

*TOWN OF MOUNT DESERT, MAINE*

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

*FOR THE YEAR  
ENDED JUNE 30, 2013*

**TOWN OF MOUNT DESERT**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	<b>TABLE OF CONTENTS</b>	<b>PAGE(S)</b>
	<b>INDEPENDENT AUDITOR'S REPORT</b>	1 - 2
	<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3 - 8
	<b>BASIC FINANCIAL STATEMENTS</b>	
<b>EXHIBIT</b>	<b>GOVERNMENTAL-WIDE FINANCIAL STATEMENTS</b>	
A	Statement of Net Position	9
B	Statement of Activities	10
	<b>FUND FINANCIAL STATEMENTS</b>	
	<b>Governmental Funds Financial Statements</b>	
C	Balance Sheet - Governmental Funds	11 - 12
D	Statement of Revenues, Expenditures And Changes in Fund Balances - Governmental Funds	13 - 14
	<b>Proprietary Funds Financial Statements</b>	
E	Statement of Net Position	15
F	Statement of Revenues, Expenses, and Changes in Fund Net Position	16
G	Statement of Cash Flows	17
	<b>Fiduciary Funds Financial Statements</b>	
H	Statement of Fiduciary Net Position	18
I	Statement of Changes in Fiduciary Net Position	19
	<b>NOTES TO THE FINANCIAL STATEMENTS</b>	20 - 36
	<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	
J	Budgetary Comparison Schedule	37
	<b>OTHER SUPPLEMENTARY INFORMATION</b>	
	<b>GENERAL FUND</b>	
A-1	Statement of Estimated and Actual Revenues	38-39
A-2	Statement of Appropriations, Expenditures, and Encumbrances	40-41
A-3	Statement of Changes in Unassigned Fund Balance	42
	<b>GENERAL RESERVE FUNDS</b>	
A-4	Balance Sheet	43
A-5	Statement of Revenues, Expenditures and Changes in Fund Balances	44
A-6	Statement of Activity	45
	<b>CAPITAL PROJECT FUNDS</b>	
C-1	Balance Sheet	46
C-2	Statement of Revenues, Expenditures and Changes in Fund Balances	47-48
C-3	Statement of Activity - Capital Improvement Funds	49

***TOWN OF MOUNT DESERT  
FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2013***

<b><i>TABLE OF CONTENTS</i></b>		<b><i>PAGE(S)</i></b>
<b><i>PERMANENT FUNDS</i></b>		
D-1	Balance Sheet	50
D-2	Statement of Revenues, Expenditures and Changes in Fund Balances	51

***INDEPENDENT AUDITOR'S REPORT***

March 24, 2014

Members of the Board of Selectmen  
Town of Mount Desert  
Mount Desert, ME

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, 2013, which collectively comprise the Town's basic financial statements as listed in the table of contents, and related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for audit opinions.

***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, 2013,

and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

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 any 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's 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 do not express an opinion or provide any assurance on them.

Respectfully Submitted,

*James W. Wadman, CPA*

James W. Wadman, CPA

**TOWN OF MOUNT DESERT, MAINE**  
**Management's Discussion and Analysis**  
**For the Year Ended June 30, 2013**

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, 2013. 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 position* – The assets of the Town exceeded its liabilities at year ending June 30, 2013 by \$32,012,111 (presented as “net position”). Of this amount, \$14,253,333 was reported as “unrestricted net position”. Unrestricted net position represents the amount available to be used to meet the Town's ongoing obligations to citizens and creditors.

*Changes in Net position* – The Town's total net position increased by \$1,070,642 (a 3.5% increase) for the year ended June 30, 2013. Net position of governmental activities increased by \$871,484 (a 2.9% increase), while net position of business-type activities showed an increase of \$199,148 (a 24.7% increase).

**Fund Highlights:**

*Governmental Funds* – Fund Balances – As of the close of the year ended June 30, 2013; the Town's governmental funds reported a combined ending fund balance of \$14,074,368 with \$1,684,742 being general unassigned fund balance. This unassigned fund balance represents approximately 12.2% of the total general fund expenditures for the year.

**Long-term Debt:**

The Town's total long-term debt obligations increased by \$5,952,050 for the year ended June 30, 2013. A new bond was issued for the municipal garage project for \$2,352,115. A new loan was issued for the WWTP upgrade project for \$4,955,950. 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 position**

54% of the Town's net position reflects 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.

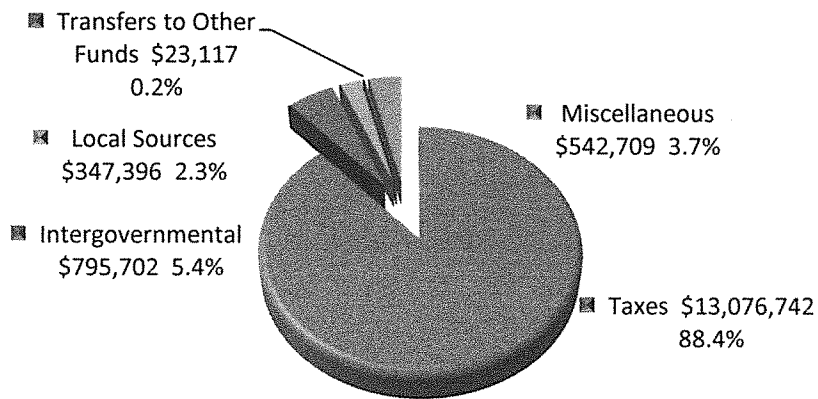
	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>June 30, 2013 Total</b>	<b>June 30, 2012 Total</b>
Current Assets	15,848,245		15,848,245	11,224,495
Capital Assets	34,947,786	3,088,958	38,036,744	35,916,323
<b>Total Assets</b>	<b>50,796,031</b>	<b>3,088,958</b>	<b>53,884,989</b>	<b>47,140,818</b>
Current Liabilities	2,668,449	214,932	2,883,381	2,792,026
Other Liabilities	17,119,497	1,870,000	18,989,497	13,407,323
<b>Total Liabilities</b>	<b>19,787,946</b>	<b>2,084,932</b>	<b>21,872,878</b>	<b>16,199,349</b>
<b>Net Position:</b>				
Net Investment in Capital Assets	16,212,398	1,108,958	17,321,356	21,148,278
Restricted	437,422		437,422	428,817
Unrestricted	14,358,265	(104,932)	14,253,333	9,364,374
<b>Total Net Position</b>	<b>31,008,085</b>	<b>1,004,026</b>	<b>32,012,111</b>	<b>30,941,469</b>
<b>Total Liabilities and Net Position</b>	<b>50,796,031</b>	<b>3,088,958</b>	<b>53,884,989</b>	<b>47,140,818</b>

**Changes in Net Position**

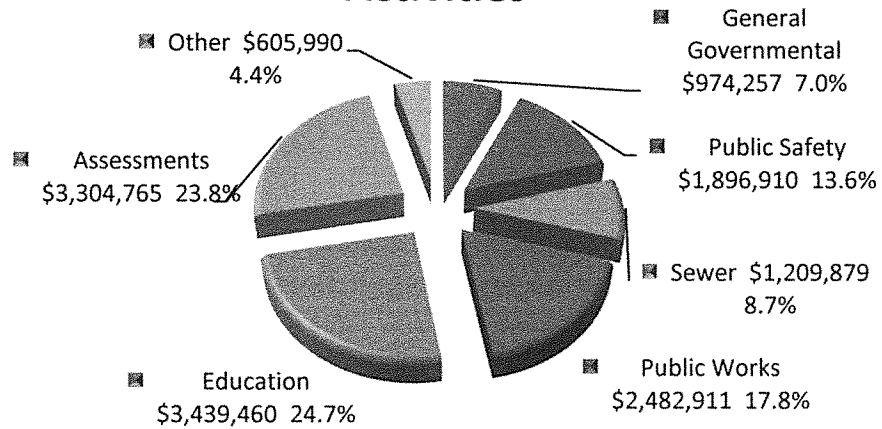
Approximately 89% of the Town's total revenue came from property and excise taxes, approximately 5% came from State subsidies and grants, and approximately 6% came from services, investment earnings and other sources. Depreciation expense on the Town's governmental and business-like activity assets represents \$1,394,041 of the total expenses for the fiscal year.

	<b>Governmental Activities</b>	<b>Business-like Activities</b>	<b>June 30, 2013 Total</b>	<b>June 30, 2012 Total</b>
<b><i>Revenues:</i></b>				
Taxes	13,076,742		13,076,742	12,496,269
Intergovernmental Revenues	742,713		742,713	856,303
Charges for Services	195,913	780,268	976,181	935,616
Fair Value Increase (Decrease)	381,473		381,473	32,369
Gain on Sale of Asset	38,000		38,000	28,000
Transfers In / Out	23,117	(23,670)	(553)	4,269
Miscellaneous	327,708		327,708	116,761
<b>Total</b>	<b>14,785,666</b>	<b>756,598</b>	<b>15,542,264</b>	<b>14,469,587</b>
<b><i>Expenses:</i></b>				
General Government	974,257		974,257	897,523
Health and Welfare	3,846		3,846	2,370
Public Safety	1,896,910		1,896,910	1,653,806
Public Works	2,482,911		2,482,911	2,392,109
Sewer	1,209,879		1,209,879	1,170,748
Sewer Capital	5,959		5,959	37,647
Recreation and Library	165,465		165,465	157,252
Marine Dept.		557,450	557,450	393,844
Debt Service	118,354		118,354	88,940
Other	312,366		312,366	226,569
Assessments	3,439,460		3,439,460	3,198,797
Education Programs	3,304,765		3,304,765	3,422,423
Capital Outlay			-	6,696
<b>Total</b>	<b>13,914,172</b>	<b>557,450</b>	<b>14,471,622</b>	<b>13,648,724</b>
<b><i>Changes in Net Position</i></b>	<b>871,494</b>	<b>199,148</b>	<b>1,070,642</b>	<b>820,863</b>

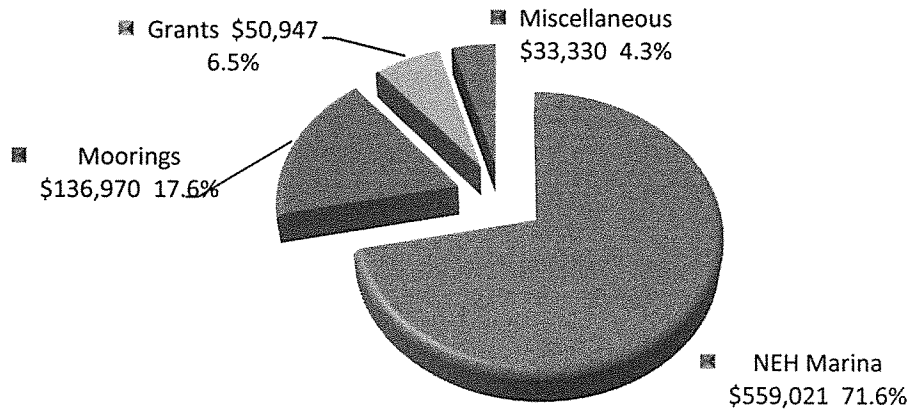
## Revenues By Source - Governmental Activities



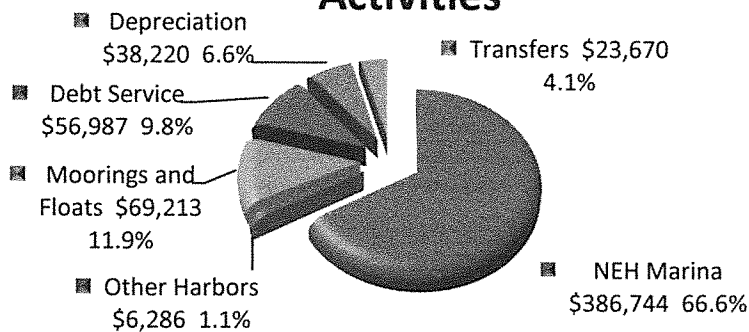
## Expenditures By Source - Governmental Activities



## 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, unassigned 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 \$14,074,368, an increase of \$5,136,631 in comparison with the prior year. Approximately 12 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:

- \$44,286 positive variance in motor vehicle excise taxes. The town budgeted conservative.
- \$33,075 negative variance in interest on investments. The town budgeted too high.
- \$51,002 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.
- \$127,199 positive variance in highways, streets, and roads. The majority of the variance is due to a very mild winter.

### **CAPITAL ASSET ADMINISTRATION**

#### **Capital Assets**

The Town's investment in capital assets for its governmental and business-like activities amounts to \$58,835,944, net of accumulated depreciation of \$20,799,200, leaving a net book value of \$38,036,744. Current additions include town office upgrade, municipal garage, WWTP upgrade, air conditioning units, dispatch console, police car, plow truck and equipment, sidewalks, 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 POSITION**  
**JUNE 30, 2013**

**Exhibit A**

<b>Assets</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
Cash and Equivalents	2,041,041		2,041,041
Investments	6,303,694		6,303,694
Receivables			
Taxes	1,196		1,196
Tax Liens	99,276		99,276
Bonds	7,117,547		7,117,547
Accounts	230,782		230,782
Due from Other Governments	36,980		36,980
Prepaid Expenditures	13,292		13,292
Inventory	4,437		4,437
Capital Assets:			
Land	2,625,091		2,625,091
Other Capital Assets, Net of Depreciation	32,322,695	3,088,958	35,411,653
<b>Total Assets</b>	<b>50,796,031</b>	<b>3,088,958</b>	<b>53,884,989</b>
<b>Liabilities</b>			
Accounts Payable	471,014	35,915	506,929
Retainage Payable	120,925		120,925
Accrued Interest Payable		57,065	57,065
Accrued Compensated Absences	157,538	11,952	169,490
Accrued Salaries Payable	256,232		256,232
Due to Other Governments	916		916
Long-term Liabilities:			
Due Within One Year	1,615,891	110,000	1,725,891
Due in More Than One Year	17,119,497	1,870,000	18,989,497
<b>Total Liabilities</b>	<b>19,742,013</b>	<b>2,084,932</b>	<b>21,826,945</b>
<b>Deferred Inflows of Resources:</b>			
Prepaid Taxes	45,933		45,933
<b>Total Deferred Inflows of Resources</b>	<b>45,933</b>	<b>-</b>	<b>45,933</b>
<b>Net Position</b>			
Net Investment in Capital Assets	16,212,398	1,108,958	17,321,356
Restricted	437,422		437,422
Unrestricted	14,358,265	(104,932)	14,253,333
<b>Total Net Position</b>	<b>31,008,085</b>	<b>1,004,026</b>	<b>32,012,111</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>50,796,031</b>	<b>3,088,958</b>	<b>53,884,989</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, 2013**

**Exhibit B**

<u>Functions/Programs</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
	<u>Expenses</u>	<u>Fees, Fines, and Charges for Services</u>	<u>Operating Grants</u>	<u>Business-like Activities</u>
<u>Primary Government</u>				<u>Total</u>
<u>Governmental Activities</u>				
General Government	974,257	108,889		(865,368)
Health & Welfare - General Assistance	3,846			(3,846)
Public Safety	1,896,910	33,204		(1,863,706)
Public Works	2,482,911	3,197		(2,479,714)
Sewer	1,209,879	583		(1,209,296)
Sewer Capital	5,959			(5,959)
Recreation and Library	165,465			(165,465)
Debt Service	118,354			(118,354)
Other	312,366			(312,366)
Education	3,439,460	50,040	330,711	(3,058,709)
Assessments	3,304,765			(3,304,765)
Capital Outlay				-
<u>Total Governmental Activities</u>	<u>13,914,172</u>	<u>195,913</u>	<u>330,711</u>	<u>(13,387,548)</u>
<u>Business-type Activities</u>				
Marina	557,450	758,463	21,805	222,818
<u>Total Business-type Activities</u>	<u>557,450</u>	<u>758,463</u>	<u>21,805</u>	<u>222,818</u>
<u>Total Primary Government</u>	<u>14,471,622</u>	<u>954,376</u>	<u>352,516</u>	<u>(13,164,730)</u>
<u>General Revenues:</u>				
Taxes				
Property				12,502,988
Auto Excise				544,286
Boat Excise				29,468
Intergovernmental Revenues				412,002
Increase (Decrease) in FMV				381,473
Other Local Sources				327,708
Gain on Sale of Asset				38,000
Transfers Marina				(23,670)
Transfers Fiduciary Funds				(553)
<u>Total Revenues, Special Items and Transfers</u>				<u>14,259,042</u>
<u>Changes in Net Position</u>				
		871,494		199,148
<u>Net Position - Beginning</u>		30,136,591		804,878
<u>Net Position - Ending</u>		31,008,085		1,004,026

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

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

	<i>General</i>	<i>Municipal</i>	<i>WWTP</i>	<i>Capital</i>	<i>Other</i>	<i>Total</i>
<i>Assets</i>	<i>Fund</i>	<i>Garage</i>	<i>Upgrades</i>	<i>Improvement</i>	<i>Governmental</i>	<i>Governmental</i>
				<i>Program</i>	<i>Funds</i>	<i>Funds</i>
Cash and Equivalents	2,041,041					2,041,041
Investments	4,657,813			1,634,931	10,950	6,303,694
Receivables						
Taxes	1,196					1,196
Tax Liens	99,276					99,276
Bonds		2,161,597	4,955,950			7,117,547
Other	230,782					230,782
Due from Other Governments	36,980					36,980
Prepaid Expenditures	13,292					13,292
Inventory	4,437					4,437
Due from Other Funds	359,725			23,612	288,792	672,129
<b>Total Assets</b>	<b>7,444,542</b>	<b>2,161,597</b>	<b>4,955,950</b>	<b>1,658,543</b>	<b>299,742</b>	<b>16,520,374</b>
<b>Liabilities</b>						
Accounts Payable	471,005				9	471,014
Retainage Payable		20,077	10,732		90,116	120,925
Accrued Salaries Payable	256,232					256,232
Due to Other Governments	916					916
Due to Other Funds	1,158,761	36,029	286,915	-		1,481,705
<b>Total Liabilities</b>	<b>1,886,914</b>	<b>56,106</b>	<b>297,647</b>	<b>-</b>	<b>90,125</b>	<b>2,330,792</b>
<b>Deferred Inflows of Resources:</b>						
Prepaid Taxes	45,933					45,933
Deferred Property Tax Revenue	69,281					69,281
<b>Total Deferred Inflows of Resources</b>	<b>115,214</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>115,214</b>
<b>Fund Balances</b>						
Nonspendable	4,437				8,791	13,228
Restricted	424,194					424,194
Committed	2,988,339	2,105,491	4,658,303	1,658,543	198,676	11,609,352
Assigned	340,702				2,150	342,852
Unassigned	1,684,742					1,684,742
<b>Total Fund Balances</b>	<b>5,442,414</b>	<b>2,105,491</b>	<b>4,658,303</b>	<b>1,658,543</b>	<b>209,617</b>	<b>14,074,368</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>7,444,542</b>	<b>2,161,597</b>	<b>4,955,950</b>	<b>1,658,543</b>	<b>299,742</b>	<b>16,520,374</b>

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

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2013**

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

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

Total Fund Balance	14,074,368
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds, net of accumulated depreciation of \$20,491,365	34,947,786
Certain long-term assets are not available to pay for current fund liabilities and, therefore, are deferred in the funds:	
Deferred Taxes	69,281
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Bonds Payable	(18,720,319)
Accrued Compensated Absences	(157,538)
Capital Leases Payable	(15,069)
Transfers to Fiduciary and Proprietary Funds	809,576
	<u>(18,083,350)</u>
Net Position of Governmental Activities	<u>31,008,085</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, 2013**

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

	<i>General Fund</i>	<i>Municipal Garage</i>	<i>WWTP Upgrades</i>	<i>Capital Improvement Program</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
<b>Revenues</b>						
Taxes	13,067,261					13,067,261
Intergovernmental Revenues	795,702					795,702
Local Sources	200,617			109,081	35,936	345,634
Fair Value Increase (Decrease)	381,473					381,473
Miscellaneous	123,236					123,236
<b>Total Revenues</b>	<b>14,568,289</b>	<b>-</b>	<b>-</b>	<b>109,081</b>	<b>35,936</b>	<b>14,713,306</b>
<b>Expenditures</b>						
General Government	949,865			10,263		960,128
General Assistance	3,846					3,846
Public Safety	1,568,967			213,739		1,782,706
Public Works	2,110,505			136,570		2,247,075
Sewer	770,917					770,917
Sewer Capital	5,959					5,959
Recreation and Library	165,465					165,465
Debt Service	1,066,869					1,066,869
All Other	228,004			81,744	118	309,866
Education Programs	3,666,676					3,666,676
Assessments	3,304,765					3,304,765
Capital Outlay		336,624	502,647		1,929,903	2,769,174
<b>Total Expenditures</b>	<b>13,841,838</b>	<b>336,624</b>	<b>502,647</b>	<b>442,316</b>	<b>1,930,021</b>	<b>17,053,446</b>
Excess of Revenues Over (Under) Expenditures	726,451	(336,624)	(502,647)	(333,235)	(1,894,085)	(2,340,140)
<b>Other Financing Sources (Uses)</b>						
Bond Proceeds		2,352,115	4,955,950		39,762	7,347,827
Transfers from Other Funds	105,963	90,000	205,000	365,876	803,237	1,570,076
Transfers to Other Funds	(1,243,409)	-	-	(27,318)	(170,405)	(1,441,132)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,137,446)</b>	<b>2,442,115</b>	<b>5,160,950</b>	<b>338,558</b>	<b>672,594</b>	<b>7,476,771</b>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	(410,995)	2,105,491	4,658,303	5,323	(1,221,491)	5,136,631
Fund Balance - July 1	5,853,409	-	-	1,653,220	1,431,108	8,937,737
<b>Fund Balance - June 30</b>	<b>5,442,414</b>	<b>2,105,491</b>	<b>4,658,303</b>	<b>1,658,543</b>	<b>209,617</b>	<b>14,074,368</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, 2013**

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

Net change in fund balances - total governmental funds 5,136,631

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	3,275,665
Depreciation expense	(1,355,821)
	<u>1,919,844</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>9,481</u>
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Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:

Capital lease obligation principal payments	4,707
New debt	(7,308,065)
General obligation bond principal payments	<u>1,246,015</u>
	<u>(6,057,343)</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	(105,827)
Accrued compensated absences	(31,292)
	<u>(137,119)</u>

Change in net position of governmental activities	<u><u>871,494</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 POSITION - PROPRIETARY FUNDS**  
**JUNE 30, 2013**

**Exhibit E**

	<i>Proprietary Fund Types Marina Fund</i>
<b>Assets</b>	
<b>Current Assets:</b>	
Loan Receivable	
Due from Other Funds	810,133
<b>Total Current Assets</b>	<b>810,133</b>
<b>Noncurrent Assets:</b>	
Capital Assets, net	3,088,958
<b>Total Noncurrent Assets</b>	<b>3,088,958</b>
<b>Total Assets</b>	<b>3,899,091</b>
<b>Liabilities and Net Position</b>	
<b>Liabilities</b>	
<b>Current Liabilities:</b>	
Accrued Interest Payable	57,065
Accounts Payable	35,915
<b>Long-term Liabilities:</b>	
Due Within One Year	110,000
Due in More Than One Year	1,870,000
<b>Total Liabilities</b>	<b>2,072,980</b>
<b>Net Position</b>	
Net Investment in Capital Assets	1,108,958
Unassigned	717,153
<b>Total Net Position</b>	<b>1,826,111</b>
<b>Total Liabilities and Net Position</b>	<b>3,899,091</b>
Amounts reported for business activities in the Statement of Net Position are different because:	
Total Net Position	1,826,111
Certain long-term liabilities are not due and payable from current financial resources and, therefore, are not reported in the funds:	
Accrued Compensated Absences	(11,952)
Transfers to Fiduciary and Proprietary Funds	(810,133)
	<b>(822,085)</b>
Net Position of Business Activities	<b>1,004,026</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 POSITION  
FOR THE YEAR ENDED JUNE 30, 2013**

	<u><i>Proprietary Fund</i></u> <u><i>Marina Fund</i></u>
Operating Revenues:	
NEH Marina	559,021
Moorings	136,970
Launch Services	21,805
Small Harbor Grant	48,449
Pump Out Grant	2,498
Ticket Booth Fees	2,550
Marina Concessions	6,140
Other Marina Revenue	2,835
Total Operating Revenues:	<u>780,268</u>
Operating Expenditures:	
NEH Marina	388,504
Seal Harbor Marina	5,089
Bartlett Narrows Harbor	1,087
Somesville Harbor	110
Moorings and Floats	69,213
Debt Service	56,987
Depreciation	38,220
Total Operating Expenditures	<u>559,210</u>
Net Operating Income	<u>221,058</u>
<i>Net Income (Loss) before contributions and transfers</i>	221,058
Transfer from Other Funds	
Transfer to Other Funds	<u>(128,944)</u>
<i>Change in Net Position</i>	92,114
<i>Total Net Position - Beginning</i>	<u>1,733,997</u>
<i>Total Net Position - Ending</i>	<u><u>1,826,111</u></u>
Net change in fund balances - total business funds	92,114
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	105,274
Accrued compensated absences	1,760
	<u>107,034</u>
Change in net position of business activities	<u><u>199,148</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, 2013**

**Exhibit G**

	<i>Proprietary Fund Types</i>
	<i>Marina Fund</i>
<b><i>Cash Flows from Operating Activities</i></b>	
Received from Customers	729,321
Payments to Suppliers	(366,912)
Payments to Employees	(206,284)
Other Receipts (Payments)	192,672
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>348,797</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	(238,797)
	<hr/>
<b><i>Net Cash Used in Capital and Related Financing Activities</i></b>	<b>(348,797)</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)	92,114
Adjustment to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation and Amortization	38,220
(Increase) Decrease in Loan Receivable	92,806
(Increase) Decrease in Due from Other Funds	105,274
Increase (Decrease) in Accrued Interest Payable	19,761
Increase (Decrease) in Retainage Payable	(35,293)
Increase (Decrease) in Accounts Payable	35,915
	<hr/>
<b><i>Net Cash Provided by (Used in) Operating Activities</i></b>	<b>348,797</b>
	<hr/> <hr/>

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

**TOWN OF MOUNT DESERT**  
**STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS**  
**JUNE 30, 2013**

**Exhibit H**

	<u><i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i></u>
<i>Assets</i>	
Investments	<u>15,079</u>
<b>Total Assets</b>	<u><u>15,079</u></u>
<i>Liabilities and Net Position</i>	
Liabilities	
Due to Other Funds	<u>557</u>
Total Liabilities	<u>557</u>
Net Position	
Restricted	13,636
Unassigned	<u>886</u>
Total Net Position	<u>14,522</u>
<b>Total Liabilities and Net Position</b>	<u><u>15,079</u></u>

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

**TOWN OF MOUNT DESERT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Exhibit I**

	<i>Private Purpose Trust Fund Horace Reynolds Scholarship Fund</i>
Revenues	
Investment Income	<u>158</u>
	<u>158</u>
Expenditures	
Scholarships	<u>553</u>
Total Expenditures	<u>553</u>
Excess of Revenues Over (Under)	
Expenditures	(395)
Net Position - July 1	<u>14,917</u>
Net Position - June 30	<u><u>14,522</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, 2013**

**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 position 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.

For the year ended 6/30/13, the Town has implemented GASB Statement #63 and #65, which changes the reporting of the government-wide fund equity from net position to net position and reporting of deferred inflows and outflows of resources.

**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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

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 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 municipal garage project accounts for all the construction of the municipal garage.

The WWTP upgrades project accounts for all the construction of the WWTP.

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.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

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.

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 Position 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, \$69,281 had been so classified and reported on the general fund balance sheet. Property taxes were levied on June 12 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 May 30, 2013 for the 2012 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, 2013**

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

**D. Assets, Liabilities and Net Position 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 position. 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, 2013**

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

**D. Assets, Liabilities and Net Position 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 Position**

*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, 2013**

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

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

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

Fund Balances

The Town has identified June 30, 2013 fund balances on the balance sheet as follows:

	<b>General Fund</b>	<b>Municipal Garage</b>	<b>WWTP Upgrades</b>	<b>Capital Improvement Program</b>	<b>Other Governmental Funds</b>	<b>Total</b>
<u><b>Nonspendable</b></u>						
School Inventory	4,437					4,437
Frank Stanley Principal					4,372	4,372
Cemetery Principal					4,419	4,419
<u><b>Restricted</b></u>						
School Department	384,028					384,028
Municipal Rev. Sharing	17,427					17,427
Planning Grant	22,739					22,739
<u><b>Committed</b></u>						
Town Reserves	2,988,339					2,988,339
Capital Imp. Program				1,658,543		1,658,543
Town Office Const.					12,861	12,861
Sidewalk Project					185,815	185,815
Municipal Garage		2,105,491				2,105,491
WWTP Upgrades			4,658,303			4,658,303
<u><b>Assigned</b></u>						
Shellfish Fund	9,321					9,321
Encumbrances	331,381					331,381
Frank Stanley Income					2,150	2,150
<u><b>Unassigned</b></u>						
General Fund	1,684,742					1,684,742
<u><b>Total Fund Balance</b></u>	<u>5,442,414</u>	<u>2,105,491</u>	<u>4,658,303</u>	<u>1,658,543</u>	<u>209,617</u>	<u>14,074,368</u>

Net Position

Net position are required to be classified into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

**TOWN OF MOUNT DESERT  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2013**

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

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

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

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

*Restricted* – This component of net position consists of restrictions placed on net position 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 position that does not meet the definition of “restricted” or “net investment in capital assets.”

**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 2012-2013, \$1,260,000 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 \$719,846 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

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**A. Deposits (continued)**

identified in the Statutes) to the Town Treasurer in the amount of the Town's deposits. The Statutes allow pledged securities to be reduced by the amount of Federal Deposit Insurance Town (FDIC).

One or more of the financial institutions holding the Town's cash accounts are participating in the FDIC Transaction Account Guarantee Program. Under the program, all noninterest bearing checking accounts include demand deposit accounts and any transaction account that has unlimited withdrawals and cannot earn interest are fully guaranteed by the FDIC for the entire amount. 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 \$2,041,041 and the bank balance was \$2,352,419. Of the bank balance, \$361,092 was covered by federal depository insurance and 1,991,328 were collateralized through Camden National and Bar Harbor Bank & Trust.

**B. Investments**

At June 30, 2013, 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	
Reserves and CIP						
Common Stock	321,678	321,678				A+
Common Stock	737,106	737,106				A
Common Stock	563,097	563,097				A-
Common Stock	287,648	287,648				B+
Common Stock	496,330	496,330				B
Common Stock	664,885	664,885				NR
Corporate Bonds	154,880	154,880				AA-
Corporate Bonds	290,611		146,063	144,548		A+
Corporate Bonds	309,175	105,993	203,182			A
Corporate Bonds	259,421		259,421			A-
Mutual Funds - Bonds	1,250,872	1,250,872				NR
U.S. Gov't Agency	588,247	101,899	486,348			AAA
Bonds - Foreign	212,898		212,898			AA
Bonds - Foreign	155,895		155,895			AA-
	6,292,743	4,684,388	1,463,807	144,548	-	
Trust Funds						
Mutual Funds	26,030	26,030				NR
	26,030	26,030	-	-	-	

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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	2,017,019,837
Tax Rate (per \$1,000)	<u>6.18</u>
Commitment	<u>12,465,183</u>
Appropriations	13,921,889
Less:	
State Municipal Revenue Sharing	50,000
Homestead Reimbursement	18,631
BETE Reimbursement	181
Other Revenue	<u>1,387,894</u>
	<u>1,456,706</u>
Net Assessment for Commitment	<u>12,465,183</u>

Uncollected taxes and liens at June 30 for the current year commitment totaled \$77,846. Unpaid liens at June 30 totaled \$21,430.

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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, 2013 were as follows:

	<u><i>Interfund Receivable</i></u>	<u><i>Interfund Payable</i></u>
General Fund	359,725	1,158,761
Capital Project Funds	312,404	322,944
Horace Reynolds Scholarship		557
Enterprise Funds	<u>810,133</u>	
Totals	<u><u>1,482,262</u></u>	<u><u>1,482,262</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, 2013, were as follows:

	<u><i>Transfers From</i></u>	<u><i>Transfers To</i></u>
General Fund	105,963	1,243,409
Capital Projects	1,464,113	197,723
Enterprise Funds		<u>128,944</u>
Totals	<u><u>1,570,076</u></u>	<u><u>1,570,076</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, 2013**

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

**E. Capital Assets**

Capital asset activity for the year ended June 30, 2013 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	1,516,409		1,571,811
<i>Capital assets being depreciated</i>				
Buildings	16,100,085	10,263		16,110,348
Equipment	4,370,105	217,931	92,295	4,495,741
Infrastructure	29,105,098	1,531,062		30,636,160
<i>Total capital assets being depreciated</i>	49,575,288	1,759,256	92,295	51,242,249
<i>Less accumulated depreciation for</i>				
Buildings	5,787,941	242,827		6,030,768
Equipment	2,068,254	359,432	92,295	2,335,391
Infrastructure	11,371,644	753,562		12,125,206
<i>Total accumulated depreciation</i>	19,227,839	1,355,821	92,295	20,491,365
<i>Net capital assets being depreciated</i>	30,347,449	403,435	-	30,750,884
<i><b>Governmental Activities Capital Assets, net</b></i>	33,027,942	1,919,844	-	34,947,786

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**E. Capital Assets**

	<i>Beginning Balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending Balance</i>
<b><i>Business-type Activities;</i></b>				
<i>Capital asset not being depreciated</i>				
Land	103,201			103,201
Construction WIP	1,995,543	238,797	(2,234,340)	-
<i>Capital assets being depreciated</i>				
Marina	1,059,252	2,234,340		3,293,592
<i>Total capital assets being depreciated</i>	1,059,252	2,234,340	-	3,293,592
<i>Less accumulated depreciation for</i>				
Marina	269,615	38,220		307,835
<i>Total accumulated depreciation</i>	269,615	38,220	-	307,835
<i>Net capital assets being depreciated</i>	789,637	2,196,120	-	2,985,757
<b><i>Business-type Activities Capital Assets, net</i></b>	2,888,381	2,434,917	(2,234,340)	3,088,958

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

Governmental Activities

General Government	13,495
Public Safety	147,242
Public Works	628,922
Recreation and Library	2,500
Education	124,010
Sewer	439,652
<b>Total Depreciation Expense - Governmental Activities</b>	<u>1,355,821</u>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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 position. 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>
2014	5,357
2015	5,357
2016	5,357
Total Minimum Lease Payments	16,071
Less: Amount Representing Interest	(1,002)
Present Value of Future Minimum Lease Payments	<u>15,069</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		
2002 School Construction Bond, maturing 2022	3.05 – 5.25%	2,975,000
2004 Sewer Bond, Maturing 2024	1.03%	2,640,000
2006 General Obligation Bond, Maturing 2016	6.5%	500,000
2009 Sewer Bond Maturing 2024	1.13%	3,886,664
2009 Fire Truck Bond Maturing 2014	6.5%	60,590
2012 Somesville Sidewalk Maturing 2022	2.99%	1,350,000
2013 WWTP Upgrade Maturing 2033	.32%	4,955,950
2013 Municipal Garage Maturing 2028	2.61%	<u>2,352,115</u>
		<u>18,720,319</u>

<i>Purpose</i>	<i>Interest Rate</i>	<i>Amount</i>
Marina Fund		
2013 Marina Project Maturing 2031	3.64%	<u>1,980,000</u>

**TOWN OF MOUNT DESERT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**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 \$2,090,680, and the Marina fund interest of \$685,080 is as follows:

<i>Year Ended June 30,</i>	<i>General Obligation Debt</i>	<i>Marina Fund</i>	<i>Totals</i>
2014	1,950,078	182,072	2,132,150
2015	1,853,837	178,068	2,031,905
2016	1,833,149	174,064	2,007,213
2017	1,797,211	170,225	1,967,436
2018	1,639,194	166,056	1,805,250
2019-2023	7,568,787	770,341	8,339,128
2024-2028	2,917,714	670,197	3,587,911
2029-2033	1,251,029	354,057	1,605,086
Total	<u>20,810,999</u>	<u>2,665,080</u>	<u>23,476,079</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 Obligation Debt</i>	<i>Marina Fund</i>
Balance – July 1	12,658,269	2,090,000
Additions	7,308,065	
Reductions	<u>(1,246,015)</u>	<u>(110,000)</u>
Balance – June 30	<u>18,720,319</u>	<u>1,980,000</u>

**3. Overlapping Debt**

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

<i>Units</i>	<i>Net debt outstanding June 30, 2013</i>	<i>Percentage applicable to the Town</i>	<i>Town's proportionate share of debt</i>
MDICSD	4,285,156	34.52%	1,479,236
Hancock County	<u>2,544,500</u>	<u>14.81%</u>	<u>376,840</u>
Totals	<u>6,829,656</u>		<u>1,856,076</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, 2013**

**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	4,419		4,419
Scholarships	<u>18,008</u>	<u>3,036</u>	<u>21,044</u>
Total	<u>22,427</u>	<u>3,036</u>	<u>25,463</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, 2013**

**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 6.5%.

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 6.5% of annual covered payroll, less a monthly credit of \$413. 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, 2011, 2012 and year ended 2013, were \$1,835, \$1,806, and \$8,845 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 2013. The State's cost for 2013 was approximately \$185,541. 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 2013 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, 2013**

**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, 2013.

**TOWN OF MOUNT DESERT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Exhibit J**

	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance Favorable (Unfavorable)</i>
<b>Revenues</b>				
Taxes	13,017,183	13,017,183	13,067,261	50,078
Intergovernmental Revenues	245,224	245,519	248,809	3,290
Charges for Services	120,300	138,281	145,873	7,592
Miscellaneous	146,900	146,900	123,236	(23,664)
<b>Total Revenues</b>	<b>13,529,607</b>	<b>13,547,883</b>	<b>13,585,179</b>	<b>37,296</b>
<b>Expenditures (Net of Departmental Revenues)</b>				
General Government	1,007,667	1,007,667	977,236	30,431
Health and Welfare - General Assistance	3,000	3,000	3,846	(846)
Public Safety	1,622,913	1,643,489	1,552,609	90,880
Public Works	2,296,644	2,296,644	2,136,457	160,187
Sewer	810,442	810,442	780,726	29,716
Sewer Capital	-	-	-	-
Recreation and Library	173,647	173,647	165,465	8,182
Debt Service	925,691	925,691	925,813	(122)
All Other	243,689	243,689	228,004	15,685
Education	3,178,539	3,178,539	3,178,539	-
Assessments	3,350,969	3,350,969	3,329,765	21,204
<b>Total Expenditures</b>	<b>13,613,201</b>	<b>13,633,777</b>	<b>13,278,460</b>	<b>355,317</b>
<b>Excess Revenues Over Expenditures</b>	<b>(83,594)</b>	<b>(85,894)</b>	<b>306,719</b>	<b>392,613</b>
<b>Other Financing Sources</b>				
Transfers from Other Funds	92,283	94,583	158,280	63,697
Transfer to Other Funds	(1,268,689)	(1,268,689)	(1,268,689)	-
<b>Total Other Financing Sources</b>	<b>(1,176,406)</b>	<b>(1,174,106)</b>	<b>(1,110,409)</b>	<b>63,697</b>
<b>Net Change in Fund Balance</b>	<b>(1,260,000)</b>	<b>(1,260,000)</b>	<b>(803,690)</b>	<b>456,310</b>
<b>Beginning Fund Balances - Budgetary Basis</b>			<b>2,488,432</b>	
<b>Ending Fund Balances - Budgetary Basis</b>			<b>1,684,742</b>	
<b>Adjustments to Conform to GAAP:</b>				
Elimination of Encumbrances			<b>719,846</b>	
<b>Ending Fund Balances - GAAP Basis</b>			<b>2,404,588</b>	

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Taxes			
Property	12,465,183	12,455,701	(9,482)
Supplemental Taxes		16,209	16,209
Motor Vehicle Excise	500,000	544,286	44,286
Boat Excise	32,000	29,468	(2,532)
Interest on Taxes	20,000	21,597	1,597
	<u>13,017,183</u>	<u>13,067,261</u>	<u>50,078</u>
Intergovernmental Revenues			
Acadia National Park - PILT	30,000	30,745	745
ANP Otter Creek Treatment Plant	50,000	62,895	12,895
ANP Seal Harbor Sewer	15,000	16,120	1,120
Urban Rural Initiative Program	43,000	43,140	140
General Assistance	250	1,916	1,666
Homestead Reimbursement	18,631	18,631	-
Bulletproof Vest Grant	295	295	-
MDEA Reimbursement	18,050	13,889	(4,161)
Hancock County Sheriff Reimbursement	66,352	59,671	(6,681)
Tree Growth	3,000		(3,000)
Veterans Exemption	760	772	12
BETE Exemption		191	191
Other State Revenues	181	544	363
	<u>245,519</u>	<u>248,809</u>	<u>3,290</u>
Charges for Services			
Police Department	19,000	20,552	1,552
Private Security Detail	11,981	11,981	-
Fire Department		671	671
Sewers	600	583	(17)
Recycling	4,500	3,197	(1,303)
Paid Parking	50,000	56,356	6,356
Planning and Zoning	40,350	35,100	(5,250)
Licenses and Permits	9,000	10,017	1,017
Town Clerk	2,850	7,416	4,566
	<u>138,281</u>	<u>145,873</u>	<u>7,592</u>

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF ESTIMATED AND ACTUAL REVENUES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

	<i>Estimated</i>	<i>Actual</i>	<i>Over (Under) Budget</i>
Miscellaneous			
Solid Waste Performance Credit	36,000	40,662	4,662
Payments in Lieu of Taxes	4,500	5,380	880
Interest on Investments	94,000	60,925	(33,075)
Insurance Dividends/Refunds	10,000	13,744	3,744
Other	2,400	2,525	125
	<u>146,900</u>	<u>123,236</u>	<u>(23,664)</u>
Transfers and Other Sources			
NEH Marina	42,283	48,812	6,529
Reserves	2,300	59,468	57,168
Municipal Revenue Sharing	50,000	50,000	-
	<u>94,583</u>	<u>158,280</u>	<u>63,697</u>
	13,642,466	<u><u>13,743,459</u></u>	<u><u>100,993</u></u>
Fund Balance Used to Reduce Tax Rate	<u>1,260,000</u>		
<b>Total Revenues and Use of Fund Balance</b>	<u><u>14,902,466</u></u>		

**TOWN OF MOUNT DESERT  
GENERAL FUND  
STATEMENT OF APPROPRIATIONS, EXPENDITURES AND ENCUMBRANCES  
FOR THE YEAR ENDED JUNE 30, 2013**

Exhibit A-2  
Page 1 of 2

	Encumbered from 2012	Appropriation	Revenues/ Transfers In	Expenditures	Encumbered to 2014	(Over) Under Budget
General Government						
Governing Body/Legislative	9,000	20,400		9,025		20,375
Municipal Management		493,769		474,410	21,494	(2,135)
Town Clerk/Registrar/Elections	680	87,342		84,129	413	3,480
Finance/Treasury		114,827		109,397	1,000	4,430
Assessment/Revaluations	10,000	103,722		98,136	14,700	886
Code Enforcement	46,832	127,467		157,809	32,040	(15,550)
Human Resources		25,000			25,000	-
Employee Benefits		35,140		16,195		18,945
	66,512	1,007,667		949,101	94,647	30,431
Health and Welfare - General Assistance		3,000		3,846		(846)
Public Safety						
Police Department	12,662	719,074		698,981	1,250	31,505
Private Security Detail		11,981		11,539	442	-
Bulletproof Vest Grant		295		295		-
Fire Department		348,762		297,760		51,002
Communications		288,877		281,104	400	7,373
Emergency Management		1,000				1,000
Fire Hydrant Rental		273,500		273,500		-
	12,662	1,643,489		1,563,179	2,092	90,880
Public Works						
Highways, Streets and Roads	36,986	1,503,838		1,368,561	45,064	127,199
Waste Collection and Disposal	10,000	552,646		514,166	17,500	30,980
Buildings & Grounds		207,774		197,181	10,374	219
Parks and Cemeteries		32,386		30,597		1,789
	46,986	2,296,644		2,110,505	72,938	160,187
Sewer						
Sewer Treatment		525,886		526,014	9,809	(9,937)
Northeast Harbor Plant		105,073		101,616		3,457
Somesville Plant		59,925		41,876		18,049
Seal Harbor Plant		85,958		81,165		4,793
Otter Creek Plant		33,600		20,246		13,354
		810,442		770,917	9,809	29,716

**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, 2013**

	<i>Encumbered from 2012</i>	<i>Appropriation</i>	<i>Revenues/ Transfers In</i>	<i>Expenditures</i>	<i>Encumbered to 2014</i>	<i>(Over) Under Budget</i>
Sewer Capital						
Pump Station Replacement	132,854			5,959	126,895	-
Return Pumps						-
	132,854	-		5,959	126,895	-
Recreation and Library						
Libraries		74,200		74,200		-
Recreation		99,447		91,265		8,182
		173,647		165,465		8,182
Debt Service						
Principal on Bonds/Notes		748,110		748,110		-
Interest on Bonds/Notes		177,581		177,703		(122)
		925,691		925,813		(122)
All Other						
Rural Wastewater Support		165,000		149,493		15,507
Public Agencies		78,689		78,511		178
		243,689		228,004		15,685
Education						
Elementary School	379,503	3,178,539	497,099	3,666,676	388,465	-
Assessments						
MDI High School		2,491,147		2,491,147		-
County Tax		787,920		787,920		-
Overlay		71,902		25,698	25,000	21,204
		3,350,969		3,304,765	25,000	21,204
Operating Transfers Out						
Reserves		1,268,689		1,268,689		-
		1,268,689		1,268,689		-
<b>Totals</b>	<b>638,517</b>	<b>14,902,466</b>	<b>497,099</b>	<b>14,962,919</b>	<b>719,846</b>	<b>355,317</b>

**TOWN OF MOUNT DESERT**  
**GENERAL FUND**  
**STATEMENT OF CHANGES IN UNASSIGNED FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Exhibit A-3**

Unassigned Fund Balance, July 1	2,488,432	
Unassigned Fund Balance, June 30	<u>1,684,742</u>	
<b>Increase</b>		<b><u><u>(803,690)</u></u></b>

***Analysis of Change***

Additions		
Budget Summary		
Revenue Surplus - Exhibit A-1	100,993	
Unexpended Balance of		
Appropriations - Exhibit A-2	<u>355,317</u>	
Budget Surplus		<u>456,310</u>
Deductions		
Beginning Fund Balance Used		
to Reduce Tax Rate		<u>(1,260,000)</u>
<b>Increase</b>		<b><u><u>(803,690)</u></u></b>

**TOWN OF MOUNT DESERT**  
**ALL GENERAL RESERVE FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2013**

**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	17,427	2,992,395	22,739	9,321	2,992,395
Due from Other Funds					49,487
<b>Total Assets</b>	<b>17,427</b>	<b>2,992,395</b>	<b>22,739</b>	<b>9,321</b>	<b>3,041,882</b>
<i>Liabilities and Fund Balances</i>					
Liabilities					
Due to Other Funds		4,056			4,056
Total Liabilities	-	4,056	-	-	4,056
Fund Balances					
Restricted	17,427		22,739		40,166
Committed		2,988,339		9,321	2,988,339
Assigned					9,321
Total Fund Balances	17,427	2,988,339	22,739	9,321	3,037,826
<b>Total Liabilities and Fund Balances</b>	<b>17,427</b>	<b>2,992,395</b>	<b>22,739</b>	<b>9,321</b>	<b>3,041,882</b>

**TOWN OF MOUNT DESERT**  
**ALL GENERAL RESERVES**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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	49,794				49,794
Local Sources		54,624		120	54,744
Fair Value Increase (Decrease)		381,473			381,473
Total Revenues	<u>49,794</u>	<u>436,097</u>	<u>-</u>	<u>120</u>	<u>486,011</u>
Expenditures					
General Government		764			764
Public Safety		5,788			5,788
Debt Service		141,056			141,056
Total Expenditures	<u>-</u>	<u>147,608</u>	<u>-</u>	<u>-</u>	<u>147,608</u>
Excess of Revenues Over (Under)	<u>49,794</u>	<u>288,489</u>	<u>-</u>	<u>120</u>	<u>338,403</u>
Expenditures					
Other Financing Sources (Uses)					
Transfers from Other Funds		25,280			25,280
Transfers to Other Funds	<u>(50,000)</u>	<u>(2,317)</u>			<u>(52,317)</u>
Total Other Financing Sources (Uses)	<u>(50,000)</u>	<u>22,963</u>			<u>(27,037)</u>
Excess of Revenues and Other					
Financing Sources Over (Under)	<u>(206)</u>	<u>311,452</u>	<u>-</u>	<u>120</u>	<u>311,366</u>
Expenditures and Other Uses					
Fund Balance - July 1	<u>17,633</u>	<u>2,676,887</u>	<u>22,739</u>	<u>9,201</u>	<u>2,726,460</u>
<b>Fund Balance - June 30</b>	<u><b>17,427</b></u>	<u><b>2,988,339</b></u>	<u><b>22,739</b></u>	<u><b>9,321</b></u>	<u><b>3,037,826</b></u>

**TOWN OF MOUNT DESERT  
GENERAL RESERVE FUNDS  
STATEMENT OF ACTIVITY  
FOR THE YEAR ENDED JUNE 30, 2013**

**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	3,742		112	1,203	(764)	4,293
Police Reserve	15,475	15,280	994		(8,088)	23,661
Police Training Reserve	31,999		1,088			33,087
Pollution Control Equipment	16		1		(17)	-
Revaluation Reserve	20,639	10,000	1,042			31,681
Wastewater Bond Repayment	1,567,368		50,184		(141,056)	1,476,496
Sub-Total	1,639,239	25,280	53,421	1,203	(149,925)	1,569,218
General (Fair Value Changes)	1,037,648		381,473			1,419,121
Total	2,676,887	25,280	434,894	1,203	(149,925)	2,988,339

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**BALANCE SHEET**  
**JUNE 30, 2013**

**Exhibit C-1**

<i>Assets</i>	<i>Town Office Construction</i>	<i>Municipal Garage</i>	<i>WWTP Upgrades</i>	<i>Somesville Treatment Plant Project</i>	<i>Somesville Sidewalk Project</i>	<i>Capital Improvement Program</i>	<i>Total</i>
Investments							
Bonds Receivable		2,161,597	4,955,950			1,634,931	1,634,931
Due from Other Funds	43,530			11,045	234,217	23,612	7,117,547
							312,404
<b>Total Assets</b>	<b>43,530</b>	<b>2,161,597</b>	<b>4,955,950</b>	<b>11,045</b>	<b>234,217</b>	<b>1,658,543</b>	<b>9,064,882</b>
<i>Liabilities and Fund Balances</i>							
Liabilities							
Retainage Payable	30,669	20,077	10,732	11,045	48,402		120,925
Due to Other Funds		36,029	286,915				322,944
Total Liabilities	30,669	56,106	297,647	11,045	48,402	-	443,869
Fund Balances							
Committed	12,861	2,105,491	4,658,303		185,815	1,658,543	8,621,013
Total Fund Balances	12,861	2,105,491	4,658,303	-	185,815	1,658,543	8,621,013
<b>Total Liabilities and Fund Balances</b>	<b>43,530</b>	<b>2,161,597</b>	<b>4,955,950</b>	<b>11,045</b>	<b>234,217</b>	<b>1,658,543</b>	<b>9,064,882</b>

**TOWN OF MOUNT DESERT**  
**ALL CAPITAL PROJECT FUNDS**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

	<b>Town</b>	<b>Municipal</b>	<b>WWTP</b>	<b>Somesville</b>
	<b>Office</b>	<b>Garage</b>	<b>Upgrades</b>	<b>Treatment</b>
	<b>Construction</b>			<b>Plant Project</b>
Revenues				
Local Sources				
Interest Income				
Total Revenues	-	-	-	-
Expenditures				
General Government				
Public Safety				
Public Works Department				
Sewer				
Construction	600,877	205,164	214,634	
Engineering	62,849	90,045	259,919	
Miscellaneous	13,413	41,415	28,094	
Total Expenditures	677,139	336,624	502,647	-
Excess of Revenues Over (Under) Expenditures	(677,139)	(336,624)	(502,647)	-
Other Financing Sources (Uses)				
Bond Proceeds				
Transfer from Other Funds	690,000	2,352,115	4,955,950	(1,745)
Transfer to Other Funds		90,000	205,000	(1,745)
	690,000	2,442,115	5,160,950	
Excess of Revenues and Other Sources Over (Under) Expenditures	12,861	2,105,491	4,658,303	(1,745)
Fund Balance - July 1				1,745
<b>Fund Balance - June 30</b>	<b>12,861</b>	<b>2,105,491</b>	<b>4,658,303</b>	<b>-</b>

**TOWN OF MOUNT DESERT  
ALL CAPITAL PROJECT FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED JUNE 30, 2013**

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

	<b>Sewer Treatment Project</b>	<b>Summit / Ripples SH Sidewalk Project</b>	<b>Somesville Sidewalk Project</b>	<b>Capital Improvement Program</b>	<b>Total</b>
<b>Revenues</b>					
Local Sources	39,762		35,800	48,842	124,404
Interest Income				60,239	60,239
Total Revenues	39,762	-	35,800	109,081	184,643
<b>Expenditures</b>					
General Government				10,263	10,263
Public Safety				213,739	213,739
Public Works Department				136,570	136,570
Sewer				-	-
Construction			1,133,018		2,153,693
Engineering			118,635		531,448
Miscellaneous			1,111	81,744	165,777
Total Expenditures	-	-	1,252,764	442,316	3,211,490
Excess of Revenues Over (Under) Expenditures	39,762	-	(1,216,964)	(333,235)	(3,026,847)
<b>Other Financing Sources (Uses)</b>					
Bond Proceeds					7,308,065
Transfer from Other Funds			113,237	365,876	1,464,113
Transfer to Other Funds	(55,423)	(113,237)		(27,318)	(197,723)
	(55,423)	(113,237)	113,237	338,558	8,574,455
<b>Excess of Revenues and Other Sources Over (Under) Expenditures</b>	(15,661)	(113,237)	(1,103,727)	5,323	5,547,608
Fund Balance - July 1	15,661	113,237	1,289,542	1,653,220	3,073,405
<b>Fund Balance - June 30</b>	-	-	<b>185,815</b>	<b>1,658,543</b>	<b>8,621,013</b>

**TOWN OF MOUNT DESERT**  
**CAPITAL IMPROVEMENT FUNDS**  
**STATEMENT OF ACTIVITY**  
**FOR THE YEAR ENDED JUNE 30, 2013**

	Balance July 1	Transfers In	Interest	Revenues	Expenditures	Transfers Out	Balance June 30
Capital Improvement Funds							
Assessment Capital Reserve	1,290	1,250	86				2,626
Bait House	1,049	500	53				1,602
Bartlett Harbor Moorings/Floats	15,461	4,000	662				20,123
Bartlett Narrows Dock	14,200	3,897	443		(16,496)		2,044
CEO Work Truck	6,642	5,262	405				12,309
Clerk's Capital Improvement	1,462	1,417	98				2,977
Communications Cap. Imp.	5,901	1,968	205		(5,000)		3,074
Communications Radio	13,860	15,520	999		(10,471)		19,908
Fire Equipment/Engine	236,598	110,000	8,135	36,000	(196,813)		193,920
Fire Station Building	34,186	10,000	1,478		(1,455)		44,209
Harbor Boat Reserve	7,480	10,013	595				18,088
Land Acquisition	213,430		7,256				220,686
Marina Equipment Reserve	4,143	2,000	209				6,352
Northeast Harbor Marina	311,678	12,296	11,015		(2,035)		332,954
Northeast Harbor Marina Work Truck	15,803	2,435	542		(4,386)		14,394
Northeast Harbor Moorings/Floats	73,506	29,740	3,080	2,842	(52,743)		56,425
Public Works Equipment	255,440	44,500	7,346	10,000	(125,021)		192,265
Refuse Truck	122,030	30,000	5,169				157,199
Seal Harbor Dock	76,798	15,751	3,125		(6,084)		89,590
Seal Harbor Marina Road	2,265		53			(2,318)	-
Town Office Building	53,116	10,000	1,335		(10,263)	(25,000)	29,188
Town Roads	42,431	27,318	2,087		(11,549)		60,287
Treasurer's Capital Improvement	1,540	1,492	103				3,135
Wastewater	124,895	17,517	4,842				147,254
Wastewater Work Truck	18,016	9,000	918				27,934
Sub-Total	1,653,220	365,876	60,239	48,842	(442,316)	(27,318)	1,658,543

**TOWN OF MOUNT DESERT**  
**BALANCE SHEET**  
**ALL PERMANENT FUNDS**  
**JUNE 30, 2013**

**Exhibit D-1**

<i>Assets</i>	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Investments	6,522	4,428	10,950
<b>Total Assets</b>	<b>6,522</b>	<b>4,428</b>	<b>10,950</b>
<b><i>Liabilities and Fund Balances</i></b>			
Liabilities			
Accounts Payable		9	9
Due to Other Funds			-
<b>Total Liabilities</b>	<b>-</b>	<b>9</b>	<b>9</b>
Fund Balances			
Reserved for Endowments	4,372	4,419	8,791
Assigned	2,150		2,150
<b>Total Fund Balances</b>	<b>6,522</b>	<b>4,419</b>	<b>10,941</b>
<b>Total Liabilities and Fund Balances</b>	<b>6,522</b>	<b>4,428</b>	<b>10,950</b>

**TOWN OF MOUNT DESERT**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**ALL PERMANENT FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2013**

**Exhibit D-2**

	<i>Frank Stanley Trust</i>	<i>Cemetery Trusts</i>	<i>Total</i>
Revenues			
Investment Income	94	42	136
Expenditures			
Scholarships			-
Cemetery Maintenance		118	118
	-	118	118
Excess of Revenues Over Expenditures	94	(76)	18
Fund Balance - July 1	6,428	4,495	10,923
<b>Fund Balance - June 30</b>	<b>6,522</b>	<b>4,419</b>	<b>10,941</b>