General Government	897,523	120,140		(777,383)	(777,383)
Health & Welfare - General Assistance	2,370			(2,370)	(2,370)
Public Safety	1,681,806	12,242		(1,669,564)	(1,669,564)
Public Works	2,392,109	2,617		(2,389,492)	(2,389,492)
Sewer	1,170,748	620		(1,170,128)	(1,170,128)
Sewer Capital	37,647			(37,647)	(37,647)
Recreation and Library	157,252			(157,252)	(157,252)
Debt Service	88,940			(88,940)	(88,940)
Other	226,569			(226,569)	(226,569)
Education	3,422,423	45,812	349,065	(3,027,546)	(3,027,546)
Assessments	3,198,797			(3,198,797)	(3,198,797)
Capital Outlay	6,696			(6,696)	(6,696)
<u>Total Governmental Activities</u>	<u>13,282,880</u>	<u>181,431</u>	<u>349,065</u>	<u>(12,752,384)</u>	<u>(12,752,384)</u>
<u>Business-type Activities</u>					
Marina	393,844	689,409	14,520		310,085
<u>Total Business-type Activities</u>	<u>393,844</u>	<u>689,409</u>	<u>14,520</u>		<u>310,085</u>
<u>Total Primary Government</u>	<u>13,676,724</u>	<u>870,840</u>	<u>363,585</u>	<u>(12,752,384)</u>	<u>(12,442,299)</u>
<u>General Revenues:</u>					
Taxes					
Property				11,954,878	11,954,878
Auto Excise				504,433	504,433
Boat Excise				36,958	36,958
Intergovernmental Revenues				435,638	435,638
Increase (Decrease) in FMV				32,369	32,369
Other Local Sources				266,617	266,617
Gain on Sale of Asset				28,000	28,000
Transfers Marina				256,231	(256,231)
Transfers Fiduciary Funds				4,269	4,269
<u>Total Revenues, Special Items and Transfers</u>				<u>13,519,393</u>	<u>13,263,162</u>
<u>Changes in Net Assets</u>					
				767,009	53,854
<u>Net Assets - Beginning</u>				29,369,582	751,024
<u>Net Assets - Ending</u>				30,136,591	804,878

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

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

<i>Assets</i>	<i>General Fund</i>	<i>Somesville Sidewalk Project</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Cash and Equivalents	4,443,120				4,443,120
Investments	4,380,198		1,901,942	11,019	6,293,159
Receivables					
Taxes	2,668				2,668
Tax Liens	74,040				74,040
Bonds				1,473	1,473
Other	103,236				103,236
Due from Other Governments	206,178				206,178
Prepaid Expenditures	3,450				3,450
Inventory	4,365				4,365
Due from Other Funds	304,651	1,300,221		140,215	1,745,087
<b>Total Assets</b>	<b>9,521,906</b>	<b>1,300,221</b>	<b>1,901,942</b>	<b>152,707</b>	<b>12,876,776</b>
<b><i>Liabilities and Fund Balances</i></b>					
Liabilities					
Accounts Payable	237,210			96	237,306
Retainage Payable		10,679		11,045	21,724
Accrued Salaries Payable	251,116				251,116
Prepaid Taxes	694,902				694,902
Deferred Property Taxes	59,800				59,800
Due to Other Governments	13,701				13,701
Due to Other Funds	2,411,768		248,722		2,660,490
<b>Total Liabilities</b>	<b>3,668,497</b>	<b>10,679</b>	<b>248,722</b>	<b>11,141</b>	<b>3,939,039</b>
<b><i>Fund Balances</i></b>					
Nonspendable	4,365			8,942	13,307
Restricted	415,510				415,510
Committed	2,676,887	1,289,542	1,653,220	130,643	5,750,292
Assigned	268,215			1,981	270,196
Unassigned	2,488,432				2,488,432
<b>Total Fund Balances</b>	<b>5,853,409</b>	<b>1,289,542</b>	<b>1,653,220</b>	<b>141,566</b>	<b>8,937,737</b>
<b>Total Liabilities and Fund Balances</b>	<b>9,521,906</b>	<b>1,300,221</b>	<b>1,901,942</b>	<b>152,707</b>	<b>12,876,776</b>

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2012**

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

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

Total Fund Balance	8,937,737
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$19,227,840	33,027,942
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Taxes	59,800
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(12,658,269)
Accrued Compensated Absences	(126,246)
Capital Leases Payable	(19,776)
Transfers to Fiduciary and Proprietary Funds	915,403
	<u>(11,888,888)</u>
Net Assets of Governmental Activities	<u>30,136,591</u>

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

**TOWN OF MOUNT DESERT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

	<i>General Fund</i>	<i>Somesville Sidewalk Project</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>					
Taxes	12,550,823				12,550,823
Intergovernmental Revenues	856,303				856,303
Local Sources	191,282		67,817	588	259,687
Fair Value Increase (Decrease)	32,369				32,369
Miscellaneous	144,761				144,761
Total Revenues	13,775,538	-	67,817	588	13,843,943
<b>Expenditures</b>					
General Government	881,175		55,502		936,677
Health and Welfare - General Assistance	2,370				2,370
Public Safety	1,496,490		514,364		2,010,854
Public Works	2,108,299		124,837		2,233,136
Sewer	756,531		56,802		813,333
Sewer Capital	37,647				37,647
Recreation and Library	157,252				157,252
Debt Service	926,879				926,879
All Other	216,751		7,118	200	224,069
Education Programs	3,545,768				3,545,768
Assessments	3,198,797				3,198,797
Capital Outlay		223,258		6,696	229,954
Total Expenditures	13,327,959	223,258	758,623	6,896	14,316,736
Excess of Revenues Over (Under) Expenditures	447,579	(223,258)	(690,806)	(6,308)	(472,793)
<b>Other Financing Sources (Uses)</b>					
Bond Proceeds		1,500,000			1,500,000
Transfers from Other Funds	117,079	12,800	504,002	-	633,881
Transfers to Other Funds	(417,611)	-	(5,776)	(12,800)	(436,187)
Total Other Financing Sources (Uses)	(300,532)	1,512,800	498,226	(12,800)	1,697,694
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	147,047	1,289,542	(192,580)	(19,108)	1,224,901
Fund Balance - July 1	5,706,362	-	1,845,800	160,674	7,712,836
Fund Balance - June 30	5,853,409	1,289,542	1,653,220	141,566	8,937,737

(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, 2012**

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

Net change in fund balances - total governmental funds 1,224,901

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	1,234,006
Capital asset disposals	(12,399)
Depreciation expense	(1,311,852)
	<u>(90,245)</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>(54,554)</u>
----------------	-----------------

Bond proceeds provide 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	7,928
New debt	(1,500,000)
General obligation bond principal payments	1,135,439
	<u>(356,633)</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	62,806
Accrued compensated absences	(19,266)
	<u>43,540</u>

Change in net assets of governmental activities	<u><u>767,009</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, 2012**

**Exhibit E**

	<b>Proprietary Fund Types Marina Fund</b>
<b>Assets</b>	
<b>Current Assets:</b>	
Loan Receivable	92,806
Due from Other Funds	915,407
<b>Total Current Assets</b>	<b>1,008,213</b>
<b>Noncurrent Assets:</b>	
Capital Assets, net	2,888,381
<b>Total Noncurrent Assets</b>	<b>2,888,381</b>
<b>Total Assets</b>	<b>3,896,594</b>
<b>Liabilities and Net Assets</b>	
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accrued Interest Payable	37,304
Retainage Payable	35,293
<b>Long-term Liabilities:</b>	
Due Within One Year	110,000
Due in More Than One Year	1,980,000
<b>Total Liabilities</b>	<b>2,162,597</b>
<b>Net Assets</b>	
Invested in Capital Assets, net of related debt	798,381
Retained Earnings	
Unreserved - Undesignated	935,616
<b>Total Net Assets</b>	<b>1,733,997</b>
<b>Total Liabilities and Net Assets</b>	<b>3,896,594</b>
Amounts reported for business activities in the Statement of Net Assets are different because:	
Total Net Assets	1,733,997
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(13,712)
Transfers to Fiduciary and Proprietary Funds	(915,407)
	<b>(929,119)</b>
Net Assets of Business Activities	<b>804,878</b>

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

**TOWN OF MOUNT DESERT****Exhibit F****PROPRIETARY FUNDS****STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012**

	<u><i>Proprietary Fund</i></u> <u><i>Marina Fund</i></u>
Operating Revenues:	
NEH Marina	587,956
Mooring	93,264
Launch Services	14,520
Pump Out Grant	2,317
Marina Concessions	5,872
Total Operating Revenues:	<u>703,929</u>
Operating Expenditures:	
NEH Marina	321,850
Seal Harbor Marina	8,580
Bartlett Narrows Harbor	579
Somesville Harbor	435
Debt Service	37,049
Depreciation	23,783
Total Operating Expenditures	<u>392,276</u>
Net Operating Income	<u>311,653</u>
<i>Net Income (Loss) before contributions and transfers</i>	311,653
Transfer from Other Funds	
Transfer to Other Funds	<u>(197,694)</u>
<i>Change in Net Assets</i>	113,959
<i>Total Net Assets - Beginning</i>	<u>1,620,038</u>
<i>Total Net Assets - Ending</i>	<u><u>1,733,997</u></u>
Net change in fund balances - total business funds	113,959
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	(58,537)
Accrued compensated absences	(1,568)
	<u>(60,105)</u>
Change in net assets of business activities	<u><u>53,854</u></u>

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

**TOWN OF MOUNT DESERT**  
**ALL PROPRIETARY FUND TYPES**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Exhibit G**

	<i>Proprietary Fund Types</i>
	<i>Marina Fund</i>
<b><i>Cash Flows from Operating Activities</i></b>	
Received from Customers	701,612
Payments to Suppliers	(215,803)
Payments to Employees	(203,032)
Other Receipts (Payments)	1,845,643
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>2,128,420</b>
	<hr/>
<b><i>Cash Flows from Capital and Related Financing Activities</i></b>	
Principal Paid on Capital Debt	(110,000)
Purchases of Capital Assets	(2,018,420)
	<hr/>
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(2,128,420)</b>
	<hr/>
<b><i>Cash Flows from Financing Activities</i></b>	
Transfer to general fund budget	<hr/>
	<hr/>
<b><i>Net Cash Provided by (Used in) Investing Activities</i></b>	<b>-</b>
	<hr/>
<b><i>Net Increase (Decrease) in Cash and Cash Equivalents</i></b>	<b>-</b>
	<hr/>
<b><i>Balances - beginning of the year</i></b>	<b>-</b>
	<hr/>
<b><i>Balances - end of the year</i></b>	<b>-</b>
	<hr/> <hr/>
<b><i>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:</i></b>	
Net Operating Income (Loss)	113,959
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	23,783
(Increase) Decrease in Loan Receivable	1,980,153
(Increase) Decrease in Due from Other Funds	(58,537)
Increase (Decrease) in Accrued Interest Payable	33,769
Increase (Decrease) in Retainage Payable	35,293
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>2,128,420</b>
	<hr/> <hr/>

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

**TOWN OF MOUNT DESERT**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**JUNE 30, 2012**

**Exhibit H**

	<i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i>
<i>Assets</i>	
Investments	14,921
<b>Total Assets</b>	<b>14,921</b>
<i>Liabilities and Net Assets</i>	
Liabilities	
Due to Other Funds	4
Total Liabilities	4
Net Assets	
Reserved for Endowments	13,872
Unreserved	1,045
Total Net Assets	14,917
<b>Total Liabilities and Net Assets</b>	<b>14,921</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, 2012**

**Exhibit I**

	<i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i>
Revenues	
Investment Income	<u>875</u>
	<u>875</u>
Expenditures	
Scholarships	<u>553</u>
Total Expenditures	<u>553</u>
Excess of Revenues Over (Under) Expenditures	322
Net Assets - July 1	<u>14,595</u>
Net Assets - June 30	<u><u>14,917</u></u>

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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012**

**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 Somesville sidewalk project accounts for all the construction of the sidewalk project.

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



**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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, \$59,800 had been so classified and reported on the general fund balance sheet. Property taxes were levied on June 16 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 1, 2012 for the 2011 commitment. 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, 2012**

**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.

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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

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 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, 2012**

**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, 2012 fund balances on the balance sheet as follows:

	<i>General Fund</i>	<i>Somesville Sidewalk Project</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total</i>
<u><i>Nonspendable</i></u>					
School Inventory	4,365				4,365
Frank Stanley Trust Principal				4,447	4,447
Cemetery Trust Principal				4,495	4,495
<u><i>Restricted</i></u>					
School Department	375,138				375,138
Municipal Revenue Sharing	17,633				17,633
Planning Grant	22,739				22,739
<u><i>Committed</i></u>					
Town Reserves	2,676,887				2,676,887
Capital Improvement Program			1,653,220		1,653,220
Somesville Treatment Plant Project				1,745	1,745
Sewer Treatment Project				15,661	15,661
Summit / Ripples SH Sidewalk Project				113,237	113,237
Somesville Sidewalk Project		1,289,542			1,289,542
<u><i>Assigned</i></u>					
Shellfish Fund	9,201				9,201
Encumbrances	259,014				259,014
Frank Stanley Trust Income				1,981	1,981
<u><i>Unassigned</i></u>					
General Fund	2,488,432				2,488,432
<u><i>Total Fund Balance</i></u>	<u>5,853,409</u>		<u>1,653,220</u>	<u>141,566</u>	<u>8,937,737</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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

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

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

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.

State statutes require balanced budgets, but provide for the use of beginning unreserved fund balance to achieve that end. In 2011-2012, \$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 \$638,517 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, 2012**

**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 \$4,443,120 and the bank balance was \$4,698,099. Of the bank balance, \$2,722,746 was covered by federal depository insurance and 1,975,353 was collateralized through Camden National and Bar Harbor Bank & Trust.

**B. Investments**

At June 30, 2012, the Town had the following investments, maturities, and credit ratings:

Type	Fair Value	Maturities in Years				Credit Rating S&P
		< 1	1-5	6-10	> 10	
<b>Reserves and CIP</b>						
Common Stock	409,092	409,092				A+
Common Stock	417,937	417,937				A
Common Stock	334,336	334,336				A-
Common Stock	350,667	350,667				B+
Common Stock	373,722	373,722				B
Common Stock	529,031	529,031				NR
Common Stock - Foreign	161,359	161,359				B+
Common Stock - Foreign	76,079	76,079				B
Common Stock - Foreign	481,818	481,818				NR
Corporate Bonds	205,115	205,115				AA+
Corporate Bonds	157,648		157,648			A+
Corporate Bonds	471,864	258,198	213,666			A
Corporate Bonds	260,275		260,275			A-
Mutual Funds - Bonds	651,415	651,415				NR
U.S. Gov't Agency	854,216	101,347	752,869			AAA
Bonds - Foreign	370,350		370,350			AA
Money Market	177,216	177,216				NR
	6,282,140	4,527,332	1,754,808	-	-	
<b>Trust Funds</b>						
Mutual Funds	25,940	25,940				NR
	25,940	25,940	-	-	-	

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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	2,021,144,035	
Tax Rate (per \$1,000)	5.89	
Commitment	11,904,538	
Appropriations	13,395,466	
Less:		
State Municipal Revenue Sharing	45,200	
Homestead Reimbursement	17,668	
Other Revenue	1,428,060	
	1,490,928	
Net Assessment for Commitment	11,904,538	

Uncollected taxes and liens at June 30 for the current year commitment totaled \$55,342. Unpaid liens at June 30 totaled \$18,698.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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, 2012 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	304,651	2,411,768
Capital Project Funds	1,440,436	248,722
Horace Reynolds Scholarship		4
Enterprise Funds	<u>915,407</u>	
Totals	<u><u>2,660,494</u></u>	<u><u>2,660,494</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, 2012, were as follows:

	<u><i>Transfers From</i></u>	<u><i>Transfers To</i></u>
General Fund	117,079	417,611
Capital Projects	516,802	18,576
Enterprise Funds		<u>197,694</u>
Totals	<u><u>633,881</u></u>	<u><u>633,881</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, 2012**

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2012 was as follows:

	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
<i><b>Governmental Activities;</b></i>				
<i>Capital assets not being depreciated</i>				
Land	2,625,091			2,625,091
Construction Work in Progress		55,402		55,402
<i>Capital assets being depreciated</i>				
Buildings	16,100,085			16,100,085
Equipment	3,822,895	622,753	75,543	4,370,105
Infrastructure	28,549,248	555,850		29,105,098
<i>Total capital assets being depreciated</i>	48,472,228	1,178,603	75,543	49,575,288
<i>Less accumulated depreciation for</i>				
Buildings	5,437,035	350,906		5,787,941
Equipment	1,882,946	248,453	63,145	2,068,254
Infrastructure	10,659,151	712,493		11,371,644
<i>Total accumulated depreciation</i>	17,979,132	1,311,852	63,145	19,227,839
<i>Net capital assets being depreciated</i>	30,493,096	(133,249)	12,398	30,347,449
<i><b>Governmental Activities Capital Assets, net</b></i>	33,118,187	(77,847)	12,398	33,027,942

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

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

**E. Capital Assets**

	<i><b>Beginning Balance</b></i>	<i><b>Increases</b></i>	<i><b>Decreases</b></i>	<i><b>Ending Balance</b></i>
<i><b>Business-type Activities;</b></i>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
Construction WIP	134,623	1,860,920		1,995,543
<i>Capital assets being depreciated</i>				
Marina	901,752	157,500		1,059,252
<i>Total capital assets being depreciated</i>	901,752	157,500	-	1,059,252
<i>Less accumulated depreciation for</i>				
Marina	245,833	23,782		269,615
<i>Total accumulated depreciation</i>	245,833	23,782	-	269,615
<i>Net capital assets being depreciated</i>	655,919	133,718	-	789,637
<i><b>Business-type Activities Capital Assets, net</b></i>	893,743	1,994,638	-	2,888,381

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

Governmental Activities

General Government	13,026
Public Safety	132,142
Public Works	586,587
Recreation and Library	2,500
Education	142,677
Sewer	434,920
Total Depreciation Expense - Governmental Activities	1,311,852

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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>
2013	5,358
2014	5,357
2015	5,357
2016	5,357
Total Minimum Lease Payments	21,429
Less: Amount Representing Interest	(1,653)
Present Value of Future Minimum Lease Payments	<u>19,776</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%	40,833
2002 School Construction Bond, maturing 2022	3.05 – 5.25%	3,272,500
2004 Sewer Bond, Maturing 2024	1.03%	2,860,000
2006 General Obligation Bond, Maturing 2016	6.5%	625,000
2012 Sewer Bond Maturing 2024	1.13%	4,239,998
2012 Fire Truck Bond Maturing 2014	6.5%	119,938
2012 Somesville Sidewalk Maturing 2022	2.99%	<u>1,500,000</u>
		<u>12,658,269</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%.

<i>Purpose</i>	<i>Interest Rate</i>	<i>Amount</i>
Marina Fund		
2012 Marina Project Maturing 2031	3.64%	<u>2,090,000</u>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2012**

**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 \$2,492,090 is as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Marina Fund</i>	<i>Totals</i>
2013	1,550,353	186,284	1,736,637
2014	1,479,597	182,072	1,661,669
2015	1,387,450	178,068	1,565,518
2016	1,356,474	174,064	1,530,538
2017	1,325,288	170,225	1,495,513
2018-2022	5,596,707	790,361	6,387,068
2023-2027	1,693,126	690,217	2,383,343
2028-2031		480,073	480,073
Total	14,388,995	2,851,364	17,240,359

**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 Obligation Debt</i>	<i>Marina Fund</i>
Balance – July 1	12,293,708	
Additions	1,500,000	2,200,000
Reductions	(1,135,439)	(110,000)
Balance – June 30	12,658,269	2,090,000

**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, 2012</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	4,829,756	34.52%	1,667,232
Hancock County	2,900,000	14.81%	429,490
Totals	7,729,756		2,096,722

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, 2012**

**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	4,495		4,495
Scholarships	<u>18,319</u>	<u>3,026</u>	<u>21,345</u>
Total	<u>22,814</u>	<u>3,026</u>	<u>25,840</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, 2012**

**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 3.5% of annual covered payroll, less a monthly credit of \$56. 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, 2010, 2011 and year ended 2012, were \$2,562, \$1,835, and \$1,806 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 14.32% of the annual covered salary for fiscal year 2012. The State's cost for 2012 was approximately \$175,750. There is no contribution required by the Town except for federally funded teachers for which the Town contributed 14.32% of their compensation. This cost amounted to \$8,465 for 2012 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 coverage's 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, 2012***

***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, 2012.

**TOWN OF MOUNT DESERT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Exhibit J**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	12,450,038	12,450,038	12,550,823	100,785
Intergovernmental Revenues	210,128	211,771	287,277	75,506
Charges for Services	106,800	106,800	135,619	28,819
Miscellaneous	180,600	180,600	144,761	(35,839)
<b>Total Revenues</b>	<b>12,947,566</b>	<b>12,949,209</b>	<b>13,118,480</b>	<b>169,271</b>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	955,558	955,558	881,329	74,229
Health and Welfare - General Assistance	3,000	3,000	2,370	630
Public Safety	1,591,512	1,593,155	1,500,653	92,502
Public Works	2,264,661	2,264,661	2,104,670	159,991
Sewer	788,969	788,969	739,031	49,938
Sewer Capital	5,776	5,776	5,776	-
Recreation and Library	161,647	161,647	157,252	4,395
Debt Service	812,880	812,880	812,879	1
All Other	226,359	226,359	216,751	9,608
Education	2,924,277	2,924,277	2,924,277	-
Assessments	3,209,072	3,209,072	3,198,797	10,275
<b>Total Expenditures</b>	<b>12,943,711</b>	<b>12,945,354</b>	<b>12,543,785</b>	<b>401,569</b>
<b>Excess Revenues Over Expenditures</b>	<b>3,855</b>	<b>3,855</b>	<b>574,695</b>	<b>570,840</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	153,676	153,676	162,279	8,603
Transfer to Other Funds	(457,531)	(457,531)	(457,531)	-
<b>Total Other Financing Sources</b>	<b>(303,855)</b>	<b>(303,855)</b>	<b>(295,252)</b>	<b>8,603</b>
<b>Net Change in Fund Balance</b>	<b>(300,000)</b>	<b>(300,000)</b>	<b>279,443</b>	<b>579,443</b>
<b>Beginning Fund Balances - Budgetary Basis</b>			<b>2,208,989</b>	
<b>Ending Fund Balances - Budgetary Basis</b>			<b>2,488,432</b>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<b>638,517</b>	
<b>Ending Fund Balances - GAAP Basis</b>			<b>3,126,949</b>	



**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	11,904,538	11,959,092	54,554
Supplemental Taxes		6,738	6,738
Motor Vehicle Excise	494,000	504,433	10,433
Boat Excise	30,500	36,958	6,458
Sale of Tax Acquired Property	1,000	12,000	11,000
Interest on Taxes	20,000	31,602	11,602
	<u>12,450,038</u>	<u>12,550,823</u>	<u>100,785</u>
Intergovernmental Revenues			
Acadia National Park - PILT	25,000	30,022	5,022
ANP Otter Creek Treatment Plant	35,000	61,606	26,606
ANP Seal Harbor Sewer	20,000	15,802	(4,198)
Urban Rural Initiative Program	43,000	43,140	140
General Assistance		940	940
Homestead Reimbursement	17,668	17,668	-
JAG Grant		1,314	1,314
Underage Drinking Grant	1,643	1,643	-
Wellness Grant		112	112
Highway Safety Grant		1,843	1,843
MDEA Reimbursement	10,700	16,854	6,154
Hancock County Sheriff Reimbursement	55,000	64,541	9,541
Tree Growth	3,000	5,442	2,442
Veterans Exemption	760	742	(18)
Other State Revenues		25,608	25,608
	<u>211,771</u>	<u>287,277</u>	<u>75,506</u>
Charges for Services			
Police Department	13,000	11,044	(1,956)
Fire Department		1,198	1,198
Sewers	600	620	20
Recycling	2,500	2,617	117
Paid Parking	50,000	55,649	5,649
Planning and Zoning	36,350	54,270	17,920
Town Clerk	4,350	10,221	5,871
	<u>106,800</u>	<u>135,619</u>	<u>28,819</u>

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Miscellaneous			
Solid Waste Performance Credit	47,000	45,126	(1,874)
Payments in Lieu of Taxes	3,500	4,587	1,087
Interest on Investments	119,000	81,093	(37,907)
Insurance Dividends/Refunds	10,000	11,564	1,564
Donations	600	550	(50)
Other	500	1,841	1,341
	<u>180,600</u>	<u>144,761</u>	<u>(35,839)</u>
Transfers and Other Sources			
NEH Marina	102,700	111,303	8,603
Reserves	5,776	5,776	-
Municipal Revenue Sharing	45,200	45,200	-
	<u>153,676</u>	<u>162,279</u>	<u>8,603</u>
	13,102,885	<u><u>13,280,759</u></u>	<u><u>177,874</u></u>
Fund Balance Used to Reduce Tax Rate	<u>300,000</u>		
<b>Total Revenues and Use of     Fund Balance</b>	<u><u>13,402,885</u></u>		

**TOWN OF MOUNT DESERT**

**GENERAL FUND**

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES**

**FOR THE YEAR ENDED JUNE 30, 2012**

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

	<i>Encumbered from 2011</i>	<i>Appropriation</i>	<i>Revenues/ Transfers In</i>	<i>Expenditures</i>	<i>Encumbered to 2013</i>	<i>(Over) Under Budget</i>
General Government						
Governing Body/Legislative	7,939	28,000		19,991	9,000	6,948
Municipal Management		360,993		383,379		(22,386)
Town Clerk/Registrar/Elections		84,335		83,877	680	(222)
Finance/Treasury	2,500	126,577		115,579		13,498
Assessment/Revaluations	15,137	100,728		94,645	10,000	11,220
Code Enforcement	39,832	119,285		129,444	46,832	(17,159)
Human Resources		58,000		24,118		33,882
Employee Benefits		77,640		29,192		48,448
	65,408	955,558		880,225	66,512	74,229
Health and Welfare - General Assistance		3,000		2,370		630
Public Safety						
Police Department	2,400	676,695		668,063	12,662	(1,630)
Fire Department		351,046		274,498		76,548
Communications	1,100	290,914		275,430		16,584
Emergency Management		1,000				1,000
Fire Hydrant Rental		273,500		273,500		-
	3,500	1,593,155		1,491,491	12,662	92,502
Public Works						
Highways, Streets and Roads	32,000	1,459,156		1,360,925	36,986	93,245
Waste Collection and Disposal	15,000	587,274		516,868	10,000	75,406
Buildings & Grounds	3,615	185,745		192,617		(3,257)
Parks and Cemeteries		32,486		37,889		(5,403)
	50,615	2,264,661		2,108,299	46,986	159,991
Sewer						
Sewer Treatment	8,000	508,013		506,328		9,685
Northeast Harbor Plant		105,073		99,553		5,520
Somesville Plant	2,000	57,925		44,806		15,119
Seal Harbor Plant	3,000	84,358		88,744		(1,386)
Otter Creek Plant	4,500	33,600		17,100		21,000
	17,500	788,969		756,531		49,938

**TOWN OF MOUNT DESERT  
GENERAL FUND**

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

**STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2012**

	<i>Encumbered from 2011</i>	<i>Appropriation</i>	<i>Revenues/ Transfers In</i>	<i>Expenditures</i>	<i>Encumbered to 2013</i>	<i>(Over) Under Budget</i>
Sewer Capital						
Pump Station Replacement	149,725			16,871	132,854	-
Return Pumps	15,000	5,776		20,776		-
	164,725	5,776		37,647	132,854	-
Recreation and Library						
Libraries		62,200		62,200		-
Recreation		99,447		95,052		4,395
		161,647		157,252		4,395
Debt Service						
Principal on Bonds/Notes		666,000		666,000		-
Interest on Bonds/Notes		146,880		146,879		1
		812,880		812,879		1
All Other						
Rural Wastewater Support		165,000		155,620		9,380
Public Agencies		61,359		61,131		228
		226,359		216,751		9,608
Education						
Elementary School	487,017	2,924,277	513,977	3,545,768	379,503	-
Assessments						
MDI High School		2,418,314		2,418,314		-
County Tax		764,268		764,268		-
Overlay		26,490		16,215		10,275
		3,209,072		3,198,797		10,275
Operating Transfers Out						
Reserves		457,531		457,531		-
		457,531		457,531		-
<b>Totals</b>	<b>788,765</b>	<b>13,402,885</b>	<b>513,977</b>	<b>13,665,541</b>	<b>638,517</b>	<b>401,569</b>

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

*Exhibit A-3*

Unassigned Fund Balance, July 1	2,208,989	
Unassigned Fund Balance, June 30	<u>2,488,432</u>	
<b>Increase</b>		<b><u><u>279,443</u></u></b>

*Analysis of Change*

Additions

Budget Summary

Revenue Surplus - Exhibit A-1 177,874

Unexpended Balance of

Appropriations - Exhibit A-2 401,569

Budget Surplus 579,443

Deductions

Beginning Fund Balance Used  
to Reduce Tax Rate

(300,000)

**Increase** **279,443**

**TOWN OF MOUNT DESERT**  
**ALL GENERAL RESERVE FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2012**

**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	17,633	2,753,679	22,739	9,201	2,753,679
Due from Other Funds					49,573
<b>Total Assets</b>	<b>17,633</b>	<b>2,753,679</b>	<b>22,739</b>	<b>9,201</b>	<b>2,803,252</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds		76,792			76,792
Total Liabilities	-	76,792	-	-	76,792
Fund Balances					
Restricted	17,633		22,739		40,372
Committed		2,676,887		9,201	2,676,887
Assigned					9,201
Total Fund Balances	17,633	2,676,887	22,739	9,201	2,726,460
<b>Total Liabilities and Fund Balances</b>	<b>17,633</b>	<b>2,753,679</b>	<b>22,739</b>	<b>9,201</b>	<b>2,803,252</b>

**TOWN OF MOUNT DESERT**  
**ALL GENERAL RESERVES**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Exhibit A-5**

	<i>Municipal Revenue Sharing</i>	<i>General Reserve Funds</i>	<i>Planning Grant</i>	<i>Shellfish Fund</i>	<i>Total</i>
Revenues					
Intergovernmental Revenues	55,049	53,233		2,430	55,049
Local Sources		32,369			55,663
Fair Value Increase (Decrease)					32,369
Total Revenues	55,049	85,602	-	2,430	143,081
Expenditures					
General Government		536		414	950
Public Safety		4,999			4,999
Debt Service		114,000			114,000
Total Expenditures	-	119,535	-	414	119,949
Excess of Revenues Over (Under)	55,049	(33,933)	-	2,016	23,132
Expenditures					
Other Financing Sources (Uses)		39,920			39,920
Transfers from Other Funds	(45,200)	-			(45,200)
Transfers to Other Funds	(45,200)	39,920			(5,280)
Total Other Financing Sources (Uses)					
Excess of Revenues and Other Financing Sources Over (Under)	9,849	5,987	-	2,016	17,852
Expenditures and Other Uses					
Fund Balance - July 1	7,784	2,670,900	22,739	7,185	2,708,608
<b>Fund Balance - June 30</b>	<b>17,633</b>	<b>2,676,887</b>	<b>22,739</b>	<b>9,201</b>	<b>2,726,460</b>

**TOWN OF MOUNT DESERT  
GENERAL RESERVE FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2012**

**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	2,652		72	1,554	(536)	3,742
Police Reserve		19,920	554		(4,999)	15,475
Police Training Reserve	31,008		991			31,999
Pollution Control Equipment	16					16
Revaluation Reserve		20,000	639			20,639
Wastewater Bond Repayment	1,631,945		49,423		(114,000)	1,567,368
Sub-Total	1,665,621	39,920	51,679	1,554	(119,535)	1,639,239
General (Fair Value Changes)	1,005,279		32,369			1,037,648
Total	2,670,900	39,920	84,048	1,554	(119,535)	2,676,887



**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
BALANCE SHEET  
JUNE 30, 2012**

*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>Somesville Sidewalk Project</i>	<i>Capital Improvement Program</i>	<i>Total</i>
Investments					1,901,942	1,901,942
Bonds Receivable	1,473					1,473
Due from Other Funds	11,317	15,661	113,237	1,300,221		1,440,436
<b>Total Assets</b>	<b>12,790</b>	<b>15,661</b>	<b>113,237</b>	<b>1,300,221</b>	<b>1,901,942</b>	<b>3,343,851</b>
<i>Liabilities and Fund Balances</i>						
Liabilities						
Retainage Payable	11,045			10,679	248,722	21,724
Due to Other Funds						248,722
<b>Total Liabilities</b>	<b>11,045</b>	<b>-</b>	<b>-</b>	<b>10,679</b>	<b>248,722</b>	<b>270,446</b>
Fund Balances						
Committed	1,745	15,661	113,237	1,289,542	1,653,220	3,073,405
<b>Total Fund Balances</b>	<b>1,745</b>	<b>15,661</b>	<b>113,237</b>	<b>1,289,542</b>	<b>1,653,220</b>	<b>3,073,405</b>
<b>Total Liabilities and Fund Balances</b>	<b>12,790</b>	<b>15,661</b>	<b>113,237</b>	<b>1,300,221</b>	<b>1,901,942</b>	<b>3,343,851</b>

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Somesville Treatment Plant Project	Sewer Treatment Project	Summit / Ripples SH Sidewalk Project	Somesville Sidewalk Project	Capital Improvement Program	Total
Revenues						
Local Sources					526	526
Interest Income					67,291	67,291
Total Revenues	-	-	-	-	67,817	67,817
Expenditures						
General Government					55,502	55,502
Public Safety					514,364	514,364
Public Works Department					124,837	124,837
Sewer					56,802	56,802
Construction	1,109			106,788		107,897
Engineering				103,670		103,670
Miscellaneous	5,587			12,800	7,118	25,505
Total Expenditures	6,696	-	-	223,258	758,623	988,577
Excess of Revenues Over (Under) Expenditures	(6,696)	-	-	(223,258)	(690,806)	(920,760)
Other Financing Sources (Uses)						
Bond Proceeds				1,500,000		1,500,000
Transfer from Other Funds				12,800	504,002	516,802
Transfer to Other Funds			(12,800)		(5,776)	(18,576)
	-	-	(12,800)	1,512,800	498,226	1,998,226
Excess of Revenues and Other Sources Over (Under) Expenditures	(6,696)	-	(12,800)	1,289,542	(192,580)	1,077,466
Fund Balance - July 1	8,441	15,661	126,037		1,845,800	1,995,939
<b>Fund Balance - June 30</b>	<b>1,745</b>	<b>15,661</b>	<b>113,237</b>	<b>1,289,542</b>	<b>1,653,220</b>	<b>3,073,405</b>

**TOWN OF MOUNT DESERT**  
**CAPITAL IMPROVEMENT FUNDS**  
**STATEMENT OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Exhibit C-3**

	Balance	Transfers	Interest	Revenues	Expenditures	Transfers	Balance
	July 1	In				Out	June 30
Capital Improvement Funds							
Assessment Capital Reserve		1,250	40				1,290
Bait House	517	500	32				1,049
Bartlett Harbor Moorings/Floats	8,012	6,970	479				15,461
Bartlett Narrows Dock	14,650	3,608	560		(4,618)		14,200
CEO Work Truck	1,174	5,262	206				6,642
Clerk's Capital Improvement		1,417	45				1,462
Communications Cap. Imp.		5,718	183				5,901
Communications Radio	6,788	25,893	1,006		(19,827)		13,860
Fire Equipment/Engine	545,200	167,000	18,409	526	(494,537)		236,598
Fire Station Building	32,048	1,079	1,059				34,186
Harbor Boat Reserve		9,693	287		(2,500)		7,480
Land Acquisition	206,820		6,610				213,430
Marina Equipment Reserve		4,015	128				4,143
Northeast Harbor Marina	302,026		9,652				311,678
Northeast Harbor Marina Work Truck	12,819	2,494	490				15,803
Northeast Harbor Moorings/Floats	32,048	39,181	2,277				73,506
Public Works Equipment	215,694	89,000	8,466		(57,720)		255,440
Refuse Truck	88,251	30,000	3,779				122,030
Seal Harbor Dock	53,989	20,430	2,379				76,798
Seal Harbor Marina Road	2,195		70				2,265
Town Office Building	85,708	20,000	2,910		(55,502)		53,116
Town Roads	82,714	25,000	1,834		(67,117)		42,431
Treasurer's Capital Improvement		1,492	48				1,540
Wastewater	126,453	35,000	5,218		(36,000)	(5,776)	124,895
Wastewater Work Truck	28,694	9,000	1,124		(20,802)		18,016
Sub-Total	1,845,800	504,002	67,291	526	(758,623)	(5,776)	1,653,220

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET**  
**ALL PERMANENT FUNDS**  
**JUNE 30, 2012**

**Exhibit D-1**

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,428	4,591	11,019
<b>Total Assets</b>	<b>6,428</b>	<b>4,591</b>	<b>11,019</b>
<i>Liabilities and Fund Balances</i>			
Liabilities			
Accounts Payable		96	96
Due to Other Funds			-
<b>Total Liabilities</b>	<b>-</b>	<b>96</b>	<b>96</b>
Fund Balances			
Reserved for Endowments	4,447	4,495	8,942
Assigned	1,981		1,981
<b>Total Fund Balances</b>	<b>6,428</b>	<b>4,495</b>	<b>10,923</b>
<b>Total Liabilities and Fund Balances</b>	<b>6,428</b>	<b>4,591</b>	<b>11,019</b>

**TOWN OF MOUNT DESERT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

**Exhibit D-2**

	<i><b>Frank Stanley Trust</b></i>	<i><b>Cemetery Trusts</b></i>	<i><b>Total</b></i>
Revenues			
Investment Income	314	274	588
Expenditures			
Scholarships	100		100
Cemetery Maintenance		100	100
	100	100	200
Excess of Revenues Over Expenditures	214	174	388
Fund Balance - July 1	6,214	4,321	10,535
<b>Fund Balance - June 30</b>	<b>6,428</b>	<b>4,495</b>	<b>10,923</b>